Annual and sustainability report 2022

PowerCell is the world leader in powering emission-free aviation

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Main events 2022

January

- We join the European development project Camelot together with other companies such as BMW. The project aims to develop material for a new generation of fuel cells and to accelerate our long-term technological development.

April

- Order from Siemens Energy for marine fuel cell module. The order is part of our expanded collaboration in the field of fuel cell propulsion and power generation systems for marine applications.

May

- Order from the US company Kaizen Clean Energy for a 200 kW fuel cell system. The system will use hydrogen produced through on-site reforming of methanol and will be incorporated into a mobile microgrid solution for electric vehicle charging, hydrogen fueling and mission-critical backup power.

June

- Order from a European aviation start-up company worth approximately SEK 47 million through 2023. The order includes delivering fuel cell systems with a total capacity of several megawatts as well as engineering services and laboratory testing.
- Volvo Construction Equipment launches the world's first hydrogen-electric and entirely emission-free articulated hauler prototype. The electric power is generated by a PowerCell fuel cell system, specially designed for the vehicle and application.
- Order from US-based Maritime Partners for a multi megawatt fuel cell system, worth approximately SEK 37 million. Maritime Partners plans to launch the world's first hydrogen-electric towboat, M/V Hydrogen One, in 2023.

September

- Order from US-based Amogy for fuel cell systems to be installed in a workboat in which Amogy's solution will reform ammonia into hydrogen. In this way, it is possible to provide continuous power to a workboat over extended periods.
- Chief Operating Officer Torbjörn Gustafsson assumes the position as CFO.
- We are invited to participate in the EU's Clean Aviation Joint Undertaking which aims to develop the next generation of sustainable aircraft. In January 2023, we are finally selected to be part of the Newborn project that will develop an aerospace-qualified, megawatt propulsion system, powered by hydrogen.

October

- We sign the world's first contract ever covering the serial delivery of hydrogen fuel stacks to the aviation industry. Our client is the groundbreaking zero-emission aviation company ZeroAvia. The agreement, with a value of up to SEK 1.51 billion, is conditioned on ZeroAvia obtaining necessary certifications, and comprises 5,000 hydrogen fuel cell stacks with deliveries planned to start in 2024.

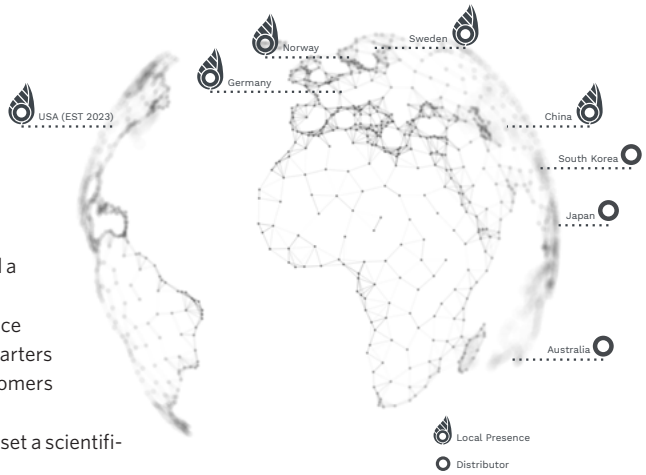
Significant event after the end of the year

- In March 2023, we sign an agreement for deliveries to Norwegian state ferries valued at EUR 19.2 million. The agreement includes deliveries of hydrogen solutions to two ships that will operate on Norway's longest ferry connection. This is the world's largest hydrogen project to date in the marine industry. Approximately EUR 5 million of the order value is expected to impact PowerCell's revenues in 2023.

"We have established ourselves as a growth company in a sector driven by strong megatrends."

Richard Berkling, CEO

PowerCell in brief



PowerCell develops and produces fuel cell stacks and fuel cell systems with a uniquely high power density, targeting applications in the aviation, marine, power generation, off-road and on-road segments.

PowerCell products run on pure or reformed hydrogen and generate electricity and heat without any other emissions than water. Our technology combines high efficiency with compact design, and contributes to increased energy efficiency and a substantial reduction of emissions regardless of application.

We have an extensive IP-portfolio based on more than 25 years of innovation since the industrial spin-off from the Volvo Group. PowerCell has 112 employees, headquarters in Gothenburg, Sweden, and operations in four countries. The vast majority of customers are based in Europe and North America.

We are a signatory of the UN Global Compact and have initiated preparations to set a scientifically based emission target according to SBTi (Science Based Target initiative).

We are dedicated to support our customers in their transition to zero emissions operations. As a leader in hydrogen electric solutions, we contribute to an emission-free, more sustainable world.

Vision

PowerCell is committed to become the hydrogen electric industry's leading enabler of the zero-emission society

Mission

With decades of experience, we use our expertize in hydrogen electrification to accelerate the transition towards zero-emission energy solutions

Guiding principles

- People over processes
- Do your best and care
- Search for the positives
- Kindness is a superpower

Aviation

It has so far been difficult to find solutions to decarbonize the aviation industry. Hydrogen-electric solutions can be a solution to net zero emission aviation.

Marine

The marine industry is facing ever stricter requirements for reduced emissions. Our emission-free fuel cell systems deliver high power relative to the amount of space needed.

Power generation

Power generation systems can provide power to energy-intensive equipment or backup power to for example hospitals and offices. Our solutions are sustainable and reduce the total cost of ownership.

Off-road

Off-road vehicles consume large amounts of energy and are used in well-defined areas. Our hydrogen-electric solutions enable electrification with minimal impact on the customer's operational processes.

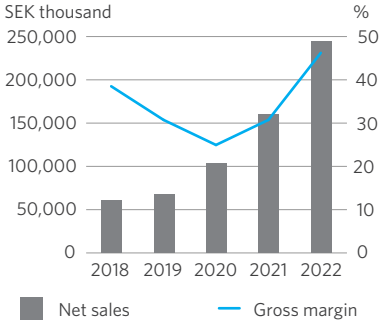
On-road

The automotive industry can benefit from electrification with fuel cells since they require minimal adaptation: refueling times, drivability, range and payload capacity are not significantly different from those of fossil-fueled vehicles.

Five-year summary

SEK thousand, unless other stated	**2022**	2021	2020	2019	2018
Net sales	**244,691**	159,757	103,528	66,850	60,513
Gross profit	**113,023**	49,034	25,780	20,539	23,338
Gross margin, %	**46.2**	30.7	24.9	30.7	38.6
Operating income before items affecting comparability	**-75,019**	-80,475	-97,749	-79,898	-60,893
Operating income	**-75,019**	-81,731	-103,386	448,408	-60,893
Income after tax	**-58,173**	-75,084	-116,622	438,011	-61,862
Operating cash flow	**-120,506**	-66,338	-3,863	369,146	-99,981
Diluted earnings per share, SEK	**-1.09**	-1.50	-2.19	8.38	-1.19

Financial performance



"I am excited that an increasing number of commercial customers see that PowerCell has the products and solutions to help them reach net zero emissions already today."

We have kicked off our growth journey

The year 2022 is historic for us as we saw a clear change in the market with maturing customers and strong growth in commercial orders. We also took the step to truly become a company with an established market offering and we are ramping up our production. The demand for hydrogen electric solutions is growing rapidly, driven by the transition to an emission-free society. We have now kicked off our growth journey and expansion with the vision of becoming a globally leading player in hydrogen-electric solutions.

Historically, technology exploration as well as research and development projects have accounted for a large part of PowerCell's revenues. It was encouraging to see the clear shift during 2022 to orders aimed at commercial applications. Customers identify hydrogen-electric solutions as key to reducing their CO_2 emissions and creating climate-friendly operations. A growing number of companies commit to phase out fossil technologies by 2030, and that means they have to commence their transition to green technology already today to reach their targets.

We signed several important contracts in 2022. As a result of PowerCell's active work to customize our solutions we announced our biggest contract ever in October 2022 - a breakthrough order with the zero-emission company ZeroAvia. Starting in 2025, we will deliver 5,000 fuel cell stacks to their 19-seat commercial aircraft, conditioned on ZeroAvia obtaining necessary certifications. The contract has a potential value of up to SEK 1.51 billion and we are proud to be part in the creation of an emission-free aircraft fleet.

We have established ourselves as the clear market leader in the fast moving aviation industry, which is technically demanding and governed by extremely high safety standards. We also made key progress in the marine segment where PowerCell, among all, was awarded a contract for a fuel cell system by U.S. based Amogy to be installed in a workboat. This boat is powered by ammonia, which shows yet another of our strengths, namely that our solutions are fuel agnostic. In March 2023, we signed a groundbreaking contract that includes deliveries of our Marine System 200 to two of the Norwegian state's ferries. The ships will operate on Norway's longest ferry line and will be powered by green hydrogen.

Strong growth and improved gross margin

In 2022, revenues grew 53 percent to a record high of SEK 244.7 (159.8) million. The gross margin improved to 46.2 (30.7) percent, positively impacted by the change in product mix with increased royalties from Robert Bosch GmbH and higher engineering services sales. Due to increased revenues and our industry-leading gross margin, operating profit improved to SEK –75.0 (–81.7) million, despite inflationary driven cost increases.

Industrialized Innovation gaining traction

For us, 2022 meant that our offer Industrialized Innovation has become highly demanded in the market. By having an industrialized technology and product portfolio, we can customize different solutions according to the customers' needs and requirements. More and more companies get in touch with us as they realize that we offer a mature, commercial and sustainable technology that works in many different applications. It is our world-leading technology, in combination with our creativity and innovation, that leads to a growth outpacing the market. In addition to the progress in the aviation, marine and off-road industries, we see a quickly growing number of applications for our power generation. In Australia, for example, we have together with ENGV installed independent, hydrogen electric solutions for a small community.

Hydrogen important part of the green transition

We see that the shift to electrification and emission-free energy is accelerating, and hydrogen is today established as an important driver of this transition. The strong development is supported by supranational initiatives such as the US Inflation Reduction Act and the EU Green Deal. These initiatives create strong incentives for increased investments in the hydrogen industry value chain. The energy crisis and the geopolitical changes in 2022 have contributed to accelerating demand for hydrogen-electric solutions. Hydrogen gives societies stable access to energy and is a necessary complement to the existing infrastructure for energy supply.

Ramping up production and sharpening our offering

For us, the successful commercialization of our products means that we are rapidly ramping up volumes. At the same time, we continue the work of sharpening and future-proofing our offer. The strategy is to minimize technical risk, investment, and time-to-market for our customers by customizing our industrialized core technology. A key target for us is to maintain our short lead-times to build strong customer relations and secure the position as preferred supplier. Internal efficiency is obviously high on our agenda and something we cannot compromise on as we continue to grow.

Now we are PowerCell Group

As part of preparing for our continued expansion, we have now a new corporate identity in PowerCell Group. We have also taken the decision to set up entities in both the UK and the US. During 2022, we continued to strengthen the organization through new recruitments and, among all, a new position in the management team as Senior Vice President Engineering. In this new role, Lisa Kylhammar is responsible for the entire product portfolio, including both new and existing products.

Sustainability is key in our own value chain

Our customers are driven by the transition to a sustainable, emission-free society and more and more companies commit to scientifically based emission targets in accordance with the Paris Agreement. For us, it is also obvious to show our commitment to the Paris Agreement and therefore we will commit to the SBTi, the Science Based Target initiative. In 2023, we will work to set a scientifically based target for our climate impact, while at the same time working to reduce our own direct GHG emissions.

Although the climate issue forms the very basis of PowerCell's business model and operations, sustainability is broader than that for us. For us, it goes without saying, we should reduce our negative environmental impact, respect human rights including, for example, safe, equal and non-discriminatory workplaces and ensure high business ethics. As a signatory of the UN Global Compact, we have committed to work for the ten principles on environment, human rights, labor, and anti-corruption.

Strong trends driving growth

We are now entering an exciting 2023 with a strong driving force globally to reduce emissions and fight the climate change. The shift to electrification and emission-free energy in many industries is continuing at an accelerating pace, and we no longer need to convince the market of the role that fuel cell and hydrogen-electric solutions will play in the future. Large parts of the business world are involved in the transition towards sustainability, from the big blue chips to start-ups. The rollout of hydrogen electric solutions has only just begun and we will see many initiatives as new business models and opportunities follow as part of building infrastructure and developing new applications. We need strong, innovative companies in the market, so we all together can develop the hydrogen electric future, our strongest competitor is the status quo.

