

## INTERIM REPORT APRIL-JUNE 2018



# Interim Report for April-June 2018

## Important events in April-June 2018

- Sales more than doubled compared to the same period 2017
- Received a prototype order for PowerCell S3 fuel cell stacks from an International Tier 1 supplier in the Automotive industry, worth MSEK 6.9
- Received a repeat order for PowerCell S2 fuel cell stacks for tests from a Chinese customer worth MSEK 2.3
- Received a strategically important order for PowerCell S3 stacks and MS 100 systems for tests from a global OEM within the automotive industry worth more than MSEK 3
- Power generating unit for ships based on fuel cell stacks from PowerCell received the first ever approval-in-principle from the Norwegian certification company DNVGL
- Decided to initiate the process to move from First North to Main Market on Nasdaq Stockholm

## Financial highlights

	2018	2017	2018	2017
All numbers in TSEK	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun
Net sales	13 506	5 996	21 320	9 936
Operating income	-19 288	-17 960	-38 096	-33 883
Profit after tax	-19 442	-17 962	-38 399	-33 885
Operative cash flow	-25 702	3 996	-35 900	-8 268

## Important events after period end

- Received an additional prototype order for PowerCell S3 fuel cell stacks from an international Tier 1 supplier in the automotive industry worth more than MSEK 10
- Wuhan Tiger to take delivery of 16 additional PowerCell S2 fuel cell stacks
- Signed a MOU with Siemens AG regarding development of marine systems based on PowerCell fuel cells
- The German project Autostack Industrie, in which PowerCell is a partner, initiated a dialogue with suppliers for the scaling-up for mass production of automotive fuel cells

## The CEO's comments

### Time to move from words to action!

**We are approaching the end of August and after a summer like this it would have been appropriate to include a few appreciative words about the weather we have just experienced. But the uneasiness is hard to shake off and any sense of gratefulness is being replaced by a gnawing feeling that something is wrong. That is a feeling supported by facts following a summer when fires, drought and temperatures struck new records. For us at PowerCell the past summer is yet another confirmation of the importance of our technology and our products and a reminder of the urgent need to move from words to action in transforming to more sustainable sources of energy.**

According to the European Centre for Medium-Range Weather Forecasts, ECMWF, June was the hottest June month on record globally since the measurements started at the end of the 19<sup>th</sup> century. 17 of the top 18 warmest months documented have occurred after 2001. Many parts of the world report about crop failure, emergency slaughter, wildfires and even deaths in the wake of the heat waves. All established science points to the high likelihood that emissions of carbon dioxide caused by humans are behind the climate change and the global warming.

It is hard not to lose faith and to give up when trying to digest all the facts. Still, what is happening is not predestined but the result of human activities and human activities yet has a chance to influence the course of events. This is an understanding and a conviction characterizing all of us working at PowerCell. Unlike bio diesel, methanol or ethanol, our unique technology for fuel cells and hydrogen can provide a way forward and enable a transformation of the transport sector, commercial shipping and housing, to a truly sustainable use of energy with no emissions of carbon in the entire value chain. And this is an understanding and a conviction that is spreading among our customers.

#### Sales more than doubled

Subsequently we are noting increased activity levels among our industrial customers resulting in more requests and more orders. During the second quarter our sales more than doubled to 13.5 MSEK compared to the same quarter last year (5.9 MSEK). The increase was driven by a strengthened demand from customers particularly in the automotive industry, and during the quarter we received orders from new customers as well as additional orders from already existing customers. In addition to a prototype order for S3 stacks worth 6.9 MSEK from an international Tier one supplier in the automotive industry, we received several orders for S2 stacks for field tests from new Chinese customers and a repeat order from another Chinese customer. During the quarter we also made our first deliveries of S3 stacks to Nikola and got a strategically important first order for S3 stacks from a global OEM within the automotive industry. Our other projects, like the hydrogen driven material handler developed jointly with Kalmar Industries and SSAB, the hydrogen filling station in Mariestad and a project where we are providing fuel cell stacks for an off-grid house for Skellefteå Kraft (the Zero Sun House), are developing according to plan. When it comes to Nikola we are also extremely happy to note that they have received an order for 800 trucks from Anheuser-Busch, that they recently concluded a successful funding round and announced a plan to build 700 hydrogen stations across the USA and Canada in the next 10 years.

