



Year-End Report

JAN-DEC 2016

Year-End Report for January-December 2016

PowerCell Sweden AB (publ) First North at Nasdaq Stockholm, PCELL

Important events from Jan-Dec 2016

- Sustained and enhanced interest from customers with many outstanding offers and improved net sales. Product development costs are in line with the plan.
- Chinese order for a PowerCell S2 for testing as a REX (Range Extender) with hydrogen gas for passenger cars in the Chinese market.
- Chinese order for a PowerCell S2 and Letter of Intent to develop a fuel cell system with methanol reformers. The system will be used as a REX (Range Extender) for light trucks in China.
- South Korean order from a strategically important global customer for a PowerCell S2 that will be used for micro-CHP (Combined Heat and Power) in homes in the South Korean market.
- Taiwanese order for two PowerCell S2 fuel cell stacks for testing in the customer's various fuel cell systems powered by reformed or pure hydrogen gas.
- Cooperation agreement with Swiss Hydrogen aiming to establish a cooperation in the area of development and sales of complete systems.
- PowerCell S3 prototypes tested by strategic automotive customers as part of the EU-financed Autostack Core project.
- Delivery of the PowerCell S3 (100 kW) prototype to Coop in Switzerland, when Coop launched the country's first trailer-equipped distribution truck (34 ton) using fuel cell technology. The fuel cell system was implemented through PowerCell's partner, Swiss Hydrogen.
- Received the first marine order consisting of two PowerCell S3 prototypes for installation in a ship to provide propulsion.
- Received a European patent for a new innovation making the PowerCell S2 fuel cell stack more compact, robust and stable.
- Executive management is enhanced by the employment of Charlotta Sahlin as Director Marketing & Communications and Karl Samuelsson as Director Product Development.

Important events from Oct-Dec 2016

- Agreement with world-leading 3M to secure future deliveries of MEA (Membrane Electrode Assembly). The agreement with 3M secures deliveries of PowerCell in the event of increased demand for PowerCell S1 and PowerCell S2 fuel cell stacks.
- Granted EU funding of MEUR 1,3 for the development of fuel cell systems using the PowerCell S3 for passenger cars in collaboration with Volvo Cars and others in the INN-BALANCE consortium.
- Order from Kalmar, Cargotec Sweden AB, to develop a fuel cell system based on PowerCell fuel cell technology for their upcoming electrical forklift truck. SSAB is the end customer.
- Three projects are completed in which the PowerCell PowerPac fuel cell system was used in field tests.
- Received an order for the PowerCell S3 fuel cell stack from a German tier-1 supplier in the automotive industry.
- PowerCell TO2 (warrant program) is completed – providing PowerCell MSEK 23.9.
- Nasdaq First North 25 Index is updated and PowerCell Sweden AB (publ) remains one of the 25 largest and most traded companies on Nasdaq First North.

Highlights October-December 2016

	2016	2015	2016	2015
All numbers in TSEK	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	4 536	1 887	12 185	5 100
Operating profit	-18 103	-20 428	-66 099	-64 763
Profit after tax	-18 102	-20 878	-65 653	-65 188
Cash flow	-20 876	-15 260	-67 966	-64 544

Important events after period end

- Received EU funding of TEUR 982 to develop a marine fuel cell system in the MARANDA project, a collaboration with ABB and other parties The system is based on two PowerCell S3 fuel cell stacks.
- Signed a Letter of Intent with the Norwegian companies Hexagon Composites ASA and Nel ASA to establish a joint venture.
- Inabata is appointed distributor for the Japanese market.
- The company sees an increased potential for industrialisation and commercialisation of the S3 stack (100 kW) for applications in the automotive sector and related industries. These activities will require significant resources. The board of directors anticipates that the continued expansion will require additional financing. The company will therefore start sounding out investors to look for an opportunity to fully utilize the authorization resolved by the AGM 2016 to conduct a directed share issue. The company has appointed Pareto Securities AB as its financial advisor.
- The company is considering to apply for listing of the company's shares on Nasdaq Stockholm during 2018.



The CEO's comments

There is no more time to lose in terms of phasing out fossil fuels such as diesel and petrol, and reducing CO₂ emissions. The contours of a new fuel cell landscape in which hydrogen gas is the major energy supplier are forming in Japan, China, South Korea, California and parts of Europe. PowerCell is extremely well-placed in this transition process. We have started out on our transition from a technology-oriented start-up with a focus on development to becoming an innovative, commercial cutting-edge company whose products can radically reduce our customers' use of fossil fuels as well as their CO₂-related environmental impact. In 2016, we focused on sales and deliveries of prototypes to various customers, while also making a large leap forward towards industrialization. This also led to progress being made in terms of realizing our vision "To be the world leading innovative fuel cell company".