PowerCell has just only begun its growth journey and I look forward with great confidence to the coming years and to our ability to grow profitably. I am excited that an increasing number of commercial customers see that PowerCell has the products and solutions today that can help them reach net-zero emissions in the future.

In conclusion, I would like to take the opportunity to thank all colleagues for their fantastic efforts in 2022. It is a privilege to work in such a stimulating environment with motivated, skilled colleagues where we are all inspired in being part of creating an emission-free world.

Richard Berkling
CEO

The hydrogen society is maturing at a rapid pace

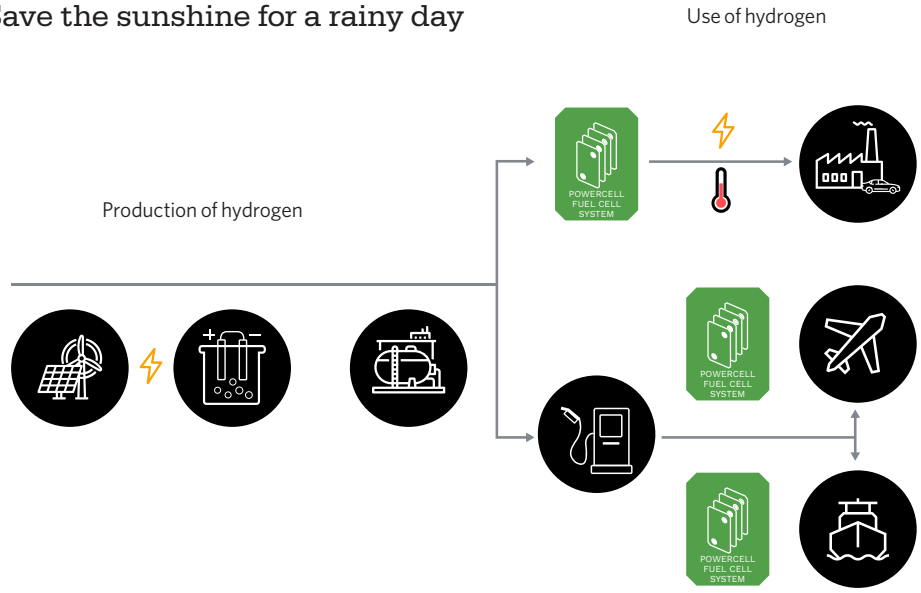
The climate crisis is rapidly increasing the demand for sustainable power generation solutions. The global energy crisis has put even more focus on the need of stable, predictable and sustainable energy supply. At the same time, the world's electricity demand is increasing, driven by electrification and digitalization. Hydrogen has a central role in the energy supply and in 2022 the number of commercial hydrogen-electric projects has accelerated.

The Paris Agreement is an important driving force in the global effort to reduce dependence on fossil fuels and the transition to sustainable power generation alternatives. This transition must be managed at the same time as the world's energy needs are growing at a rapid pace, driven by electrification, digitalization and population growth. According to the International Energy Agency (IEA), global electricity need in 2050 is expected to almost triple from current level to a total of 60,000 TWh.

Green hydrogen through renewable energy

The use of renewable energy sources such as solar and wind power is accelerating, which will be required for the hydrogen electricity industry. By 2026, total electricity production from renewable sources is expected to exceed 4,800 GW, which is more than the total capacity of all current nuclear and fossil fuel power plants. The hydrogen fuel cell technology can take advantage of the major weakness of renewable energy sources – the fact that they are volatile and the production unpredictable – better than any other. Calculations show that both solar and wind power have a utilization rate of around 50 percent since they either cannot generate energy due to weather conditions or the energy they do produce cannot be sold. Given their high investment costs and the ongoing climate crisis, this is not justifiable financially or in terms of sustainability. By using the energy from renewable sources to produce green hydrogen with electrolyzers, the energy can be stored to produce completely emission-free and sustainable power at a later date, either locally or off-site. We are seeing a development here that has led to a steady decline in the cost of producing green hydrogen and has resulted in an average annual double-digit reduction in the price of hydrogen over the last decade.

Save the sunshine for a rainy day



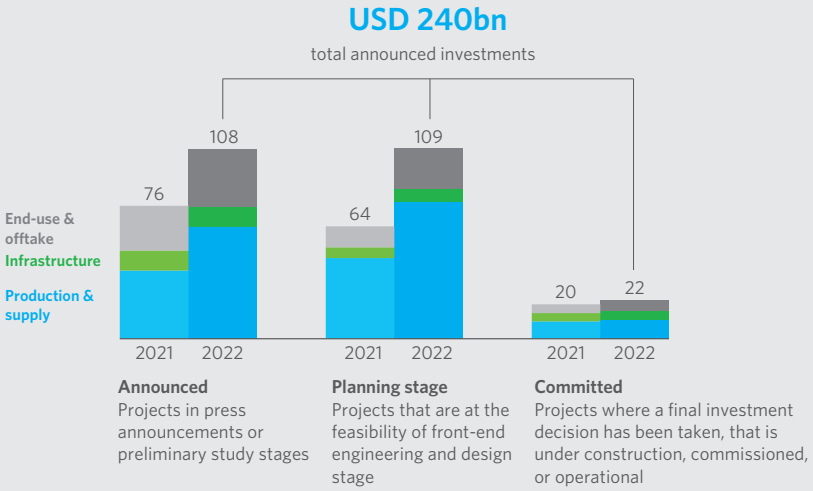
Increasing number of project proposals

The Hydrogen Council and McKinsey & Company published the report "Hydrogen Insights" in September 2022 where they show that globally 680 large-scale hydrogen project proposals worth USD 240 billion have been put forward, an increase of over 160 projects since the previous report in 2021. However, only about 10 percent have reached final investment decision. Europe leads in the terms of proposed investments, while China is slightly ahead in actual deployment of electrolysers. Japan and South Korea are leaders in fuel cells and together have more than half of the world's current manufacturing capacity. The report concludes that the urgency to invest in mature hydrogen projects is greater today than ever. For the world to reach net zero emissions by 2050, investments of around USD 700 billion in hydrogen are required until 2030 and only a small part of this is committed today.

Announced investments by maturity

Direct hydrogen investments until 2030, USD billion

As of May 8, 2022

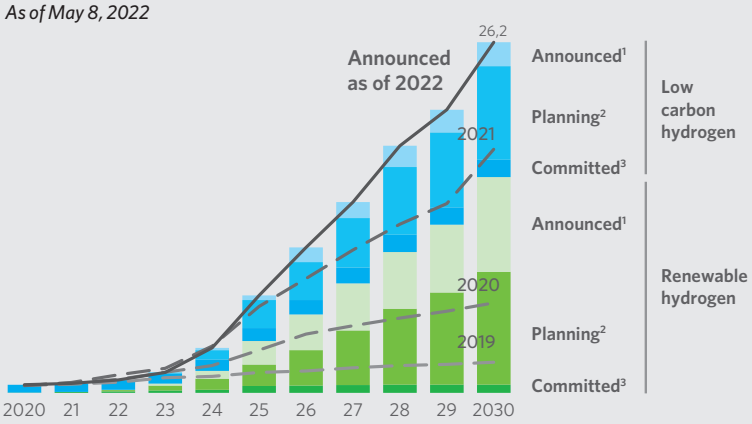


According to the Hydrogen Insights-report, companies have announced project proposals adding up to about 26 million tons of clean hydrogen capacity through 2030 (see diagram), an increase of about 8 million tons since the previous publication. This amounts to about a third of the 75 million tons required by 2030 to be on track toward net zero (as laid out in the Hydrogen for Net Zero report). Announcements add up to 7.3 million tons of clean hydrogen by 2025, up from 6.5 million tons in the previous publication. About 60 percent of the announced volumes through 2030 feature renewable hydrogen, while about 40 percent consist of low-carbon hydrogen.

Announced clean hydrogen production volume by pathway

Cumulative production capacity, million tons per year

As of May 8, 2022



[1] Preliminary studies or at press announcement stage
[2] Feasibility study or front-end engineering and design stage
[3] Final investment decision has been taken, under construction, commissioned or operational

Source: Hydrogen Insights Report September 2022, Hydrogen Council, McKinsey & Company

Strong supranational incentives

At both supranational and national levels, legislation is being strengthened to reduce fossil fuel consumption, while incentives are introduced to accelerate new technology. The US Inflation Reduction Act, aims to work towards a green energy transition, and it gives significant attention to clean hydrogen. The act includes provisions aimed at reducing manufacturing costs, incentivizing clean energy production and implementing an clean hydrogen production tax credit. This is estimated to have a large impact on the development of green hydrogen produced from renewable energy sources, at the expense of natural gas-produced grey hydrogen.

The EU launched its Green Hydrogen Strategy in 2020, which comprises investments of up to EUR 470 billion by 2030. Hydrogen is seen as a prerequisite for achieving the EU's targets of 55 percent reduction of carbon dioxide emissions by 2030 and zero net greenhouse gas emissions by 2050. To support this, the EU has launched the European Green Deal, "Fit for 55" packages, the REPowerEU plan and announced the launch of the Hydrogen bank. The European Clean Hydrogen Alliance supports the large-scale deployment of clean hydrogen technologies by 2030 by bringing together renewable and low-carbon hydrogen production, demand in industry, mobility and other sectors, and hydrogen transmission and distribution. The alliance aims to promote investments and stimulate the roll-out of clean hydrogen production and use.

Industrialized Innovation drives commercial serial deliveries

As the transition to a more sustainable world is accelerating, we see the level of ambition among the customers rising rapidly and more commercial projects materializing. In 2022, we took a transformative step by being awarded the world's first contract ever covering the serial delivery of hydrogen fuel cell stacks to the aviation industry. In a number of customer segments, companies are making far-reaching commitments to future reductions in emissions of both climate-changing gases and other harmful substances, in many cases to be met by 2030.

Since many companies pledge to phase out old fossil technologies by 2030, it means that the transition towards green technology cannot be delayed. If the transition is to have the desired effect in 2030, it must start now and accelerate significantly after 2025. After more than 25 years of innovation and development, PowerCell has a unique position in the hydrogen-electric market with the products and expertise to help customers make the transition and achieve their sustainability goals and thereby contributing to a healthier planet.

PowerCell's foundation of its hydrogen-electric solutions is our proprietary and leading fuel cell stack and fuel cell system technology. Thanks to our focus on modular solutions, we have the scalability to offer systems from a few kilowatts up to several megawatts. This scalability allows us to better meet the needs of customers in different segments.

PowerCell's concept Industrialized Innovation

By using the same core technologies and technology platforms in all systems, we can offer not only the economies of scale of industrialized solutions, but also clear specifications for critical product characteristics such as performance, dimensions and weight. Added to this is our ability to quickly tailor our solutions to application-specific customer requirements and preferences in terms of both performance and integration. This combination strengthens our competitive offering and it sets us apart from many competitors. We call this Industrialized Innovation.

Significant customer benefits

Hydrogen-electric solutions have several advantages for customers. In addition to being completely emission-free and already available today, electrification using fuel cells has minimal impact on customers' operational use of the products. This is due to the combination of high power and compact size that hydrogen-electric solutions offer. For example, construction vehicles electrified with fuel cells and hydrogen will have a drivability, range and load capacity very close to that of equivalent diesel-powered vehicles. For our customers, fuel cell technology means reduced technical risk, reduced time to market and reduced investment needs.

PowerCell's customer segments

Our customers segments are: aviation, marine, power generation, off-road and on-road. The customer segments are at different stages in the transition to hydrogen-electric solutions. Our strategy to prioritize certain customer segments is related to their maturity and the characteristics of the operational use of the products. For example, there are strong similarities between the Off-road and Power Generation segments, where use is characterized by high value creation in a geographically well-defined area. They also have the same requirements in terms of power and scalability, and the possibility of compact installations.

In 2022, we made a transformative step in the aviation segment with the groundbreaking order by the clean aviation leader ZeroAvia. The order with ZeroAvia is the world's first contract ever covering the serial delivery of hydrogen fuel cell stacks to the aviation industry. The order is of great significance due to the high requirements by the aviation industry and the fact that this industry is leading the development of hydrogen electric applications. PowerCell's technology is considered to be world-leading regarding energy density, robustness and reliability.

