



Interim Report

JUL-SEP 2015

Interim Report for July to September 2015 PowerCell Sweden AB (Publ) First North at Nasdaq Stockholm, PCELL

Important events from July to September 2015

- Increased customer interest, numerous inquiries and significantly improved sales.
- Commissioning of an S1 fuel cell system in an energy smart house - a house with electricity from its own fuel cells, off-grid and with self-produced hydrogen from solar cells. A reference plant with future market potential.
- Delivery of the first S2 fuel cell stacks of 25 kW to a German company.
- Successful achievement of goals and preparation of the next step in the development of the S3 fuel cell platform. The S3 is a 100 kW fuel cell stack platform for automotive application in an EU project (AutoStack Core) with partners, e.g. BMW, VW and which is developed with a number of large suppliers and research institutes.
- The PowerPac prototypes is undergoing final adjustments to customer applications and internal final testing prior to delivery to Vodacom (South Africa), Gulf Organization for Research and Development, GORD (Qatar) and ASKO/Thermoking (Norway).
- PowerCell has been granted two additional patents by the US Patent Office. Both patents relate to methods and devices for reforming diesel and other liquid fuels into hydrogen for use with PowerCell's fuel cells. The design of the reformer is key to PowerCell's PowerPac, which makes it possible to use diesel fuel and existing infrastructure together with PEM fuel cells.

Highlights July - September 2015

	2015	2014	2015	2014
All numbers in TSEK	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
Net sales	2 723	303	3 213	943
Operating profit	-12 033	-11 351	-44 334	-34 987
Profit after tax	-12 030	-11 866	-44 310	-35 696
Cash flow	-13 874	-7 734	-49 284	-31 146

Important events after period end.

- The opening of Gothenburg's first hydrogen filling station, together with Sweden's Minister of Infrastructure Anna Johansson, Regional Development Chairman Birgitta Losman, Hydrogen Sweden and Woikoski. The hydrogen filling station is strategically located next to PowerCell's premises, which enables development and testing of fuel cell vehicles with PowerCell's customers.

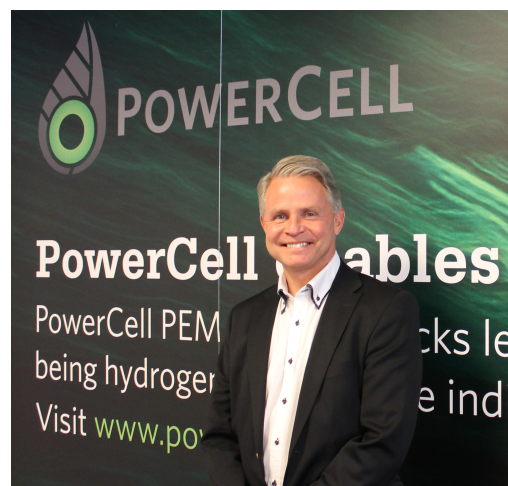


- Establishment of PowerCell Germany GmbH. Germany is one of the key fuel cell markets in Europe. The establishment aims to consolidate the Company's growth strategy.
- Participation at Innovate 46 in New York on October 14 - Invited by Nasdaq and the Swedish-American Chamber of Commerce to increase exposure to the US.



The CEO's comments

The world is facing enormous challenges. Petrol and diesel have dominated as fuel during the last 100 years. The emissions from these fossil fuels have caused damage to both the environment and people and created huge challenges in terms of today's climate threats. Fuel cells powered by hydrogen may be the solution everyone is looking for. The technology exists and PowerCell's highly skilled engineers have developed leading-edge products over the last 20 years that are extremely well strategically positioned to contribute to the improvement of the environment - which has become a matter of urgency.



To our great satisfaction an increased customer interest, a number of customer inquiries, as well as a sharp increase in sales revenues have characterized this quarter. The ongoing process of industrialization and intensive development phase, to create the conditions for mass production, which according to the plan are charged to earnings Q3, also marked the quarter. Our platform technology and modular approach has the advantage of being able to be used in several segments that create industrial scale and competitive advantages.