Other operating income was up mainly as a result of increased governmental project subsidies and funding, in particular related to the German project Autostack Industrie, where PowerCell is a partner together with BMW, Daimler, Ford, Volkswagen and key component suppliers.

### **Cost increases according to plan**

PowerCell is operating in an immature and rapidly growing market with great potential and we are in the middle of an intense commercialization phase. To fully benefit from this we have deliberately increased our costs within selling and administration and had an opportunistic approach when securing strategically important orders, something which have impacted our gross income and gross margin (25.5%).

Operating cash flow for the period was – 25.7 MSEK, down from the same quarter last year (4.0 MSEK), partly attributable to increased investments in our laboratory needed for the testing of larger stacks, and higher sales volumes resulting in increased inventories and receivables. A comparison with the same quarter last year is not fully relevant as the cash flow for the 2<sup>nd</sup> quarter 2017 was affected positively by one-time effects linked to a raise in capital through a directed rights issue.

### **Fossil fuels have to go**

This summer has clearly illustrated that we have to get rid of fossil fuels and as a world leading developer and producer fuel cell stacks, we obviously believe that fuel cells have an important role to play in this. But we cannot do it on our own and the realization that time is running out, must lead to resolute actions being taken by both governments and the automotive industry. A true transformation of the transport sector requires aggressive governmental initiatives that bridge the element of catch 22 that almost always characterizes this type of shift in technology: as long as there is no sufficient infrastructure for the distribution of hydrogen, there will be no demand for hydrogen powered vehicles; as long as there is no demand for hydrogen powered vehicles, very few will dare to invest in a distribution system. It is easy to note that the authorities in many Asian countries like China, Japan and South Korea but also Germany and the State of California, has realized the potential of hydrogen and fuel cells and acted accordingly. The realization that it will be impossible to build enough charging stations for battery vehicles in cities with several million inhabitants, is one of the reasons. Sweden with its ambitious goal to make the vehicle fleet independent of fossil fuels by 2030, still has not shown any signs of understanding this.

PowerCell has a very clear mission: to save the planet by products and systems based on fuel cells. That mission has never felt timelier and more needed.

***Per Wassén***

***CEO, PowerCell Sweden AB***

# Financial report April-June 2018

## Revenues and profits

Sales for the period April to June 2018 amounted to TSEK 13506 (5 996<sup>1</sup>). The strong increase is partly mainly attributable to an increased delivery rate of PowerCell S2 stacks to Chinese customers, and the first deliveries of PowerCell S3 to Nikola.

Other operating income, which mainly consists of governmental project subsidies, amounted to TSEK 4629 (2926) for the period.

The operating income was TSEK -19 288 (-17960) for the period April to June negatively affected by increased cost for selling and administration, a deliberate decision crucial for the ongoing industrialization and commercialization phase.

## Cash Flow

The operating cash flow for the period was TSEK -25702 (3 996). The decrease is partly driven by continued and necessary investments in our laboratory and by the increased sales which has resulted in higher inventories and receivables. The cashflow last year was affected positively by one-time effects linked to a raise in capital through a directed rights issue.

## Financing

On-going cooperation projects resulted in governmental project subsidies, financed by the Swedish Energy Agency and the EU, at a total amount of approximately MSEK 60 from which payments in the period April to June have been received at TSEK 933 (4866).

## 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 2017.

## Significant risks in brief

### Operational risks

PowerCell is through its business activities, 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 progress of the development activities and that this process doesn't suffer from major delays, increased costs or other difficulties. Risks are also associated with customer reviews precipitating 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 sales of the products will start on a larger scale. With increasing sales, the company will be exposed to currency risks as the majority of the revenues and costs are expected to be received and paid in currencies other than Swedish Kronor.

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<sup>1</sup> Figures between brackets relates to the same period of the fiscal year 2017.

### Market-related risks

The company's products are based on fuel cell technology, which is relatively new in a commercial context. This may mean, even though the company's products' performance and business surpass competing 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 programs

The company implemented a stock option program for senior executives in June. The program comprises 273624 options where each warrant gives the right to subscribe to one new share at the subscription price SEK 33.21 during the period May 1, 2020 to May 31 2020. The dilution from the program amounts to a maximum of 0.5 percent.