In the marine segment, we received several commercial orders as for example from U.S. based Maritime Partners. The orders show that we have developed a leading fuel cell technology which we have successfully industrialized for large and demanding applications.

In the off-road segment, the initial phase of technology testing is now moving into the phase of commercialization. One example is our cooperation with Volvo Construction Equipment that has built the world's first hydrogen-electric and entirely emission-free articulated hauler prototype.

We have also customers in less mature industries, where the technology is mainly tested and evaluated. We are an active partner, working closely with them to develop new solutions and build new industries. Also with these customers, we see a strong potential in their drive to develop commercial applications. There is a demand for complete power generating solutions that can be installed in containers where PowerCell works with integrators to offer a complete solution. During the year we worked with Kaizen to create hydro-electric solutions with our fuel cell technology for a mobile solution for charging of electric vehicles, H2 refueling and microgrids.

New innovative players drive the market

In 2022, we saw an increasingly strong trend that new innovative and fast-moving companies are driving the change in the market. Some examples are ZeroAvia in the aviation segment and ENGV in Australia in the power generation segment. These companies are early-enablers and have embraced the new sustainable fuel cell technology. They are, in their respective industries, more fast-moving and can bridge the market potential before the traditional OEMs. It is also very important for PowerCell to have partnerships with some of the world's leading companies. These partnerships with the traditional OEMs give us good geographical coverage and market channels, and

by combining our products and expertise with our partners, we can also offer complete solutions that make it easier for customers to transition to hydrogen-electric power generation.

During 2022, we extended our cooperation in fuel cell-based propulsion and power generating systems for marine application with Siemens Energy and the two of us were together awarded an order for a 100kW marine fuel cell module. In the on-road segment, we have a partnership with Robert Bosch GmbH that licenses our S3 fuel cell stack. The agreement gives Bosch exclusivity in the segment, which means that all sales and marketing are done by Bosch, in relation to the S3 fuel cell stack.

We also have distributors in South Korea, Japan and Australia for our fuel cell technology.

We support customers in their transition

Within Transition Services we assist customers to transition to hydrogen-electric solutions. We support customers in creating value in their operational processes by reducing the complexity associated with the phase-out of old technology and phase-in of new sustainable solutions.

Our Transition Services' offering includes consulting services, application projects, turnkey solutions, and training. In consulting services, we offer comprehensive analysis of customer needs, including proposals for various technological solutions. In application projects, we support project-specific and application-oriented customization of PowerCell's industrially stable fuel cell stacks and systems. Through our broad services offering, we provide customers with world-leading support in their transformative transition to climate-friendly applications and value creation.

Transformative year for the aviation segment

Year 2022 was transformative for our aviation segment as the industry accelerated its investments in sustainable aviation. We signed several large orders from traditional established manufacturers as well as new innovative companies, including our largest order ever, comprising serial deliveries to ZeroAvia, a leader in emission free aviation. PowerCell is now the indisputable leading supplier of hydrogen-electric solutions to the aviation industry.

The aviation industry accounts for about 2.5 percent of the world's CO_2 emissions according to Our World in Data and a higher percentage when taking into account the other non-CO_2 emissions that also impact the climate. In contrast to many other industries, like production of renewable energy and electric cars, it has been difficult to find solutions to decarbonize the aviation industry. Hydrogen-electric solutions are therefore crucial to achieve net zero emissions.

With high specific energy hydrogen-electric powertrains are an efficient and scalable solution for zero-emission aviation. The aviation industry has extremely stringent requirements on reliability and performance in relation to weight and volume.

EU initiative to develop sustainable aircraft

PowerCell is part of the EU's Clean Aviation Joint Undertaking, which aims to develop the next generation sustainable aircraft by developing innovative technologies to cut CO_2 emissions as well as other greenhouse gases and to reduce noise. The Clean Aviation Joint Undertaking comprises about 20 projects with a total budget exceeding EUR 700 million. The aim is to support the EU Green Deal and its ambition to make the continent climate-neutral by 2050.

In January 2023, we were selected to join the Newborn project, and PowerCell will together with other companies co-develop an aerospace-qualified multi-megawatt hydrogen-powered propulsion system. PowerCell will bring its knowledge and state-of-the-art fuel cell technology to the project and develop a new 300 kW product platform.

Record orders in 2022

The aviation segment showed strong development in 2022, with several commercial orders and the record order with a potential value of up to SEK 1.51 billion from the clean aviation leader ZeroAvia. The order with ZeroAvia is the world's first contract ever covering the serial delivery of hydrogen fuel stacks to the aviation industry. The order is of great significance due to the high requirements and the fact that the aviation industry is leading the development of hydrogen-electric applications. Read more about the order on page 11.

PowerCell also signed an order from a European aviation start-up company worth approximately SEK 47 million through 2022 and 2023. The order includes delivering fuel cell systems with a total capacity of several megawatts as well as engineering services and laboratory testing. The European start-up company intends to accelerate the development of emission-free flight by developing a hydrogen-electric powertrain for various aeronautical applications.

Products for the aviation industry

Cutting-edge energy solutions for zero-emission aircrafts

PowerCell has a leading technology with high energy density fuel cells and are the leading supplier of hydrogen-electric solutions to the aviation industry.

PowerCell signed deal for serial delivery of hydrogen fuel cell stacks to ZeroAvia

In 2022 PowerCell signed the world's first contract ever covering the serial delivery of hydrogen fuel cell stacks to the aviation industry potentially valued up to SEK 1.51 billion. The client is the groundbreaking zero-emission aviation company ZeroAvia that focuses on hydrogen-electric aviation solutions and aims to launch a 19-seat aircraft with 300-mile range by 2025. ZeroAvia has already passed significant flight test milestones and has a number of key partnerships with major aircraft OEMs and major global airlines such as British Airways, United Airlines and American Airlines. The order is conditional on ZeroAvia obtaining necessary certifications of the powertrain. PowerCell will, upon completed aviation certifications, deliver a total of 0.5 GW fuel cells comprising of 300 kW superstack modules based on the industrialized 100 kW fuel cell stack. The fuel stacks will be used by ZeroAvia to manufacture a hydrogen-electric powertrain for the fuel cell-powered aircraft.

"We aim to power a revolution in green flight and hydrogen-electric powertrains are the only viable, scalable solution for zero-emission aviation."

Val Miftakhov, founder and CEO of ZeroAvia

We reduce the marine industry's climate impact

The marine industry strives to reduce its emissions. The development is pushed by both voluntary commitments and government decisions. PowerCell's hydrogen-electric solutions could be key contributors in reducing the emissions from shipping. In 2022, we made significant commercial progress with marine customers that will replace fossil fuel-powered or hybrid battery-electric propulsion systems with ourfuture-proof alternatives.

For some time now, the marine industry has been faced with ever stricter requirements for reduced emissions. The requirements come from both national governments and supranational authorities. Already a decade ago, the International Maritime Organization (IMO) announced its ambition to reduce emissions from shipping and set a target of a 40 percent reduction in greenhouse gas (GHG) emissions from both new and old ships by 2030, compared to 2008 levels. Two other examples from the long list of initiatives to reduce emissions from shipping is the Norwegian requirement to allow only zero-emission ships to operate in Norwegian fjords after 2025 and the EU's decision to include shipping in the European Emissions Trading Scheme. These initiatives are of course contributing to the rapid development within the marine industry to implement emission-free propulsion alternatives. This is also a key reason why we prioritize developing effective solutions for the marine industry.

Marine fuel cell technology a truly efficient solution

Hydrogen-electric solutions are an efficient solution since the energy density of hydrogen is high and the fuel cell systems, together with hydrogen tanks, can be packaged in a way that delivers high power in a relatively small space. Supplementing the powertrains with electric motors is referred to as hybridization. These hybridization installations, in combination with hydrogen fuel cells provides enough power for a completely emission-free run even on longer routes. We have also seen an increasing use of various battery electrical solutions in the marine industry. However, these hybrid solutions still rely on battery-electric installations that, due to their low energy density, have a too low output to be an option for anything other than short periods and very limited maneuvers.

Significant orders in 2022

In 2022 PowerCell received a multi megawatt fuel cell system order from U.S. based Maritime Partners, worth approximately USD 3.6 million for delivery during the third quarter 2023. Maritime Partners plans to launch the world's first hydrogen-electric towboat, M/V Hydrogen One in 2023, see page 13.

PowerCell also received an order for fuel cell systems and related services to Amogy, a U.S. company that has a goal to convert ammonia into a sustainable power source to decarbonize transportation. PowerCell's fuel cell system will be integrated in Amogy's solution, where ammonia is reformed into hydrogen. In this way, it is possible to provide continuous power to a workboat over extended periods.

Groundbreaking contract in 2023

In March 2023, we signed a groundbreaking contract that includes deliveries of our Marine System 200 to two of the Norwegian state's ferries. With a value of EUR 19.2 million, it is the larget hydrogen project to date in the marine industry. Approximately EUR 5 million of the order value is expecte to impact PowerCell's revenue in 2023.

Products for the marine industry

Specifically designed for marine applications

PowerCell's marine systems are based on industrialized and modular components that can easily be connected to meet the power needs of many different customers. Marine System 200, launched in 2021, can offer power of up to several megawatts. The system has received full installation approval (DOD) by Lloyds Register for one major project.

Marine System 200

Marine System 200 is a powerful, yet compact fuel cell system with a net power of 200 kW. It is designed specifically for marine applications, and can be connected in parallel for megawatt solutions. Marine System 200 offers high system efficiency, delivers quiet, emission-free energy, and is well suited for sensitive marine environments.

Marine megawatt solutions

By installing multiple Marine System 200 units in parallel, we can offer a solution that is scalable up to several megawatts. The product offers reliable and more independent power generation, better operating efficiency, and improved control – plus it is quiet and odorless. Our marine megawatt solutions are designed to meet the most stringent maritime rules and regulations.

World's first hydrogen-electric towboat

In 2022, PowerCell received a multi megawatt fuel cell system order from U.S. based Maritime Partners. The company plans to launch the world's first hydrogen-electric towboat, M/V Hydrogen One in 2023.

The order comprises several of our Marine System 200 with a total effect of multiple megawatts and related services, including installation, class approval and commissioning support. Maritime Partners is the leading provider of tailored financing and leasing solutions for the U.S. maritime industry. The company's fleet of over 1,800 vessels transport commodities that comprise the building blocks for the U.S. domestic economy, including agricultural products, chemicals, aggregates, crude oil and refined petroleum products.

Within the M/V Hydrogen One project, fuel cells running on hydrogen produced by on-board reforming of methanol will provide continuous power to the towboat over extended periods. Methanol is a common fuel within the marine industry and is available in 88 of the top 100 ports worldwide. Due to the high energy density of methanol, M/V Hydrogen One will have a range of 550 miles.

"Batteries are not suitable for a decarbonization of the towboat sector due to the restrictions they put on range, operation areas and uptime. Fuel cells running on reformed methanol is a commercially viable solution as it provides the boat with the same operating characteristics as a traditional propulsion system but in a much more sustainable way."

Austin Sperry, President at Marine Partners

Emission-free power generation

Our hydrogen-electric, emission-free solutions for power generation can replace fossil fuels in energy-intensive applications and as backup power in many properties. Hydrogen electricity makes the energy system climate friendly, sustainable and can also reduce the total cost for the customers.

Our product portfolio comprises solutions for fuel cell-based power generation with power outputs from 5 kW up to several megawatts. Combined with local production and storage of hydrogen, we offer cost-effective power generation independent of the grid. Based on these competitive characteristics, we see a large number of application areas for our stationary hydrogen-electric portfolio.

Multiple application areas

There is a growing number of application areas for fuel cell power generation. Mobile off-grid power generation and backup power are becoming increasingly important, not least as a result of increasing digitalization where power outages can be very costly. Traditionally, backup power has been provided by diesel engine-powered gensets. Fuel cell-powered backup power systems provide electricity on demand, meaning you can either stay on the grid or, thanks to the energy stored in hydrogen, have the backup energy you need. It is zero-emission and power generation at a moment's notice.