Hydrogen powered cars are the future

It is increasingly obvious that the transition to electric cars is a must to manage climate challenges. Unfortunately batteries have major drawbacks while hydrogen gas, in our opinion, is the future of fuel. The cars are filled with hydrogen that via a fuel cell is converted to electricity, which means that they only emit water vapour. Hydrogen produced from renewable energy sources is a completely fossil free fuel. Refuelling takes about 3 minutes and the range is about 550 kilometres. A fuel cell can also be combined with a battery in the vehicle and act as a REX - a so-called Range Extender, for hybrid electric cars, buses and light hybrid trucks in city traffic, where zero emission vehicles is an important step towards a better environment. When the world's largest manufacturer, Toyota, says that the future is not in the battery but in the hydrogen fuel cell, despite the fact that they are in the forefront of battery technology, makes it likely that other major automotive manufacturers will go the same path as Toyota from 2020. PowerCell has already entered into technological partnerships with a number of these vehicle manufacturers. Larger volumes means that the price on fuel cells drops and the PEM (Polymer Electrolyte Membrane) technology becomes more attractive.

Hydrogen filling station strategically located next to PowerCell

For fuel cell cars to become a reality, hydrogen infrastructure is now expanding rapidly in the United States, Germany, Japan and South Korea. The EU wants a refuelling station every 300 kilometres. On October 26, 2015 the Swedish Infrastructure Minister opened a filling station next to the PowerCell's premises in Gothenburg. Hydrogen refuelling stations are already built at Arlanda and in Malmö. The station has a strategic position for PowerCell, as it will now be possible for PowerCell to test and develop fuel cells to our customers' fuel cell vehicles next to our development laboratories, but also for other

companies and public operators working in the station's proximity to become motivated to start using this type of vehicle.

Establishment of PowerCell Germany GmbH

The German market is strategically important for PowerCell, and therefore the Company has established PowerCell Germany GmbH. The establishment in Germany follows the objective to strengthen the market presence in one of the most important markets in Europe and consolidate the Company's growth strategy. Initially the marketing activities for PowerCell's fuel cell products will be increased and ongoing development in the automotive sector will be facilitated through closer proximity to customers.

The fuel cell platform S1 (1-5 kW)

The fuel cell platform S1 can be used in numerous applications, for example; houses, buildings, traffic systems and in combination with a natural / biogas reformer to create electricity. PowerCell have recently produced a first fuel cell system to a self-sufficient 'off grid' house - a low-energy house in Angered, Gothenburg. In 2020 there will be a requirement that new buildings will have to be built as near zero energy houses, which means they will produce almost as much energy as they consume. The electricity that solar / wind turbine generates satisfies the continuous demand for electricity and from the surplus there is production of hydrogen, by means of electrolysis, which is then stored in tanks. This can later be used in a fuel cell to generate new electricity / heat when needed. The interest in locally solving the energy demand increases dramatically since network providers charge connection fees. This increases the desire to have a self-sufficient house. The house in Angered will be a reference plant for future installations. The interest from property owners has been large.

The fuel cell platform S2 (5-25 kW)

PowerCell has delivered a first order of the S2 platform. A German company is now testing two fuel cell stacks of model S2, 25 kW each. PowerCell's S2 stack will be tested as REX, Range Extender, powered by hydrogen in the automotive environment during 2016. The interest in S2 is large and PowerCell has received several RFPs from Germany, France and Korea. S2 is also used in the PowerPac and is designed for high-volume production, which makes it very cost-effective with increasing volumes for several different customer applications.

Fuel cell Platform S3 (20-100 kW)

Continued successful development of the S3 platform - the 100 kW fuel cell stack platform for automotive application is based on industrial components that are suitable for volume production. Discussions are currently on going with a number of car manufactures regarding the next phase.

PowerPac 3 kW (reformer and fuel cell)

For areas where hydrogen is not available, PowerCell's engineers have developed – PowerPac - a patented reformer that converts diesel into hydrogen, which is then led directly into the fuel cell. This reduces carbon emissions significantly and the toxic particles and nitrogen oxides are completely eliminated, compared to a traditional diesel engine. PowerCell's PowerPac, with the patented diesel reformer and PEM fuel cells, has since the beginning been designed for standard diesel in the EU and the US, with a sulphur content of up to 15 ppm.