## The share

The share is listed on First North at Nasdaq Stockholm (PCELL, ISIN code: SE 000642 5815, LEI code 549300751J7TGOK3VC02).

The share capital of PowerCell amounts per June 30, 2018 to SEK 1,141,113.82 and is divided into 51,868,810 shares with a par value of SEK 0.022.

## Ownership per June 30, 2018\*

	No. of shares	Ownership
Midroc New Technology	7 695 220	14.8%
Fouriertransform	7 695 220	14.8%
Finindus	5 444 736	10.5%
Avanza Pension	3 675 496	7.1%
Other	27 358 138	52.8%
<b>Total</b>	<b>51 868 810</b>	<b>100,0%</b>

\* Source: Euroclear

## Upcoming reports

- Interim report Q3, November 1, 2018

Gothenburg, August 23, 2018

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

Åsa Severed  
Director of the Board

Mattias Silfversparre  
Director of the Board

Hasse Johansson  
Director of the Board

Per Wassén  
CEO

The company's auditor has not audited this report.

	2018	2017	2018	2017
INCOME STATEMENT	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun
Net sales	13 506	5 996	21 320	9 936
Cost of goods/services sold	-10 055	-3 608	-16 159	-6 129
<b>Gross profit/loss</b>	<b>3 451</b>	<b>2 388</b>	<b>5 161</b>	<b>3 807</b>
Selling and administrative expenses	-8 567	-3 749	-15 094	-6 958
Research and development costs	-18 062	-19 442	-34 654	-35 901
Other operating income	4 629	2 926	7 423	5 284
Other operating costs	-739	-83	-933	-115
<b>Operating profit/loss</b>	<b>-19 288</b>	<b>-17 960</b>	<b>-38 097</b>	<b>-33 883</b>
<i>Financial items</i>				
Interest expenses	-154	-2	-302	-2
<b>Profit/Loss after financial items</b>	<b>-19 442</b>	<b>-17 962</b>	<b>-38 399</b>	<b>-33 885</b>
Tax on profit for the year	-	-	-	-
<b>NET PROFIT/LOSS</b>	<b>-19 442</b>	<b>-17 962</b>	<b>-38 399</b>	<b>-33 885</b>

<b>BALANCE SHEET, TSEK</b>	<b>2018 Jun-30</b>	<b>2017 Jun-30</b>	<b>2017 Dec-31</b>
<b>ASSETS</b>			
Intangible assets	1 291	803	967
Fixed assets	31 330	16 091	20 644
Financial assets	3 561	1 858	1 858
<b>Total non-current assets</b>	<b>36 182</b>	<b>18 752</b>	<b>23 469</b>
Inventories, etc.	12 546	8 802	6 508
Short-term receivables	29 292	16 036	26 286
Cash and bank balances	165 798	264 409	217 809
<b>Total current assets</b>	<b>207 636</b>	<b>289 247</b>	<b>250 603</b>
<b>Total assets</b>	<b>243 818</b>	<b>307 999</b>	<b>274 072</b>
<b>LIABILITIES AND EQUITY</b>			
Share capital	1 141	1 133	1 137
Other restricted equity	640	803	725
Unrestricted equity	187 100	249 141	253 723
Year loss	-38 399	-33 885	-66 704
<b>Total equity</b>	<b>150 482</b>	<b>217 192</b>	<b>188 881</b>
Pensions provisions and similar commitments	-	330	-
Long-term liabilities	39 854	39 987	39 854
Short-term liabilities	53 482	50 490	45 337
<b>Total liabilities</b>	<b>93 336</b>	<b>90 807</b>	<b>85 191</b>
<b>Total equity and liabilities</b>	<b>243 818</b>	<b>307 999</b>	<b>274 072</b>