In primary power applications, the fuel cell system provides power to energy-intensive equipment, such as a data center, either independently or in combination with a connection to the grid. This type of installation is attractive to customers who need energy in places where there is no power supply or who want to reduce their dependence on the existing grid. It is also an attractive solution for customers who, based on their own energy needs, cannot justify an investment in an expansion of the grid.

Peak power is when the fuel cell system is used to ensure that the customer has access to all the energy it needs, regardless of the load on the grid. In this case, the fuel cell system can work either completely independently or in combination with other energy sources such as batteries or the grid. It can also be used to reduce the cost of energy during periods of high demand. This could for example be where a property owner or a factory can establish both its own power supply to be more resilient, reduce the electricity bills and carbon footprint.

Together with Bosch, we are addressing other customer applications with our S3 fuel cell. Under this initiative, we have for example started the development of a scaled-down fuel cell system for refrigeration units.

Reduced total cost ownership

Simulations of green hydrogen price trends combined with the increased cost of carbon emissions show that hydrogen-electric solutions can reduce the total cost of ownership for customers over a ten-year period. For our customers, it is also important that they can get an independent, easy-to-use, local energy solution that is emission-free.

Progress in 2022

We have seen a significantly increased activity in the market from several different customers. Companies and government agencies have realized that they need a safe and reliable power generation system that is also sustainable. For example data, telecom and real estate companies are interested in reliable zero-emission backup power systems. The increased demand for fossil free construction sites has resulted in strong interest in our mobile power generation systems.

Our products for power generation

Attractive portfolio for stationary energy-intensive applications

We offer attractive solutions for fuel cell-based power generation with power outputs from 30 kW up to several megawatts. These are cost-effective, sustainable and independent power solutions, suitable for a broad range of applications.

Power Generation System 5

Power Generation System 5 is designed to generate electricity in a simple, quiet and reliable way. The system can be used as a power generator for buildings and households, but also for e.g. backup in telecom and traffic system applications. Power Generation System 5 is designed for easy installation in a standard 19-inch rack and includes an automatic control system that can monitor batteries and keep them charged at a specified voltage or ensure that they deliver the desired power.

Power Generation System 200

Power Generation System 200 is a powerful yet compact fuel cell system with a net power of 200 kW. It is designed specifically for stationary applications and can be connected in parallel for megawatt solutions. Power Generation System 200 offers high system efficiency and delivers quiet, emission-free energy for sensitive environments. The system is designed and developed in accordance with rules and regulations for stationary applications.

ENGV and PowerCell provide stationary power in remote Australia

ENGV is an integrator and a full-service provider for gas and green hydrogen generation, compression, storage and transportation, and is focused on the transition to a low carbon economy.

Together with PowerCell, ENGV has provided Australia's first hydrogen stationary fuel cell powering a microgrid for Horizon Power's Hydrogen demonstration plant, which is located in the remote Western Australian town of Denham.

The plant comprises a 704 kW solar farm that powers the plant, 348 kW of electrolyzers for hydrogen production, a 100 kW fuel cell and a compression and storage system to store the hydrogen. The fuel cell (PCS100), uses the stored hydrogen from the electrolyzers to produce electricity.

Horizon Power will use the demonstration plant to test the technical viability of hydrogen as a dispatchable power source in remote microgrids so that learnings can be applied to other energy systems.

This important project will help Australia to realise its potential to establish a sustainable, hydrogen-based energy system, and has been funded by Horizon Power, the Australian Renewable Energy Agency's (ARENA) Advancing Renewables Program and the WA Government's Renewable Hydrogen Fund.

"Australia's reliance on remote area diesel power generation creates a substantial opportunity for PowerCell and ENGV to map out meaningful zero-emissions pathways for remote communities using innovative hydrogen technologies. We are pleased to partner with PowerCell to work towards a low-carbon future together."

Sean Blythe, founder and Managing Director of ENGV

Image supplied by Hybrid Systems Australia.

Hydrogen-electricity a perfect solution for emission-free heavy off-road vehicles

To reach the high ambitions of zero emissions set by many companies there is a huge potential in converting heavy off-road vehicles to hydrogen-electric solutions. For these vehicles, hydrogen-electric powertrains enable electrification with minimal impact on the customer's operational processes. Driving time, driving range, payload capacity, accessibility and filling time are essentially the same as with diesel-powered vehicles.

Today, vehicles in the off-road segment is almost exclusively powered by diesel as fuel and emits large quantities of greenhouse gases. The decarbonization and transformation of the transport sector remains essential for achieving the Paris Agreement targets, as transport still accounts for 24 percent of global CO_2 emissions from fuel combustion (IEA 2020). Reducing emissions from heavy transportation and the off-road segment therefore represents a large potential for decarbonization.

Off-road vehicles typically have high energy consumption

Off-road vehicles include a wide range of commercial vehicles such as construction equipment (as excavators, backhoes, dump trucks), agricultural machinery, mining equipment, terminal vehicles and forklifts. Common to these types of vehicles is that they consume large amounts of energy and are used in well-defined areas where they add significant value. Since they operate in well-defined areas, the supporting infrastructure such as hydrogen distribution and storage, support and maintenance can be reduced.

Hydrogen has a high energy density which makes hydrogen-electric solutions very suitable to power vehicles in heavy duty areas where long up-times with a high energy source is needed. Hydrogen-electric powertrains have minimal impact on customers' operational processes, i.e. their commercial use of and value creation from the products. An excavator electrified by fuel cells and hydrogen will have similar performance, operating time and refueling times as a diesel engine excavator but with zero emissions.

Development in 2022

We see a growing interest from major manufacturers for our hydrogen-electric solutions. In 2022, a world leading manufacturer, Volvo Construction Equipment, clearly demonstrated its commitment to net-zero emissions in its value chain by 2040, see page 17.

Our products for the off-road industry

A complete offering for off-road

To meet the growing interest, PowerCell offers a complete hydrogen electric product portfolio for the off-road segment, ranging from 60 kW up to megawatt installations. The product portfolio is based on our proven fuel cell technology that, with its high power density and compact size, makes our solutions particularly well suited for the heavier vehicles.

Heavy Duty System 100

Heavy Duty System 100 is a very powerful fuel cell system that enables durable and flexible use, with an electric output of up to 100 kW. The system has been tested and developed according to the standards in heavy duty applications. Heavy Duty System 100 is specifically designed to accomplish compact integration together with a high power output. The system has a robust construction for fast, dynamic and stable load operations. The fuel cell stack with steel-based bipolar plates ensures lasting and reliable use in a wide range of conditions. Multiple systems can be coupled in parallel to reach higher power outputs.

Fuel cell system on the world's first prototype hydrogen-electric hauler

PowerCell's fuel system is powering the world's first hydrogen-electric and entirely emission-free articulated hauler prototype, built by Volvo Construction Equipment. The hydrogen-electric articulated hauler is a concept vehicle equipped with an industrialized fuel cell system from PowerCell that is specially designed for the vehicle and its area of application.

The hauler will initially be used for tests at Volvo Construction Equipment's facility in Braås in Sweden where the company has developed full testing capacity including a hydrogen refueling station. The six-wheel vehicle weighs 35 tons and can be filled with 12 kg of hydrogen in 7.5 minutes, which lasts for about four hours of operation. Since the vehicle is filled with green hydrogen, it does not produce any emissions when in use other than clean water.

"Being inventors of the world's first articulated hauler more than 55 years ago, we are happy and proud to again drive change with this fuel cell hauler concept. While an early prototype, this innovation will give valuable insights into the opportunities of hydrogen in the energy transformation alongside battery-electric solutions. We believe that by exploring multiple technologies and working in partnership we can create the best path forward to decarbonize the construction industry."

Carolina Diez Ferrer, Head of Advanced Engineering Programs at Volvo CE

Partnership with Bosch brings access to the significant automotive market

Robert Bosch GmbH is one of the world's leading supplier to the automotive industry and has for over a century built up the technical capacity and market presence required to be an attractive partner in the automotive industry.

PowerCell has developed the PowerCell S3 fuel cell stack that is licensed by Bosch for the automotive industry since 2019. Bosch has started its production of the PowerCell S3 and pays PowerCell royalties for the S3-based stacks and systems it manufactures and sells. Our partnership also has the advantage of creating economies of scale for PowerCell, as a higher degree of commercialization means higher volumes to cover costs.

Since 2019, Robert Bosch GmbH is, through a subsidiary, PowerCell's single largest shareholder, with an ownership of approximately 11 percent.

Early adopters

The automotive industry was one of the first to explore hydrogen-electric solutions. Manufacturers have offered electric powertrains with batteries for decades, and the customers in this industry are accustomed to electric solutions. After years of testing, some manufacturers now offer hydrogen-electric cars, buses and trucks, and more are on the way. Asian passenger car manufacturers were the first to launch hydrogen fuel cell passenger cars to the public. After many years of testing, we now see European manufacturers in the process of launching their own fuel cell cars.

Our solutions for the automotive industry require minimal adaptation: refueling times, drivability, range and payload capacity are not significantly different from those of fossil-fueled vehicles. With their high-power density and compact size, PowerCell's fuel cell stacks are well suited for this industry, especially in applications where high energy is required. Heavy vehicles such as trucks and buses are the most advanced when it comes to electrification with hydrogen fuel cells. In addition to being a zero-emission solution, there are other advantages with fuel cell technology, for example the noise level can be lower compared to a diesel bus, which contributes to a higher level of comfort.

The next generation on its way

In parallel with the collaboration with Bosch, the development of a next-generation fuel cell stack technology for the automotive industry is ongoing. The development work takes place within the framework of the German Autostack Industrie (ASI) project, a partly state-funded German project totaling EUR 60 million involving most of the major German car manufacturers, including Audi, BMW, Daimler, Ford and Volkswagen. The goal of the project is to develop a fuel cell stack for the German automotive industry that can be mass produced in large volumes. PowerCell has been a partner of ASI since 2017, and is responsible for the design and development of the stack itself as well as for developing the associated production methodology.

Our joint products for the on-road industry

A strong product solution for the automotive industry

PowerCell has developed the PowerCell S3 fuel cell stack that has been licensed to Robert Bosch GmbH and is industrially and commercially ready for mass production.

P Stack (S3)

P Stack is a powerful fuel cell stack with an output of up to 125 kW and is licensed to Bosch. The technology has undergone extensive testing as well as validation with major manufacturers, renowned research institutes and leading automotive suppliers. In addition, it is designed for high-volume production at low manufacturing costs.

V Stack (S2)

V Stack is a robust fuel cell stack with an output of up to 35 kW. V Stack has robust metallic bipolar plates that are made to withstand harsh conditions in all types of applications. V Stack is a proven product that has been in production for several years.

Strong services offering to support our customers' transformation

We provide a wide range of services to support our customers in a smooth and efficient transition to hydrogen-electric solutions. Crucial to our success is our ability to create value for our customers by, among other things, ensuring fast time-to-market for them.

Our services offering is divided into five parts that customers can buy together or individually. We always work closely with the customer and have the highest quality in focus.

Consultation
Through our consulting services, we help customers analyze and find the right product or solution for their needs. In order to provide the customer with a more complete solution and to avoid that they have to perform a large part of the verification themselves, we also offer support by selecting the appropriate peripherals and assisting with their implementation together with the standard products. Thanks to our experienced staff and our advanced test and development equipment, we can offer advice and extended testing of the selected product to provide more accurate data based on specific needs.

Support
To make the integration of PowerCell's products as quick and smooth as possible, we offer customer support before and after delivery. To make the commissioning of our products fast and safe, we offer help with installation and commissioning both remote and on site.

Modification
Almost any of our customers can use our industrialized standard products as they are. However, hardware and control interface modification and some repackaging or replacement of individual components are sometimes required to fit the product into the available space in the customer's application.

Industrialized product customization
If, after an implementation analysis, we find that minor modifications are not sufficient to meet the customer's needs, we can offer to develop a new product together with the customer that meets specific requirements. The new product will be based on one of our industrialized stack platforms and our long experience in system development.

Turnkey solutions
To facilitate the customer's implementation of hydrogen-electric solutions, PowerCell also offers complete turnkey solutions. Examples of such solutions are a complete hydrogen tank system together with our fuel cell systems or a complete system solution for a property.