The development of the PowerPac is done according to a well thought out development strategy in successive development stages. For stationary and semi-stationary applications, already decided, development occurs in time with B-prototypes for testing during 2015/2016, the C prototypes (pre-series models) for testing 2016/2017 and series production in 2017. Several areas are of interest:

- A very interesting application area for stationary PowerPac is power supply to telecom towers. The Company is in the process of commercializing its first stationary PowerPac fuel cell systems for the telecom industry, as a primary source of energy for telecom towers and base stations outside the reliable power grid. An improved B-prototype will be tested together with the mobile operator Vodacom in South Africa, where it will provide a base station in full operation with environmentally friendly electricity.
- The second stationary PowerPac application is being tested together with GORD in Qatar in a demonstration house, to power households in the Middle East. By replacing today's diesel engines that normally kick in when the grid falters, one gets with PowerPac a quiet environmentally friendly backup solution that consumes significantly less fuel.
- A semi-mobile version is being developed together with ASKO of Norway and Thermo King, which will initially be implemented inside a refrigeration / freezer trailer for testing in Trondheim, Norway. When a refrigerated transport truck stops for loading/unloading the main engine can be shut off and the supply of electricity can come from the PowerPac instead of the main engine. This way, the customer is expected to save about 1.900 litres of diesel per year and refrigerated transport vehicle, while simultaneously halve CO₂ emissions and completely eliminate nitrogen oxides, carbon monoxide and particles in sensitive urban environments.

The main tasks for our skilled staff is now to further increase customer focus and deliver prototypes for customer testing in 2016, which prepares and ensures the quality of a planned serial production from 2017.

In order to develop a fully mobile application for trucks, further development is required, this is not foreseen in PowerCell's business plan for 2016-2018. Development costs will require customer financing from truck manufacturers.

Patents

The first patent (US 9,114,986B2) concerns a device for mixing fuel and air, creating a homogeneous mixture for complete vaporization of the fuel, which is necessary to create a reformat gas of the quality required for the PEM fuel. The second patent (US 9,114,985B2) refers to a fuel reformer and method for generating gas with high hydrogen content. This method provides the ability to design a compact and efficient reformer that allows fast and efficient start-up.

With the above, I look forward to an exciting future for PowerCell and our shareholders.

Per Wassén

CEO

PowerCell Sweden AB

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Financial report July - September 2015

Revenues and profits

Sales for the period from July to September 2015 were 2 723 (303)¹ TSEK. The sharp increase is a result of that the Company received and delivered several customer orders during the period.

Other operating income, which mainly consists of grants funding for the period amounted to SEK 3 504 (-515) TSEK. The change is primarily attributable to the fact that several projects have been in various intensive phases between the years. Accumulated over the year reported is still a strong increase, 7 376 (2 018) TSEK.

Operating profit was -12 033 (-11 351) TSEK for the period from July to September. The change in earnings is mainly attributable to the intense development around the S2, PowerPac and the company's cooperation projects.

Cash Flow

Operating cash flow for the period was -13 874 (-7 734) TSEK. Total cash flow for the period amounted to -14 266 (7 185) TSEK. New issue during January to September of 2 398 (0) TSEK refers to the payment of the final items of the subscribed shares in connection with the initial public offering in December 2014.

Financing

The Company secured the coming year's financing in connection with the new share issue of 108 MSEK before issue expenses, which was conducted prior to the listing on First North at Nasdaq Stockholm in December 2014.

The Company has ongoing collaborative projects with funding from the Swedish Energy Agency and the EU totalling about 60 MSEK of which payments for the period from July to September has been obtained about 510 (1 800) TSEK.

Accounting principles

The interim report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012: 1 Annual Report and consolidated financial statements (K3). The accounting policies are more fully described in the Company's annual report for fiscal year 2014.

Significant risks in brief

Operational risks

PowerCell's business activities are exposed to risks and uncertainties. The Company's activities have so far been mainly product development. The Company has also delivered a number of products, which are currently being evaluated by customers. Risks are associated with the development activities, that they proceed according to plan and do not suffer from major delays, costs or other difficulties. Risks are also associated with

¹ Figures between brackets relates to the same period of the fiscal year 2014.

customer reviews precipitates as desired, and that the Company's sales can begin on a larger scale within the time frame that the Board has assessed as probable.