Greater focus on customers

During the year we implemented a new marketing strategy with well-defined market segments and introduced a new sales process. This helped to enhance the quality of requests from customers while also making discussions with customers more nuanced. Companies with strong brands are contacting us with requests relating to relevant areas of application. As customers now are better informed about the performance of the products, they have been more willing than ever before to invest in the testing of our technology and products.

Furthermore, we have strengthened the company's marketing and sales organizations with extra skills. International marketing activities have been expanded and intensified through agreements with new partners. We are implementing our distribution strategy in a structured way. We have previously established PowerCell Deutschland GmbH and as distributors PowerCell Korea Ltd and the South African PowerTech System. In Europe, we have intensified our cooperation with Swiss Hydrogen. Now we add another piece of the puzzle with Inabata who will distribute our products in the Japanese market.

Our increased focus on customers has resulted in greater income through proactive sales of fuel cell stacks and systems for tests in various customer applications. Many customers have requested fuel cell systems with hydrogen to store electricity from renewable sources of energy production. Asia stands out geographically, in particular China where there are acute emissions problems.

Ensuring uniqueness, innovation, scalability and a modular strategy

Our product development strategy is beginning to yield results. We are building customer applications around a given modular based strategy that will create large volumes and economies of scale.

In the case of PowerCell PowerPac, that is built on this modular system with a fuel cell stack S2 and a diesel reformer, three field test projects with B-prototypes were completed in 2016. Telia tested PowerPac as a back-up unit for a telecommunication base station and Norwegian ASKO installed a PowerPac in a truck to reduce emissions of carbon dioxide and other emissions in connection with loading. These two tests achieved

the project's targets. In South Africa, Vodacom wanted to test PowerPac as a back-up for a telecom station. The high sulphur content and the quality of diesel on the African continent is however establishing a major challenge. Following careful analyses of the returned units, we note that we need to improve and quality-assure certain parts of the constructions as well as evaluate the availability of low sulfur standard diesel in different market segments. With this background, the production start of PowerPac with diesel reformer is on hold, until the technology and market conditions for alternative markets than Africa are clarified.

Furthermore, diesel has become challenged in many markets. After "diesel gate", diesel is questioned, not only due to carbon dioxide problems, but also due to emissions of particles and nitrogen oxide from combustion engines. In Oslo, the authorities had to ban all diesel vehicles during one day when unhealthy pollution levels had been reached. Several customer segments now want to get out of the diesel-dependency. For example, ASKO in Norway will test fuel cell trucks running on hydrogen. Similarly, the Swiss Coop is now testing the PowerCell S3 stack. This would mean that their chillers could be directly powered by this large fuel cell.

We have therefore identified opportunities to use our modulization and our unique expertise regarding reformer technology. PowerPac can already be powered by pure hydrogen without a reformer. Reformat can also come from for example natural gas, biogas, methanol and ethanol. As a consequence of this, we have entered into collaboration with a Chinese customer utilizing our reformer competence also for methanol. The Chinese market has a major surplus of available methanol, which is cheaper and easier to reform, and can rapidly replace diesel in hundreds of thousands of small and medium sized distribution trucks in China.

Progress was also made in terms of intellectual property during the year. In October an EU patent was granted for a flow field plate for the PowerCell S2 fuel cell stack. Internal work related to the build-up of production capacity of PowerCell S1 and PowerCell S2 continued. Our agreement with 3M secures future deliveries of MEA (Membrane Electrode Assembly) and means we can rapidly scale up such deliveries. We also quality-assured our internal processes and now have ISO 9000 and 14000 systems in place. S3 development is progressing as part of the Autostack core partnership (with BMW and VW, among others) with continuous verifications of unique, world-class performance. The fact that we are now demonstrating the PowerCell S3 system on a 34-ton distribution truck in Switzerland is evidencing the strength of the product that will provide valuable experience out in the field.

Our vision

We are positioning ourselves strategically in the market for fuel cell stacks and systems as well as reformer technology. We are building our brand and have a good reputation, which is confirmed by the many requests for our skills as well as the many requests from China, to name just one example, to visit us and our unique research environment on the island of Hisingen in Gothenburg.

It is an honor as CEO to be able to lead PowerCell's fantastic and highly skilled employees and to grow this exciting company that will produce major value for our future environment, our customers and our shareholders. We are heading towards the vision "to be the world leading innovative fuel cell company".