Fuel cell technology

A fuel cell converts chemical energy directly into electrical energy. Fuel cells have a broader range of applications than any other available source of energy and can be manufactured for small units that produce only a few watts, right up to major power stations generating megawatts.

A fuel cell generates electrical energy via an electrochemical reaction. The process is similar to that of a battery, except that a battery consumes its electrodes when producing electricity and must therefore be discarded or recharged. Fuel cells, on the other hand, produce electrical energy as long as fuel is supplied in the form of hydrogen and oxygen.

Higher efficiency

Compared to an internal combustion engine, which is also powered by a reaction between a fuel and oxygen, higher efficiency is achieved. The thermomechanical process of the internal combustion engine means that a large part of the energy will always be released in the form of heat, whereas the reaction of the fuel cell takes place at a significantly lower temperature. Unlike the internal combustion engine, water and heat are the only emissions generated by a fuel cell.

The key components of the fuel cell are the anode, cathode and electrolyte. The electrolyte largely determines the properties of the fuel cell. Approximately 80 percent of all fuel cells supplied are of the Proton Exchange Membrane (PEM) type, which use ion-conducting polymer membranes as the electrolyte. PEM fuel cells operate at relatively low temperatures (<100°C) and therefore have valuable rapid start-up and response times. They have the highest power density of all fuel cell types and are therefore significantly smaller and lighter than other variants.

Robust design with no moving parts

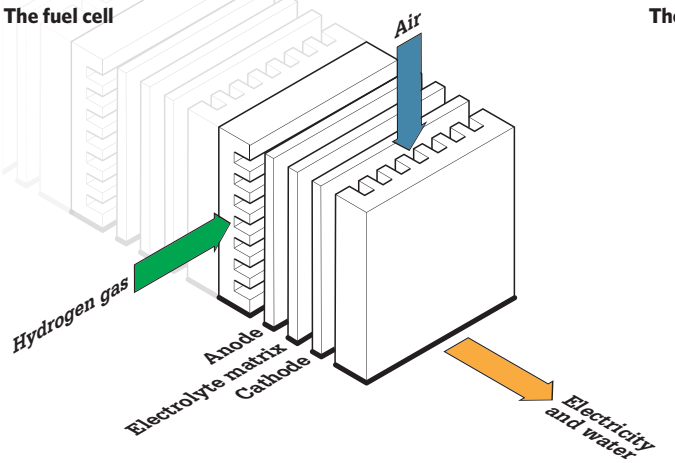
Combining individual fuel cells creates a fuel cell stack. The voltage and power of the stack can be varied by increasing or decreasing the number of cells in the stack.

The chemical reaction

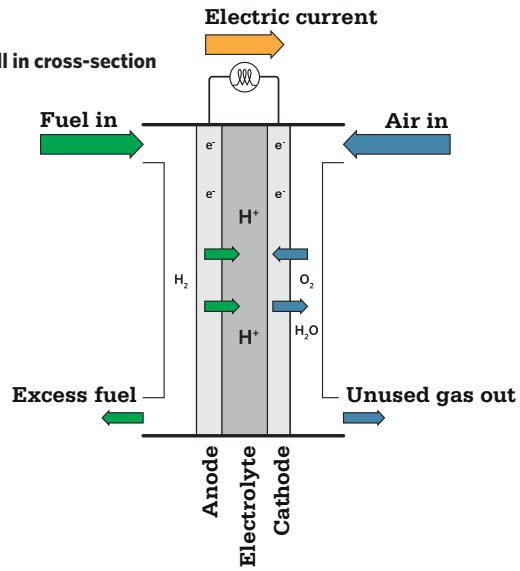
When in operation, the anode is supplied with fuel in the form of hydrogen, while the cathode is continuously supplied with oxygen. The hydrogen molecules are oxidized at the anode, forming hydrogen ions and electrons. The electrons travel through an external conductor that connects the anode and cathode, producing electricity. At the same time, the hydrogen ions are transported via the electrolyte to the cathode, where they combine with oxygen molecules to form water and heat. The result is electricity, water and the heat generated by the reaction. Since the fuel cells are liquid-cooled, the heat can be harnessed via the cooling water and used to heat e.g. buildings or vehicles.

The hydrogen fuel cell illustrated

The fuel cell



The fuel cell in cross-section



Sustainability report

We contribute significantly to a sustainable society

For us, sustainability is close to our hearts and an integral part of our business. Our solutions are important contributors to an emission-free and sustainable world. However, sustainability is much more than contributing to a zero-emissions world. It is also about environmental responsibility, providing safe and fair workplaces, respecting human rights throughout the value chain and doing business with high ethics.

The year 2022 is an important year for us both business-wise and for our sustainability work. Our offering has been commercialized and our customer base is changing. We have gone from having research and development companies as customers to established industrial companies that request serial deliveries. As the business has matured, we are now also taking the step to increase the transparency and systematicity of our sustainability work.

UN Global Compact signatories

In 2022, we report for the first time with reference to the GRI standard. PowerCell also signed the UN Global Compact in January 2023 and has undertaken to implement and work for the ten principles of human rights, labor, environment and anti-corruption. To further strengthen our internal climate work, we have initiated preparations to commit to the SBTi (Science Based Targets initiative) with the aim to set a scientifically based net-zero goal for our operations.

We kicked-off our intensified sustainability work in the spring of 2022 by doing the materiality analysis. As a result of the materiality analysis, we have established the following four prioritized sustainability areas:

- Reducing emissions from PowerCell's operations
- Robust and reliable products
- Safe, stimulating work places
- Responsible sourcing

We have just started our journey in making PowerCell an even more sustainable company. Welcome to read more about our journey and goals in the area of sustainability!

United Nations Global Compact

Reducing emissions from PowerCell's operations

Our business concept is based on contributing to an emission-free society and fight the climate change. As an important enabler of an emission-free society, we aim to also reduce our own emissions.

Our contribution to the UN Global Goals

7.2 Increase global percentage of renewable energy
7.3 Double the improvement in energy efficiency
12.5 Substantially reduce waste generation
12.6 Encourage companies to adopt sustainable practices and sustainability reporting

Reporting with reference to GRI standard:
301 Materials 2016
302 Energy 2016
303 Water and Effluents 2018
305 Emissions 2016

As a leading player in the hydrogen-electric industry, our solutions are of critical importance for the transformation of society's energy supply and the possibility of reaching the goals of the Paris Agreement. Our solutions are therefore of central importance for our customers and for them to reach their emission targets. In order to clearly show our commitment to contributing to an emission-free society, we have initiated preparations to commit to SBTi (Science Based Targets initiative) with the aim of setting a scientifically based net-zero goal for our operations. As a first start with setting a scientifically based goal, we started measuring our scope 1–3 emissions in 2021.

After a successful filing of our commitment to SBTi, we have two years to establish routines for measurements and a scientific basis emission target in line with the Paris Agreement. While we are in this process, we aim to reduce our scope 1–3 emissions in relation to net sales. To reduce our own emissions, we continuously work to lower our energy consumption and the energy used must be environmentally labeled. Already today, 100 percent of our energy used comes from renewable sources. When possible, surplus of energy from our test labs is returned to the power grid. During 2022, no surplus energy was fed back to the grid. Our employees should use the most environmentally friendly way of transport when business trips must be done. The need to travel shall also be assessed against the possibility of using digital meetings.

Environmental care

Our care for the environment extends to areas other than GHG emissions. We apply the precautionary principle, we always follow laws and regulations in the environmental field and strive to reduce and recycle our waste and use of resources. We have permission to handle flammable substances and use no chemicals that require a permit for handling.

When it comes to water consumption, all withdrawal comes from the local supplier in the Gothenburg region and the water is not sourced from areas with water stress. All withdrawn water is discharged back to the city and all of it is clean. Some water is discharged through the municipal sewage system and water which we use to cool our stacks and systems while in testing, is re-used in the facilities' heating system and subsequently fed back to the district heating system. Our total water withdrawal in 2022 was 1,655 m^3.

Increasing the degree of recycled waste material is a prioritized way to reduce our environmental impact. By the end of 2022 we took steps to reduce the amount of mixed waste from the facilities in Gothenburg by improving and extending the sorting of our waste.

Since its founding in 2008, PowerCell has never received any fines or made any losses related to violation of environmental laws or regulations.

PowerCell has no operations in or near areas with protected or sensitive biosystems.

PowerCell's emissions according to the GHG protocol

According to the GHG protocol, the emissions are divided into scope 1, 2 and 3. Scope 1 refers to direct emissions and scope 2–3 refers to indirect emissions. Broadly speaking, the scope covers the following:

Scope 1 contains direct greenhouse gas emissions over which the group has direct control. This applies, for example, to greenhouse gas emissions from vehicles and machines that PowerCell owns or leases, the burning of petrol or oil in factories that the group owns.

Scope 2 contains indirect emissions from electricity, i.e. consumption of electricity, district heating and district cooling.

Scope 3 contains indirect greenhouse gas emissions, in addition to purchased energy, that occur outside the boundaries of the business. It includes, for example, material consumption, business trips by air, employee commuting trips, customers' and suppliers' business trips, production of equipment as well as processing, use and final processing of sold products.

PowerCell commenced its climate impact measurements in 2021. The consolidation method used is operational control and a market-based method for scope 2 calculations. To calculate the impact from air flights, an emission factor of 1.9 is used to compensate for the high-altitude effect. GWP rates are applied according to the IPCC Fifth Assessment Report, 2014 (AR5). The emissions included in the calculations are the greenhouse gases included in the Kyoto protocol, i.e. CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, and NF_3.

Reduced emissions

GHG emissions have significantly reduced from 2021 to 2022. The vast majority of the reduction relates to refrigerants. The emissions from refrigerants have decreased due to the fact that no refilling took place in 2022. Other decreases are related to business trips.

Since PowerCell initiated measurement of its climate impacts in 2021, we do not yet have precise data on the impact from efficiency initiatives.

PowerCell's coolants used in products and operations have an ODP (Ozone Depleting Potential) value of 0 and in 2022 there was no usage of ozone depleting substances. PowerCell has no significant emissions of nitrogen oxides, sulfur oxides or other air emissions.

Climate impact

Ton CO_2	**2022**	2021
Scope 1	2.1	103.6
- of which vehicles	*2.1*	*1.4*
- of which refrigerants	*0*	*102.1*
Scope 2	36.4	35.0
- of which electricity	*1.6*	*1.6*
- of which district heating	*34.8*	*33.4*
Scope 3	112.0	125.8
- of which waste	*0.3*	*0.3*
- of which indirect life cycle emissions related to respective emissions source	*28.2*	*27.5*
- of which business trips	*83.2*	*98.0*
- of which upstream and downstream logistics	*0.3*	*0.0*
Total CO_2 emissions	**150.4**	**264.3**

Scope 1–3 emissions

Ton CO_2	**2022**	2021
Scope 1	2.1	103.6
Scope 2	36.4	35.0
Total scope 1–2	38.5	138.6
Scope 3	112.0	125.8
Total scope 1–3	**150.5**	**264.4**

GHG emissions intensity

	2022	2021
Scope 1–2		
Climate impact per employee including non-employees (ton CO_2/FTE)	0.30	1.32
Climate impact/net sales (ton CO_2/SEK million)	0.16	0.87
Scope 3		
Climate impact per employee including non-employees (ton CO_2/FTE)	0.87	1.20
Climate impact/net sales (ton CO_2/SEK million)	0.46	0.79
Total scope 1–3		
Climate impact per employee including non-employees (ton CO_2/FTE)	1.17	2.52
Climate impact/net sales (ton CO_2/SEK million)	0.62	1.66

Material usage

kg	**2022**	% of total
Steel and iron	11,100	52
Aluminum	680	3
Copper	400	2
Mixed metal	880	4
Composite plastics	470	2
Mixed electronics	3,000	14
Wood package material	2,430	11
Plastic package material	350	2
Paper package material	2,040	10
Total	**21,350**	**100**

The calculations are based on the number of stacks and systems sold in 2022 and their bill of materials, along with waste generated in 2022. Wood and paper package material are renewable material.

Waste generated

kg	**2022**	2021
Mixed	9,465	6,859
Paper	2,306	1,915
Iron	1,663	936
Metals	881	1,497
Electronics	477	1,176
Plastics	350	0
Stainless steel	0	601
Other hazardous waste	236	270
Total	**15,378**	**13,254**

In 2022, 6,245 kg (40.6%) was recycled and 9,141 kg (58.8%) was used for energy recovery.