Financial risks

The Company is financed by external capital in the form of equity and loans and will remain so until the sale of the products will start on a larger scale. With increasing sales, the company will be exposed to currency risk as the majority of the revenues and costs are expected to be received and paid in currencies other than Swedish Kronor.

Market-related risks

The Company's products are based on fuel cell technology, which is relatively new in commercial context. This may mean, even though the Company's products performance and business surpasses competitive technologies, that customers are replacing their systems at a slower pace than expected.

Transactions with related parties

No transaction with related parties has occurred during the period.

Long-term incentive programmes

The company has a stock option program for senior executives and staff. It encompasses 840.000 warrants, where each warrant gives the right to subscribe one new share at a subscription price of 12.25 SEK per share during the period 1 January 2017- 31 December 2017. The dilution from this amounts to a maximum of 2.4 percent.

The company has a stock option program for executives, staff and board members. It comprises 1,950,520 warrants where each warrant gives the right to subscribe one new share at a subscription price of 12.25 SEK during the period 1 October 2016 to 31 December 2016. The dilution from this program amounts to a maximum of 5.5 percent.

The Share

The share is listed on First North at Nasdaq Stockholm (P CELL, ISIN code: GB 000 642 5815)

The share capital of PowerCell amounts at September 30, 2015 to 785 364,62 SEK and is divided 35.698.392 shares with a quota value of 0.022 SEK.

In connection with the IPO were issued warrants which the subscribers received free of charge. The program comprises 14.394.092 warrants which two warrants giving right to subscribe to one new share at a subscription price of 9.63 during the period 1 December 2015 to 31 December 2015. The warrants are listed on First North at Nasdaq Stockholm (P CELL T01, ISIN code: SE0006425823). Total dilution from this program can be a maximum of 20.3 per cent.

Ownership per September, 30, 2015*

	No. of shares	Owner- ship
Midroc New Technology	8 279 000	23,2%
Fouriertransform	8 279 000	23,2%
Finindus	5 857 464	16,4%
Volvo Group Venture Capital	3 962 562	11,1%
Avanza Pension	1 843 635	5,2%
Others	7 476 731	20,9%
Total	35 698 392	100,0%

* Source: Euroclear

Dividend

The AGM on 6 May 2015 decided not to pay any dividend for the financial year 2014.

Upcoming reports

- Year-end Report 2015, March 8, 2016
- Interim Report Q1, May 10, 2016
- Interim Report Q2, August 16, 2016
- Interim Report Q3, November 1, 2016
- Year-end Report 2016, March 7, 2017

Gothenburg, November 2, 2015

Magnus Jonsson
Chairman of the Board

Göran Linder
Director of the Board

Dirk De Boever
Director of the Board

André Martin
Director of the Board

Per Wassén
CEO/Director of the Board

The company's auditor has not audited this report.

KEY FIGURES	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep
Profitability (%)				
Return on average total capital	neg.	neg.	neg.	neg.
Return on average equity	neg.	neg.	neg.	neg.
Capital structure				
Solidity	34%	-6%	52%	-6%
Data per share (SEK)				
Outstanding shares	35 698 392	23 130 060	35 698 392	23 130 060
Earnings per share	-0,3	-0,5	-1,2	-1,5
Earnings per share after full dilution	-0,3	-0,5	-1,0	-1,5
Dividend per share	-	-	-	-

INCOME STATEMENT	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep
Net sales	2 723	303	3 213	943
Cost of goods sold	-3 344	-101	-3 743	-1 769
Gross profit/loss	-621	202	-530	-826
Administrative expenses	-50	-49	-343	-281
Research and development costs	-14 866	-11 032	-50 837	-35 893
Other operating income	3 504	-515	7 376	2 018
Other operating costs	-	43	-	-5
Operating profit/loss	-12 033	-11 351	-44 334	-34 987
Financial items				
Interest income	3	11	24	63
Interest expenses	-	-526	-	-772
Profit/Loss after financial items	-12 030	-11 866	-44 310	-35 696
Tax on profit for the year	-	-	-	-
NET PROFIT/LOSS	-12 030	-11 866	-44 310	-35 696