Per Wassén / CEO of PowerCell Sweden AB

Financial report October-December 2016

Revenues and profits

The sales for the period October to December 2016 amounted to TSEK 4 536 (1 887¹). This increase is primarily attributable to a greater number of sold PowerCell S2 and PowerCell S3 stacks, as well as customer-adapted product development.

Other operating income, which mainly consists of grant funding, amounted to TSEK 2 278 (1 624) for the period.

The operating profit was TSEK -18 103 (-20 428) for the period from October to December. As part of the ongoing industrialization and commercialization phase, sales and administration costs during the period increased as planned.

Cash Flow

The operating cash flow for the period was TSEK -20 876 (-15 260). Total cash flow for the period amounted to TSEK -2 217 (-15 864). The deterioration in cash flow is mainly attributable to varying periodicity between the years with respect to the releasing of funds for the ongoing collaborative projects with the Swedish Energy Agency and the EU.

The new share issue during the period October to December totaling TSEK 23 895 (0) refers to the payment of the warrant program for senior executives and personnel that expired on December 31, 2016. Subscription to this program amounted to 100%.

Financing

The company secured financing for the coming year with 99.1% of T01 warrants being exercised in January, totaling MSEK 68.7 before issue costs, and 100% of the warrant program for senior executives and personnel being exercised in December, providing a further contribution of MSEK 23.9.

The company has on-going collaborative projects with funding from the Swedish Energy Agency and the EU totalling about MSEK 60 of which payments for the period from October to December has been obtained for TSEK 24 (2 415). The fact that the payments received during the period are considerably lower than previous years is in line with the plan, as the next planned financial reporting period for the EU projects is Q2 2017.

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 2015.

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 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.

¹ Figures between brackets relates to the same period of the fiscal year 2015

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.

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 surpasses 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 programmes

The Company has a stock option program for senior executives and staff. It comprises 380 800 warrants, where each warrant gives the right to subscribe for one new share at a subscription price of SEK 12.25 per share during the period 1 January 2017 - 31 December 2017. The dilution from this amounts to a maximum of 0.9 percent.

The share

The share is listed on First North at Nasdaq Stockholm (PCELL, ISIN code: SE 000 642 5815).

The share capital of PowerCell amounts at December 31, 2016 to SEK 985 256.62 and is divided into 44 784 392 shares with a par value of SEK 0.022.

At year end the share price was 28 SEK and market capitalization amounted to MSEK 1 254.

Ownership per December 31, 2016*

	No. of shares	Owner-ship
Midroc New Technology	9 172 670	20,5%
Fouriertransform	9 172 670	20,5%
Finindus	6 489 836	14,5%
Volvo Group Venture Capital	2 937 426	6,6%
Avanza Pension	2 538 287	5,7%
Others	14 473 503	32,3%
Total	44 784 392	100,0%

* Source: Euroclear

Dividend

The Board proposes no dividend to the AGM May 9, 2017.

Annual general meeting 2017

PowerCell Sweden AB's AGM is scheduled to be held May 9 at 15:00 at the Company's premises. The Company's annual report is scheduled to be published no later than April 14.

Upcoming reports

- Interim report Q1, May 9, 2017
- Interim report Q2, August 18, 2017
- Interim report Q3, November 1, 2017

Göteborg March 7, 2017

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

Per Wassén
CEO/Director of the Board

The company's auditor has not audited this report.

INCOME STATEMENT, TSEK	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Net sales	4 536	1 887	12 185	5 100
Cost of goods/services sold	-3 275	-1 213	-9 266	-4 956
Gross profit/loss	1 261	674	2 919	144
Sales and administrative expenses	-3 352	-446	-6 327	-790
Research and development costs	-17 919	-22 280	-72 057	-73 086
Other operating income	1 995	1 624	9 521	9 004
Other operating costs	-88	-	-155	-35
Operating profit/loss	-18 103	-20 428	-66 099	-64 763
<i>Financial items</i>				
Interest income	1	1	446	26
Interest expenses	-	-451	-	-451
Profit/Loss after financial items	-18 102	-20 878	-65 653	-65 188
Tax on profit for the year	-	-	-	-
NET PROFIT/LOSS	-18 102	-20 878	-65 653	-65 188