Waste diverted from and directed to disposal

kg	**2022**	2021
Hazardous waste:		
Energy recovery	136	184
Without energy recovery	90	4
Recycled	1,126	1,777
Non-hazardous waste:		
Energy recovery	8,905	6,775
Without energy recovery	0	53
Recycled	5,121	4,461
Total	**15,378**	**13,254**

Water consumption (water withdrawal minus water discharge)

	2022	2021
Total water consumption from all areas in megaliters	0	N/A
Total water consumption from all areas with water stress, megaliters	0	N/A
Water consumption/net sales (l/SEK million)	0	N/A
Water withdrawal, megaliters	1,66	N/A
Water withdrawal/net sales (l/SEK million)	6,763	N/A

Energy consumption within the organization

kWh	**2022**	2021
Electricity	1,075,053	1,059,315
- of which renewable	*1,075,053*	*1,059,315*
District heating	627,196	606,850
Gasoline	5,666	3,924
Diesel	1,263	1,721
Energy consumption/net sales	6,985	10,468
Energy consumption per employee including non-employees (average FTE)	13,249	15,922

Conclusions from our life-cycle analysis

A life-cycle analysis was performed on the Power Generation System 100 during 2022 to understand the climate impact of the fuel cell system compared to a diesel genset of similar power rating and operational life. The study showed that the fuel cell system has lower climate impact than the diesel genset in all calculated cases, except when European average electricity is used for hydrogen generation and compression. This highlights the importance of promoting and using green hydrogen in the society. As the price of green hydrogen is expected to decrease substantially and supply is expected to increase substantially this macro trend will impact the climate impact of our product positively.

The analysis also outlined the largest climate improvement areas for the system as such. Apart from the source of energy used to generate the hydrogen, the major hotspots for the fuel cell system are transport of hydrogen to the fuel cell, container components and amount of platinum used in the stack. PowerCell is actively working to reduce platinum content in future stack generations. The analysis also concludes that applications that manage to use waste water and heat, as well as oxygen from the electrolyzer would significantly improve the climate impact of the fuel cell system.

When it comes to reductions in energy requirements of our products, PowerCell's fuel cell stacks have market leading power density. The efficiency of a fuel cell stack is highly connected to operating conditions. During 2022, we have focused on tuning system efficiency of our P stack platform. For our system products, we have established a baseline for future improvements. A new stack platform is developed within the ASI consortium with the potential to increase stack and system efficiency of future products.

Science Based Targets initiative

The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets. The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

Robust and reliable products

Our products are based on fuel cell technology and are to be used in demanding applications. Product safety is one of our most important sustainability areas.

Our contribution to the UN Global Goals

9.4 Upgrade all industries and infrastructures for sustainability
11.6 Reduce the environmental impact of cities
13.3 Build knowledge and capacity to meet climate change
14.1 Reduce marine pollution
14.a Increase scientific knowledge, research and technology for ocean health

Reporting with reference to GRI standard:
416 Customer Health and Safety 2016
417 Marketing and Labeling 2016

Our products are important for society and our customers' ability to reduce their emissions. They contribute significantly to reduced emissions in most parts of the society and in most industries. We see many possible applications for our solutions which will have a major impact on society's energy transition.

Demanding customer segments

Today, we direct our offer to demanding industries such as aviation, marine, power generation, off-road and on-road vehicles. In these industries there are detailed certifications and guidelines for producers and their suppliers to, among other things, guarantee vehicle safety. We, as well as our partners, suppliers and customers, know that a lack of safety can seriously damage the entire industry. Therefore, we work together to maintain thorough safety routines and follow-ups.

We also offer fixed installations to be used for independent energy supply in, for example, properties, smaller communities or villages. To be successful in this area, the products must be easy to use, able to be used independently of existing infrastructure for energy supply and, of course, safe. Ease of use and safety are therefore obvious parts of our entire development process.

Safety in focus

As the fuel cell and hydrogen industry is young, we have a responsibility to support in the safe introduction of our technology. Training in the handling and use of hydrogen and fuel cells is therefore an important task for PowerCell and an integrated part of our offer. Today, most of the training of customers and integrators can take place digitally and remotely.

As part of our development work, we always carry out risk assessments for each application, based on best practices in all industries. As a proof of our efforts and commitment in this field, we have - together with our customers - obtained approval for installation and operation in both marine and aviation applications which have the most stringent requirements in this regard.

It goes without saying for us to follow laws and guidelines regarding marketing, packaging, product information, etc. PowerCell has never since the company was founded received any notice, fine or penalty as a result of non-compliance concerning the health and safety impacts of products and services or information, labeling or marketing communications. PowerCell has neither received any substantiated complaints concerning breaches of customer privacy or losses of customer data.

Management systems

Management systems are a way to ensure the quality of our processes and routines. In many cases, they are also a requirement from our customers in order for us to cooperate. We closely follow the development of new standards and the amendment of existing standards relevant to our industry.

In 2022, we received marine classification for the vessel we will deliver for Havila Kystruten's new route from Bergen to Kirkenes in Norway. We have in 2023 committed to achieve the aviation standard AS9100 which is a quality management system for the aerospace industry.

Management systems and certifications

ISO 9001	Quality management system
ISO 14001	Environmental management system

Safe, stimulating workplaces

To be an industry leader that exceeds customer expectations every day requires skilled, motivated employees. The prerequisite for achieving this is a culture that stimulates innovation, good leaders and excellent HR processes.

Our contribution to the UN Global Goals

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
8.8 Protect labour rights and promote safe working environments

Reporting with reference to GRI standard:
401 Employment 2016
403 Occupational Health and Safety 2018
405 Diversity and Equal Opportunities 2016
406 Non-discrimination

We have a strong culture that is characterized by innovation and rests on PowerCell's mission to use our expertize to accelerate the transition towards zero-emission energy solutions. When we transformed from a development company to a leading player in the hydrogen electric industry, our culture and HR processes have been key to our success. Our goal is to maintain our strong innovative capability while creating efficient, future-proof processes.

Our leaders contribute greatly to being the upholders of culture and to ensure that policies, ways of working and processes are implemented and adhered to. We require our leaders to be role models and always exhibit the desired behavior in their daily work.

Individual development plans
An important part in creating motivated employees is to stimulate to competence development and we encourage all employees to pursue excellence in their occupation by participating in educational programs. All our employees are entitled to an individual performance and development plan with competence goals and activities together with short- and long-term development activities. Goals should be SMART (Specific, Measurable, Attainable, Relevant and Time based). Ahead of the target and performance dialogues, each team leader is accountable to conduct competence assessment and planning for the team, in order to ensure that we develop the right skills for the future. The competence plan provides input to the individual performance and development plans. To ensure this, managers need to be attentive to the performance and development process for every individual in the organization. PowerCell applies an agreed structure with one formal dialogue per year, fine-tuned and reviewed at every wage revision.

No workplace injuries
In our facility in Gothenburg, we assemble our products. To us, it is of utmost importance to never compromise on employee safety. Laws and guidelines for how work should be conducted are our minimum requirements. We adhere to the Swedish Work Environment Act with health and safety representatives and all employees must receive relevant safety training for the tasks they perform. Incidents must always be reported to the immediate manager, HR and internally reported via the Quality Management System. Measures must always be taken to minimize risks and follow-up and evaluation of the measures taken must take place. All employees are covered by an occupational health and safety management system.

At PowerCell, as in many other companies, stress and stress-related sickness absence have become a common issue. In our employee dialogues, stress-related issues must always be discussed and the managers have a responsibility to follow up and monitor each employee's work situation to prevent stress. For us at PowerCell, it is important to have a good balance between work and leisure. We regularly monitor sickness absence in order to be able to identify and take measures if we see more and/or longer sickness absence. During 2022, sick absence increased from 2021 since employees returned to the company's premises after the restrictions during the pandemic.

All employees are offered personal health insurance and, if necessary, external healthcare and healthcare services are procured by HR. All employees are entitled to an annual wellness allowance and 30 minutes of exercise time per day. Employees in Sweden have access to a leisure department with sports equipment. All employees are also offered regular medical examinations.

Increase the share of women
Teams with equal gender distribution perform better than single-sex groups. Therefore, it is of great importance to us to ensure a more even gender distribution. At the end of 2022, 28 per cent of our employees were women. In order to improve this number, female applicants are rewarded in case of equal merits and experience. Line managers are responsible for the recruitments. The challenge for us is that we recruit in areas with more male than female candidates. Our ability to increase the share of women is also dependent on the employee turnover and the speed at which we grow.

Fair working and wage conditions
At PowerCell, we believe that we attract, retain and motivate employees through the use of correct and fair compensation and benefits. We apply national based compensation determination in accordance with our commitments to equality, diversity and inclusion, and in compliance with labour laws and collective agreements.

Every year we perform a gender gap analysis in order to prevent and correct any unfair conditions. Salaries and bonuses are generally reviewed in April each year after the first performance review process which is done in March. Increases could be made where needed to employees who were new to the company and not eligible in the first review, in a role where the market has moved significantly or taken on more responsibility or changed roles since the last review. Employees who are not member of a trade union with which PowerCell has an agreement, are treated in accordance with the collective agreement. Part-time employees have the same benefits as full-time employees and part-time employees are also covered by the company's incentive program.

Diversity and non-discrimination

At PowerCell, we value diversity. Employees from varied backgrounds enrich our culture and support our commercial success. We provide equal opportunities and does not accept any discrimination related to ethnic background, beliefs, age, nationality, gender identity or expression, sexual orientation, political opinion, trade union membership, language, marital status or disability. We do not tolerate discrimination, sexual, physical or psychological harassment or victimisation including bullying of our employees. Everyone working for PowerCell has a responsibility in the daily work to ensure compliance to these commitments. We have had no incidents of discrimination in 2022.

A culture of openness

We believe that a work environment characterized by openness and frequent dialogues between employees and employers stimulates innovation and efficient ways of working. We promote openness so that employees feel safe expressing their views and opinions without risking punishment, discrimination or harassment. A basic rule is that no one should be punished, discriminated against or bullied for expressing disapproval or reporting mistakes. If employees wish to report observations, they should primarily contact their immediate manager or HR. They can also turn to their manager's manager or directly to someone in group management. PowerCell also has an anonymous, independent whistleblower service available via the intranet and the website for suspected violations of the code of conduct or other serious misconduct.

Every year we measure how well we succeed with our culture and HR work by measuring the employee engagement score. Engaged employees with the right skills are a prerequisite for us to succeed in continuing to create value and exceed customer expectations. The employment engagement score has been stable over the past years.

Employee data

Work-related injuries for all employees

	2022	2021
Number of high-consequence work-related injuries	0	0
Number of recordable work-related injuries	3	3
Rate of recordable work-related injuries, based on 200,000 hours worked	2.6	3.7
Number of fatalities	0	0
Total hours worked	232,960	162,240

No employees have been excluded from this disclosure. Injuries relate mainly to minor cuts and bruises. High-consequence injuries are injuries from which the worker cannot recover, or does not or is not expected to recover fully, within six months.

Work-related injuries for employees who are not employees

	2022	2021
Number of high-consequence work-related injuries	0	0
Number of recordable work-related injuries	0	0
Number of fatalities	0	0
Total hours worked	N/A	N/A

No employees have been excluded from this disclosure. Workers who are not employees are those who perform work for the organization and whose work is controlled by the organization but they are not in an employment relationship with the organization.

Work-related ill health

Employees	**2022**	2021
Number of fatalities as a result of work-related ill health	0	0
Number of cases of recordable work-related ill health	2	2
Workers who are not employees		
Number of fatalities as a result of work-related ill health	0	0
Number of cases of recordable work-related ill health	0	0

The cases are due to stress-related illness such as burnouts.