BALANCE SHEET	2015 Sep 30	2014 Sep 30	2014 Dec 31	2013 Dec 31
ASSETS				
Non-current assets	22 714	26 131	25 207	30 057
Total non-current assets	22 714	26 131	25 207	30 057
Inventories, etc.	1 107	917	689	305
Short-term receivables	14 622	8 540	15 326	8 793
Cash and bank balances	56 872	22 961	105 854	24 725
Total current assets	72 601	32 418	121 869	33 823
Total assets	95 315	58 549	147 076	63 880
LIABILITIES AND EQUITY				
Share capital	785	231	785	213
Unrestricted equity	75 670	31 682	122 651	54 360
Year loss	-44 310	-35 696	-46 982	-38 368
Total equity	32 145	-3 783	76 454	16 205
Pensions provisions and similar commitments	1 549	2 353	2 135	2 904
Long-term liabilities	39 987	30 000	39 987	30 000
Short-term liabilities	21 634	29 979	28 500	14 771
Total liabilities	63 170	62 332	70 622	47 675
Total equity and liabilities	95 315	58 549	147 076	63 880

CASH FLOW STATEMENT	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep
Operating activities				
Operating profit/loss	-12 033	-11 351	-44 334	-34 987
Adjustment for non-cash items	1 326	1 300	4 003	3 993
Interest received	6	8	16	28
Interest paid	-	-	-	-64
Income tax paid/received	-176	-177	-529	-529
Changes in working capital				
Change in inventories	-136	142	-417	-612
Change in operating receivables	-2 720	-480	-1 150	817
Change in operating liabilities	-141	2 824	-6 873	208
Cash flow from operating activities	-13 874	-7 734	-49 284	-31 146
Investment activities				
Investments in non-current assets	-392	-81	-2 096	-618
Cash flow from investing activities	-392	-81	-2 096	-618
Financing activities				
Borrowings	-	-	-	-
Obtained bridge loan from shareholders	-	15 000	-	30 000
Shareholders' contribution received	-	-	-	-
New share issue	-	-	2 398	-
Cash flow from financing activities	0	15 000	2 398	30 000
The periods cash flow	-14 266	7 185	-48 982	-1 764
Cash and cash equivalents at beginning of year	71 138	15 776	105 854	24 725
Cash and cash equivalents at year-end	56 872	22 961	56 872	22 961
<i>Adjustment for non-cash items</i>				
Depreciation	1 508	1 520	4 589	4 544
Other items not affecting cash flow	-182	-220	-586	-551
	1 326	1 300	4 003	3 993

Definitions

Return on assets

Profit after tax in relation to average total capital

Return on equity

Profit after tax in relation to average equity

Solidity

Equity in relation to total assets

Earnings per share

Profit after tax in relation to the number of shares

Dividend per share

The dividend per entitled share

PowerCell Sweden AB in brief

PowerCell Sweden AB (publ) is a leading energy technology company with a unique and patented technology for generating electricity from fuel cells in an efficient and environmentally friendly way. PowerCell develops and distributes advanced fuel cell systems for the transport industry, the telecommunication industry and the military sector.

PowerCell has developed fuel cell technology for more than a decade, and has perfected a unique design that enables the production of a lightweight, versatile and reliable power source for automotive, transport and stationary applications.

PowerCell's fuel cell system converts road diesel to electricity in an energy efficient and environmentally friendly manner, where exhaust fumes and toxic emissions are eliminated and are quiet in operation. The electricity can be used for climate control in trucks and other heavy-duty vehicles and eliminate idling when resting and loading/unloading.

PowerCell is a spinout from the Volvo Group with the objective to develop and produce environmentally friendly power systems based on a unique fuel cell and reformer technology that matches existing fuel infrastructures. PowerCell is based in Gothenburg and is owned by Volvo Group Venture Capital, Fouriertransform, Midroc New Technologies and Finindus.

PowerCell Sweden AB (publ) is based in Gothenburg and is listed on First North at Nasdaq Stockholm.

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