CASH FLOW STATEMENT, TSEK	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun
<b>Operating activities</b>				
Operating profit/loss	-19 288	-17 960	-38 096	-33 883
Adjustment for non-cash items	1 729	1 354	3 398	2 671
Interest paid	-2	-2	-3	-2
Income tax paid/received	-233	-164	-603	-401
<b>Changes in working capital</b>				
Change in inventories	-2 600	-5 354	-6 039	-5 438
Change in operating receivables	-8 654	-2 005	-4 008	-2 678
Change in operating liabilities	3 346	28 127	9 451	31 463
<b>Cash flow from operating activities</b>	<b>-25 702</b>	<b>3 996</b>	<b>-35 900</b>	<b>-8 268</b>
<b>Investment activities</b>				
Investments in non-current assets	-3 614	-1 018	-14 409	-1 475
Investments in subsidiary and associated companies	-1 702	-1 624	-1 702	-1 624
<b>Cash flow from investing activities</b>	<b>-5 316</b>	<b>-2 642</b>	<b>-16 111</b>	<b>-3 099</b>
<b>Financing activities</b>				
New share issue	-	214 572	-	214 572
<b>Cash flow from financing activities</b>	<b>-</b>	<b>214 572</b>	<b>-</b>	<b>214 572</b>
<b>The period's cash flow</b>	<b>-31 018</b>	<b>214 572</b>	<b>-52 011</b>	<b>203 205</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>196 816</b>	<b>48 483</b>	<b>217 809</b>	<b>61 204</b>
<b>Cash and cash equivalents at year-end</b>	<b>165 798</b>	<b>264 409</b>	<b>165 798</b>	<b>264 409</b>
<b>Adjustment for non-cash items</b>				
Depreciation	1 729	1 519	3 398	3 009
Other items not affecting cash flow	-	-165	-	-338
	<b>1 729</b>	<b>1 354</b>	<b>3 398</b>	<b>2 671</b>

# CHANGES IN EQUITY, TSEK

	<i>Restricted equity</i>			<i>Unrestricted equity</i>		<i>Total equity</i>
	Share capital	Ongoing new share issue	Fund development expenses	Share premium reserve	Other un-restricted equity	
<b>2017-01-01</b>	<b>985</b>	<b>-</b>	<b>736</b>	<b>327 064</b>	<b>-292 280</b>	<b>36 505</b>
Capitalization of development expenses	-	-	80	-	-80	-
Dissolvment of development expenses	-	-	-95	-	95	-
Rights issue	148	-	-	214 424	-	214 572
Excercise of warrants	4	4	-	4 500	-	4 508
Net loss for the year	-	-	-	-	-66 704	-66 704
<b>2017-12-31</b>	<b>1 137</b>	<b>4</b>	<b>721</b>	<b>545 988</b>	<b>-358 969</b>	<b>188 881</b>
<b>2018-01-01</b>	<b>1 137</b>	<b>4</b>	<b>721</b>	<b>545 988</b>	<b>-358 969</b>	<b>188 881</b>
Dissolvment of development expenses	-	-	-81	-	81	-
Registration of new shares through warrants	4	-4	-	-	-	-
Net loss for the period	-	-	-	-	-38 399	-38 399
<b>2018-06-30</b>	<b>1 141</b>	<b>-</b>	<b>640</b>	<b>545 988</b>	<b>-397 287</b>	<b>150 482</b>

KEY FIGURES	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun
<b>Profitability (%)</b>				
Return on average total capital	neg.	neg.	neg.	neg.
Return on average equity	neg.	neg.	neg.	neg.
<b>Capital structure</b>				
Solidity	62%	71%	62%	71%
<b>Data per share (SEK)</b>				
Outstanding shares	51 868 810	51 500 810	51 868 810	51 500 810
Average of outstanding shares	51 868 810	48 142 601	51 773 850	48 142 601
Earnings per share	-0,4	-0,3	-0,7	-0,7
Earnings per share after full dilution	-0,4	-0,3	-0,7	-0,7
Dividend per share	-	-	-	-

## 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) develops and produces fuel cell stacks and systems for stationary and mobile applications with a world class energy density. The fuel cells are powered by hydrogen, pure or reformed, and produce electricity and heat with no emissions other than water. As the stacks and systems are compact, modular and scalable, they are easily adjusted to any customer need.

PowerCell was founded in 2008 as an industrial spinout from the Volvo Group. The share (PCELL) is since 2014 subject to trade at Nasdaq First North Stockholm with G&W Fondkommission as Certified Adviser.

### For further information, please contact:

CEO Per Wassén, +46 (0) 31 720 36 20, per.wassen@powercell.se

Website: [www.powercell.se](http://www.powercell.se)

The English version is an in house-translation. In case of any discrepancy, the Swedish text will prevail.