Sick leave

	2022	2021
Sick absence (number of sick days in relation to total working hours)	1.99%	1.00%
Number of days of sick absence	515	209
Number of days of sick absence per employee	4.6	2.5

Measured as FTEs, full time equivalents

Performance and career development reviews

Percentage of employees	**2022**	**2021**
Women/men	81/84	78/67

Ratio of basic salary and remuneration of women to men

Ratio, women/men, %	2022	2021
Engineers	50/50	51/49
Middle managers	47/53	51/49
Group management	54/46	55/45

Number of employees by gender and terms of employment

31 December, 2022, in brackets number as of 31 December, 2021	Women	Men	Total
Number of employees	31 (20)	81 (58)	112 (78)
Number of permanent employees	26 (15)	74 (49)	100 (64)
Number of temporary employees	3 (N/A)	9 (N/A)	12 (N/A)
Number of non-guaranteed hours employees	4 (3)	3 (3)	7 (6)
Number of full-time employees	31 (20)	81 (58)	112 (78)
Number of part-time employees	1 (0)	1 (1)	2 (1)

Permanent, temporary and full-time employees measured as FTEs, full time equivalents. Non-guaranteed hours and part-time employees measured as headcount.

Number of employees by region and terms of employment

31 December, 2022, in brackets number as of 31 December, 2021	Sweden	Rest of Europe	China	Total
Number of employees	107 (74)	3 (1)	2 (3)	112 (78)
Number of permanent employees	95 (59)	3 (2)	2 (3)	100 (64)
Number of temporary employees	12 (N/A)	0 (N/A)	0 (0)	12 (N/A)
Number of non-guaranteed hours employees	7 (6)	0 (0)	0 (0)	7 (6)
Number of full-time employees	107 (73)	3 (2)	2 (3)	112 (78)
Number of part-time employees	2 (1)	0 (0)	0 (0)	2 (1)

Permanent, temporary and full-time employees measured as FTEs, full time equivalents. Non-guaranteed hours and part-time employees measured as headcount. Rest of Europe refers to Germany and Norway.

Employee by gender and age group

31 December, 2022, in brackets number as of 31 December, 2021, %	Women	Men	Total
Under 30 years old	7 (4)	17 (14)	24 (18)
30–50 years old	12 (13)	41 (44)	53 (57)
Over 50 years old	7 (9)	16 (17)	23 (26)

Number of new employee hires by region, gender and age group

31 December, 2022, in brackets number as of 31 December, 2021	Sweden	Rest of Europe	China	Total
Under 30 years old, women/men	2/5 (0/2)	0/0 (0/0)	0/0 (0/1)	2/5 (0/3)
30–50 years old, women/men	3/9 (3/11)	0/1 (0/0)	0/0 (0/0)	3/10 (3/11)
Over 50 years old, women/men	1/4 (1/2)	0/0 (0/0)	0/0 (0/0)	1/4 (1/2)

Measured as FTEs, full time equivalents.

Rate of employee turnover by region and age group

31 December, 2022, in brackets number as of 31 December, 2021, %	Sweden	Rest of Europe	China	Total
Under 30 years old, women/men	0/1 (0/1)	0/0 (0/0)	1/0 (0/0)	1/1 (0/1)
30–50 years old, women/men	3/4 (3/4)	0/0 (0/0)	0/0 (0/0)	3/4 (3/4)
Over 50 years old, women/men	**1/1 (1/1)**	**0/0 (0/0)**	**0/0 (0/0)**	**1/1 (1/1)**
Total	**4/6 (4/6)**	**0/0 (0/0)**	**5/6 (4/6)**	

Workers who are not employees

31 December, 2022, in brackets number as of 31 December, 2021	Total
Consultants	17 (N/A)

Measured as FTEs, full-time equivalents. Consultants are mainly hired within IT, manufacturing, technical design, purchasing, engineering, and marketing.

Employees covered by collective bargaining agreements

31 December, 2022, in brackets number as of 31 December, 2021, %	
Percentage of employees who are covered by collective bargaining agreements	95 (95)

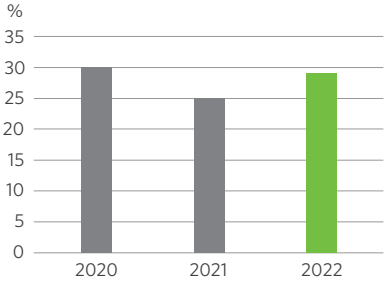
Measured as percentage of FTEs, full time equivalents.

Parental leave

	2022
Number of employees that were entitled to parental leave, women/men	39/91
Number of employees that took parental leave, women/men	4/6
Number of employees that returned after parental leave ended, women/men	4/6
Number of employees that returned after parental leave ended that were still employed 12 months after their return, women/men	3/6
Ratio of employees that took parental leave and returned to work, women/men,	100%/100%
Retention rate of employees that took parental leave, women/men,	75%/100%

Measured as headcount.

Employee engagement score



Responsible sourcing

When we purchase goods, we always strive to consider the sustainability aspects.

Reporting with reference to GRI standard:
204 Procurement practices 2016

To reduce the environmental impact of our products and systems, we take into account the entire life cycle, from input materials, transport and assembly to customer use and end-of-life. As a consequence, we strive to choose input materials with the lowest possible environmental impact with regards to emissions, water, minerals etc. We also strive to use the most environmentally friendly way to transport our products to customers and to the extent possible, we also require this from our suppliers.

Mapping of suppliers
We are dependent on our suppliers and their ability to deliver on time with high quality. For us, it is of crucial importance that they meet the same standards as we regarding the environment, business ethics and human rights.

We source almost all inbound material from European suppliers. The major suppliers are well-known, large industries with - from what we can judge today - processes for monitoring issues within the areas of environment, business ethics and human rights. However, we do not know how far in the value chain their control extends. More details about our suppliers is found in the section Our value chain on page 36.

As part of our intensified sustainability work, we intend to begin a more accurate mapping of our suppliers and our supply chain. We also intend to systematically ensure that our suppliers commit to our code of conduct. Our intention is to begin this work during 2023.

Research and development is a key part of our business

We have gone from being a development company to a leading player in the hydrogen electric industry with a broad portfolio of commercial products. Innovation is still an important part for us because we have to understand technological developments in order to future-proof our offering and to be prepared for global growth markets.

As part of continuing to develop our technical know-how and to reach global growth markets, we have close collaborations with strategic partners, universities and research institutes. One example is the EU's Newborn project which will develop an aerospace-qualified megawatt-class fuel cell propulsion system, which will be powered by hydrogen. Newborn is a part of the EU's Clean Aviation Joint Undertaking. Another example is the project within the framework of the German Autostack Industrie (ASI), a partly state-funded German project totaling EUR 60 million. The project involves major German car manufacturers, like Audi, BMW, Daimler, Ford and Volkswagen. The aim is to develop a fuel cell stack for the German automotive industry that can be produced in high volumes. PowerCell is a partner of ASI since 2017, and responsible for the design and development of the stack and for developing the associated production methodology.

PowerCell participates in a number of projects many of which are funded through the EU or government bodies. Our own cost for research and development was SEK 92.3 (80.2) million in 2022, representing 37.7 percent (50.2) of sales.

PowerCell as a corporate citizen

We aspire to contribute positively to the communities in which we operate. We create opportunities for local development and wants to grow with an active and constructive dialogue with authorities, decision-makers and representatives of the local communities.

Our contribution to the UN Global Goals

16.5 Substantially reduce corruption and bribery

Our code of conduct gives us guidance on how we should behave in our daily contacts with local communities as well as customers, suppliers, employees and other stakeholders. One of the cornerstones of our code of conduct is that we have zero-tolerance toward any form of corruption, bribes, influence payments, kickbacks, money laundering or fraud. This includes unlawful payments to any government or similar agency officials. We apply this zero-tolerance throughout our value chain.

Our employees may not provide or offer gifts, meals or entertainment that might be perceived as being offered in return for something, such as the awards of a new contract. This includes to provide or offer benefits in order for the receiver to influence a decision maker exercising public authority or decides on public procurements. We do not make contributions to politicians or political parties.

Sponsorships

We may provide various sponsorships and donations to the community and other stakeholders, including commercial sponsorships with the aim to promote our brand, charitable donations, or the provision of grants to support activities which benefits our company. The purpose with all sponsorships and donations must be in accordance with our core values and the code of conduct and must be approved by authorized managers. During 2022, we donated SEK 50,000 to the Foundation for Queen Silvia's Childrens' Hospital. We are also part of "Jobbspråket", an initiative to help immigrants with engineering degrees assimilate in the community via internships.

Our tax policy

Today, we create the greatest value for the local communities through the jobs we create. Our growth plans will mean that we will eventually also become a payer of corporate taxes. We do not engage in aggressive or artificial transactions whose sole or main purpose is to create a tax advantage. We always abide by the applicable tax rules in each country and municipality where the business is based, and payment of taxes must be made in a timely manner.

High IT security

Today, the risk of data breaches and cyber-attacks is a daily reality that our IT department is constantly working on. We must always ensure that we have adequate systems in place to prevent the risks. We have a clear regulatory framework for how personal data should be processed and regularly train all employees in both IT security and data integrity issues. During 2022, we carried out, with external support, a cyber security assessment. This gave us insights and the ability to close security gaps as well as effective tools for continued risk analysis.

We have not identified any substantiated complaints concerning breaches of customer privacy or received complaints from regulatory bodies in 2022.

Whistleblower service

Since December 2022 we have an external, independent and anonymous whistleblower service available to all stakeholders through the intranet or the website. The whistle blower function is available in English and Swedish.

High business ethics

Since its founding in 2008, PowerCell has never received any fines or made any losses related to corruption or fraud. Neither has the company had any public legal cases regarding corruption brought against the organization or its employees. PowerCell has neither any confirmed incidents of corruption nor dismissed or disciplined any employee for corruption. The company has not experienced any incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. Neither has the company been subject of any legal action related to anti-competitive behavior, anti-trust, or monopoly practices.

Organizations in which we participate

We participate in a number of selected organizations that act to accelerate the transition towards a fossil free society.

Hydrogen Sweden represents over 100 Swedish industries and organizations in the field of hydrogen. The organization leads several projects with focus on hydrogen to drive technology development, develop new business models and create new knowledge. The projects are supported by, among other, the EU and the Swedish government.

The Fuel Cell and Hydrogen Energy Association (FCHEA) is the leading industry association in the United States representing more than 85 leading organizations advancing production, distribution, and use of innovative, clean, safe, and reliable hydrogen energy.

Hydrogen Europe is a European association representing over 400 members, including 25 EU regions and more than 30 national associations. The organization is promoting hydrogen as an enabler of a zero-emission society.

Mission Innovation Hydrogen Fuel Cell Off-Road Equipment and Vehicles Working Group is hosted by the U.S. Department of Energy, Hydrogen and Fuel Cell Technologies Office (HFTO). PowerCell is a member of the Fuel Cell/Powertrain Stakeholder Team.

European Clean Hydrogen Alliance aims to promote investments and stimulate the roll-out of clean hydrogen production and use. Set up in July 2020, the European Clean Hydrogen Alliance is part of EU efforts to ensure industrial leadership and accelerate the decarbonization of industry.

PowerCell – a value creating leader in hydrogen electric solutions

We create significant direct and indirect value for our stakeholders.

Our assets	Stakeholder	Type of direct value	Direct value created 2022	Indirect value created
112 employees (FTE) Commercialized portfolio Leading technology Over 15 years of experience	Customers	Sales	SEK 244.7 million	We create added value for our customers by offering leading energy solutions with zero emissions.
	Employees	Salaries, allowances and pensions	SEK 80.8 million	We offer meaningful and developing work opportunities with fair conditions and safe workplaces.
	Suppliers	Purchase of services, materials and products	SEK 131.7 million	We offer long-term collaborations in a rapidly growing market.
	Society	Social security contributions	SEK 22.0 million	We are a key enabler in the transition to a zero-emission society. In this transition, we also create value by offering new job opportunities and making use of suppliers in neighboring areas.
	Investors	Total return	-35.7%	We offer the opportunity to invest in a commercialized, leading portfolio of hydrogen electric solutions targeting strong growth segments. All shares on Nasdaq Stockholm decreased 24.6 percent during 2022 measured as the index OMXSPI. PowerCell's share has increased 2,157 percent since its listing on Nasdaq First North Growth Market 2014.

Governance in the area of sustainability

PowerCell is a Swedish public company that is listed on the MTF platform Nasdaq First North Growth Market. PowerCell's governance is based on the company's guiding principles, the principles of the UN Global Compact, the articles of association, relevant laws and the Nasdaq First North Growth Market Rulebook.