BALANCE SHEET, TSEK	2016	2015
	Dec-31	Dec-31
ASSETS		
Intangible assets	736	-
Fixed assets	17 691	21 520
Financial assets	234	234
Total non-current assets	18 661	21 754
Inventories, etc.	3 364	1 702
Short-term receivables	12 917	11 444
Cash and bank balances	61 204	41 008
Total current assets	77 485	54 154
Total assets	96 146	75 908
LIABILITIES AND EQUITY		
Share capital	985	785
Other restricted equity	736	-
Unrestricted equity	100 437	75 669
Year loss	-65 653	-65 188
Total equity	36 505	11 266
Pensions provisions and similar commitments	668	1 368
Long-term liabilities	39 987	39 987
Short-term liabilities	18 986	23 287
Total liabilities	59 641	64 642
Total equity and liabilities	94 146	75 908

CASH FLOW STATEMENT, TSEK	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Operating activities				
Operating profit/loss	-18 103	-20 428	-66 099	-64 763
Adjustment for non-cash items	1 325	1 384	5 123	5 387
Interest received	1	12	1	26
Interest paid	0	-451	-5	-451
Income tax paid/received	571	522	42	-7
Changes in working capital				
Change in inventories	250	-595	-1 662	-1 013
Change in operating receivables	-3 775	2 638	-1 515	1 491
Change in operating liabilities	-1 145	1 658	-3 851	-5 214
Cash flow from operating activities	-20 876	-15 260	-67 966	-64 544
Investment activities				
Investments in non-current assets	-802	-370	-2 730	-2 466
Cash flow from investing activities	-802	-370	-2 730	-2 466
Financing activities				
Investment subsidiary	-	-234	-	-234
New share issue	23 895	-	90 892	2 398
Cash flow from financing activities	23 895	-234	90 892	2 164
The period's cash flow	2 217	-15 864	20 196	-64 846
Cash and cash equivalents at beginning of year	58 987	56 872	41 008	105 854
Cash and cash equivalents at year-end	61 204	41 008	61 204	41 008
<i>Adjustment for non-cash items</i>				
Depreciation	1 478	1 564	5 823	6 153
Other items not affecting cash flow	-153	-180	-700	-766
	1 325	1 384	5 123	5 387

STATEMENT OF CHANGES IN EQUITY, TSEK

	<i>Restricted equity</i>			<i>Unrestricted equity</i>		Total equity
	Share capital	Ongoing new share issue	Fund development expenses	Share premium reserve	Other unrestricted equity	
2015-01-01	779	6	-	236 372	-160 703	76 454
New share issue	6	-6	-	-	-	-
Net loss for the year	-	-	-	-	-65 188	-65 188
2015-12-31	785	-	-	236 372	-225 891	11 266
2016-01-01	785	-	-	236 372	-225 891	11 266
Capitalization of development expenses	-	-	736	-	-736	-
New share issue	200	-	-	90 692	-	90 692
Net loss for the year	-	-	-	-	-65 653	-65 653
2016-12-31	985	-	736	327 064	-292 280	36 505

KEY FIGURES	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Profitability (%)				
Return on average total capital	neg.	neg.	neg.	neg.
Return on average equity	neg.	neg.	neg.	neg.
Capital structure				
Solidity	38%	15%	38%	15%
Data per share (SEK)				
Outstanding shares	44 784 392	35 698 392	44 784 392	35 698 392
Average of outstanding shares	43 809 132	35 698 392	40 241 392	35 558 999
Earnings per share	-0,4	-0,6	-1,5	-1,8
Earnings per share after full dilution	-0,4	-0,5	-1,5	-1,4
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) is the leading fuel cell company in the Nordics, which develops and produces environmentally friendly power systems for stationary and mobile customer applications.

PowerCell has developed a modular system of fuel cell platforms, powered by clean environmentally friendly produced hydrogen where only electricity, heat and water are emissions. The fuel cells are also designed to handle the reformed hydrogen from e.g. biogas, natural gas, biodiesel or standard diesel.

In case hydrogen infrastructure is missing, PowerCell has combined its leading fuel cell and reformer technology and developed a fuel cell system, PowerPac, which converts standard diesel, with hydrogen, into electricity. This is done in an energy-efficient and environmentally friendly way, in which emissions of carbon monoxide, nitrogen oxides and particles are completely eliminated and the carbon dioxide is greatly reduced compared with a conventional diesel engine.

PowerCell Sweden AB (publ) is listed on First North at Nasdaq Stockholm and is an industrial spinout from the Volvo Group. The Company has designated G&W Fondkommission as Certified Adviser for listing on Nasdaq First North Stockholm. Among the largest owners are Midroc New Technology, Fouriertransform, Finindus and Volvo Group Venture Capital.

For further information, please contact:

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This information is information that PowerCell Sweden AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08:30 CET on March 7, 2017.