The board is ultimately responsible for PowerCell's sustainability work, which means that it adopts and follows up strategies, policies and goals. The CEO is responsible for developing, implementing and evaluating strategies and policies. The deputy CEO has operational responsibility for sustainability.

The board has sustainability as a standing item at the board meetings with the deputy CEO as presenter. Sustainability is also a standing item on the agenda at the audit committee meeting, with the deputy CEO as presenter. Group management discusses sustainability on a regular basis and has a longer review at the monthly meetings. Operations within the area of sustainability are controlled through internal reporting and follow-up. The identification of risks and opportunities in the area of sustainability as well as the management of the risks will be integrated into the established business plan process in 2023. During 2022, the risk analysis and the identification of the opportunities have been run as a separate process by the deputy CEO together with the rest of the group management. The board has taken note of and approved the analysis and the action plan for the sustainability work.

PowerCell's risk process focuses on preventive efforts. The purpose is to identify, analyze and take measures to minimize risks in the business or to be able to create new business and value from new opportunities. Incidents or risks linked to, for example, the environment, employee safety, human rights or business ethics must be immediately addressed. The measures must be followed up to ensure that the risk is minimized or eliminated. Actions are often carried out in collaboration with concerned stakeholders such as trade union representatives, employees, safety representatives, representatives of local communities or suppliers.

Supranational regulations

In January 2023, PowerCell joined the UN Global Compact and thereby committed to actively work with the UN Global Compact's ten principles for sustainable development in the areas of human rights, working conditions, environment and anti-corruption. The principles of the UN Global Compact are the basis for the governance of PowerCell, including the International Bill of Human Rights, the ILO's Declaration on Fundamental Principles and Rights in Working Life, the OECD's principles and norms for how multinational companies should conduct responsible business as well as the UN' Convention on the Rights of the Child and the UN Convention against Corruption.

Policies

The group-wide policies are revised and adopted by the board every year. The annual review takes into account the risks and opportunities identified during the year. In the area of sustainability, the board has adopted the following policies:

- Code of conduct
- Environmental policy
- Information security policy
- Integrity policy
- IT policy
- HR policy
- Risk management policy
- Tax policy
- Whistleblower policy

The policies are available to all employees on the company's intranet. The code of conduct, environmental, tax, whistleblower policies can be found in their entirety on the company's website powercellgroup.com/sustainability. It is the managers' responsibility to ensure that the policies are implemented and followed. Compliance with the policies is reviewed by the external auditors.

Newly hired employees must be informed about the code of conduct and the whistleblower service on their first working day at the latest. This also includes temporary employees. During 2023, PowerCell will establish a process where employees, temporary employees and board members must confirm that they have received and read the code by signing. Suppliers are also covered by PowerCell's code of conduct and the whistleblower service.

Whistleblower service

In 2022, PowerCell has implemented an external, independent whistleblower service with guaranteed anonymity. The service is available in Swedish and English via the company's website powercellgroup.com/sustainability. Through the whistleblower suspected cases of violations against PowerCell's code of conduct can be reported.

Information on corporate governance

PowerCell submits - in addition to the sustainability report - every year information on its corporate governance as part of the annual report. The information on corporate governance describes, among other things, the board's work and composition as well as the internal control. The information on corporate governance covers pages 46–51.

Our value chain

PowerCell's business idea is to develop and manufacture fuel cell stacks and fuel cell systems with a unique high-power density. The company was founded in 2008 as an industrial spin-out from the Volvo Group. PowerCell has gone from being a development company to a leading player in the hydrogen electric industry with a broad portfolio of commercial products. In 2022, the company took a significant step in its development by signing its first major order for series deliveries.

Purchased goods
PowerCell purchases 99 percent of its direct material from Europe and Germany is the single largest country representing 72 percent of the major suppliers. Local Swedish major suppliers represents 13 percent of direct material purchased. The rest comes from North America. The largest input in terms of value are the bipolar plates which are manufactured by a German supplier. The second largest input is the MEA membranes which gives the fuel cell stack a specific feature. These are also manufactured in Germany. The compressors, which are part of the stacks, are manufactured in Switzerland. The inputs are transported by truck to the assembly unit in Gothenburg. The MEA membranes contain, among other things, platinum. Of the indirect material, 89 percent is purchased from local Swedish suppliers, 9 percent from German companies and the rest from Danish and North American suppliers.

In total, more than 99 percent of the annual purchase value is spent on European suppliers.

Assembly
Assembly, processing and customization takes place in Gothenburg in Sweden.

Delivered goods
PowerCell sells mainly to Europe and North America. Of the total sales, 71 percent goes to Europe and 23 percent to North America. Sales to Asia of 5 percent also include sales to Australia.

PowerCell targets B2B customers mainly in the segments aviation, marine, off-road and power generation. Deliveries of hardware within Europe are made by truck and to North America and Asia by ship.

Through the partnership with Robert Bosch GmbH, PowerCell targets the on-road market segment. Bosch is licensed to market, manufacture and deliver PowerCell's S3 stack to the automotive industry. Headquartered in Stuttgart, Germany, Bosch is one of the world's largest suppliers to the automotive industry.

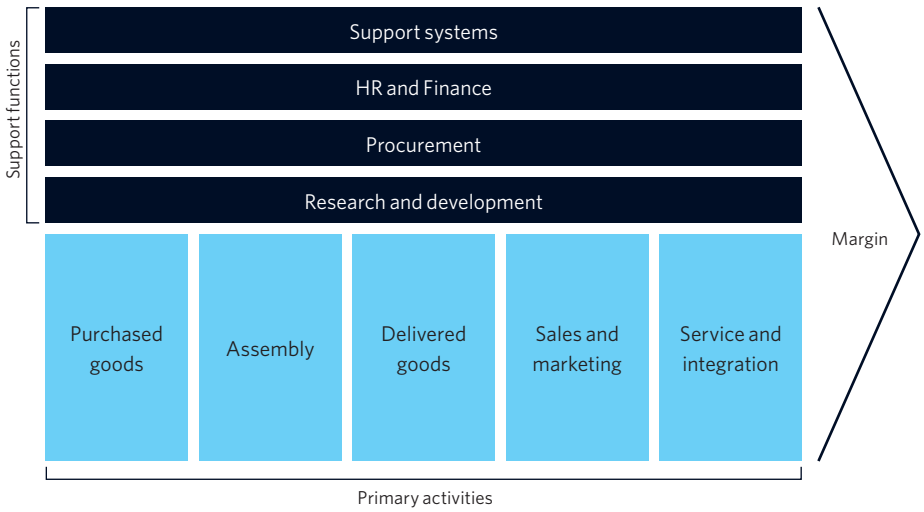
Sales and marketing
The sales processes have changed dramatically in the transformation from being a development company to a leading industry player with an industrialized offer. Today customers are quick to make decisions and the sales processes can sometimes take a few months at most.

PowerCell reaches its customers through several different sales channels. Customer contacts are established at fairs and various industry events, through outreach meetings, telephone contact and references. PowerCell's products or services are not prohibited in certain markets or are the subject of stakeholder concerns or public debate.

Service and integration
Integration, installation and engineering services are key elements in PowerCell's offering. These services, including integration and installation, are often performed remotely, online. PowerCell's ambition is to maintain a high level of customer service throughout the entire product life cycle.

Support functions
Within the support functions, R&D plays an essential role. PowerCell's offer is today industrialized, but a high degree of customer customization is still required to meet specific customer requirements.

All numbers refer to the financial year 2022.



Materiality analysis

In the spring of 2022, PowerCell carried out a materiality analysis in which all employees participated. The analysis was carried out as a number of workshops led by members from the group management team. The analysis has been presented to and approved by the Board of Directors.

The analysis was based on the feedback from the stakeholder dialogues and the risks and opportunities identified in the business. When assessing risks and opportunities, the company started from the UN's 17 Global Goals. The company identified 19 areas as relevant which relate to the following UN Global Goals; 3 Good health and well-being; 4 Quality education; 5 Gender equality; 7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities, 12 Responsible consumption and production; 13 Climate action; and, 14 Life below water.

In the workshops, the employees divided the areas into four categories based on significance for stakeholders and PowerCell's opportunity to influence. The immediate prioritized categories which the company will focus on are; Robust and reliable products; Lower emissions from PowerCell's operations; Responsible sourcing; and, Safe, stimulating workplaces.

Of the originally 19 areas, numbers 1–2 and 4–5 were combined into one category; Robust and reliable products. Numbers 8–9 and 13 were combined into the category called Responsible sourcing. Numbers 14–18 were combined into the category Safe, stimulating workplaces. Number 12 was deemed not relevant because the area is not prioritized by the stakeholders and the company has today little opportunity to influence in the area.

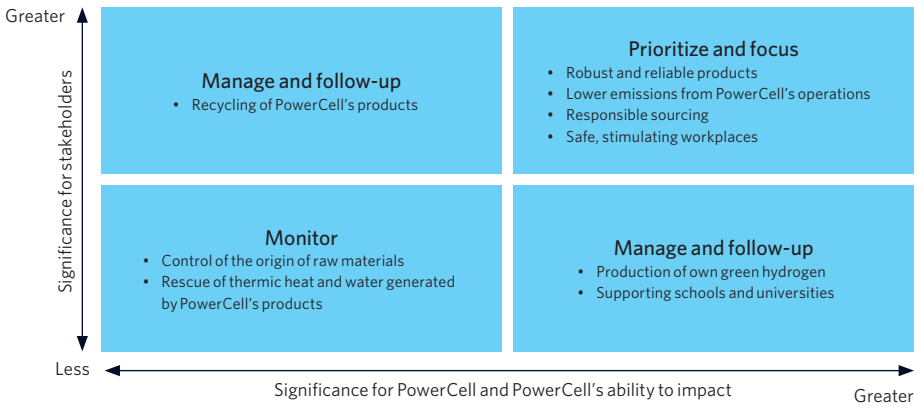
The area Recycling of PowerCell's products will be managed going forward and the company will monitor and follow-up the near-term development. The same goes for the areas Production of own green hydrogen and Supporting schools and universities. The company will continue to work with the areas Control of the origin of raw materials, and, Reuse of thermic heat and water generated by PowerCell's products.

The initial list of sustainability areas:

Economical sustainability
1. Product quality
2. Ease-of-use
3. Recycling of PowerCell's products
4. Provide distributed hydrogen-based energy solutions that can operate independently from grids and large-scale infrastructures
5. Provide wholly independent and self-sufficient energy solutions by combining PowerCell's technology with local hydrogen production from renewable energy sources

Environmental sustainability
6. Emissions from PowerCell's operations
7. Production of own green hydrogen
8. Sourcing of sustainable materials
9. Sourcing from local suppliers
10. Control of the origin of raw materials
11. Reuse of thermic heat and water generated by PowerCell's products
12. Protection of marine resources

Societal sustainability
13. Responsible sourcing
14. Offering career opportunities
15. Balance between work and leisure
16. Encourage diversity
17. Promote equal opportunities
18. Safe work places
19. Building next generation of qualified staff by supporting schools and universities: offering visits, internships, master theses



Stakeholder dialogues

Every day, PowerCell conducts a large number of dialogues with various stakeholders. The dialogues form an important part of PowerCell's materiality analysis. PowerCell reports here the stakeholders who have the greatest influence on the group's operations and the stakeholders on whom the group has the greatest influence. The report covers impact, the purpose of the dialogues, dialogue opportunities during the year, which issues the stakeholders have raised and how PowerCell handles these.

Stakeholder	Impact in the area of sustainability	Purpose of dialogue	Dialogue opportunities	Prioritised sustainability issues	Management
Customers	The customers influence our financial development and growth through their plans to implement our solutions. We influence through our ability to support in reducing their emissions.	In tight cooperation develop sustainable, value-adding hydrogen electric applications.	Business meetings, tenders, negotiations. Industry fairs and customer events. Seminars and other training targeting customers.	Technology roadmap, product quality and lifespan. Services offering. PowerCell's financial sustainability and ability to ramp up volumes.	Plans for continued commercialization and product development. Focus on financial development and position.
Employees	Our employees impact the company by enabling us to exceed customer expectations. We influence employees by offering them attractive, stimulating and safe work opportunities.	To create high motivation among employees, a high degree of knowledge sharing while maintaining the entrepreneurial spirit.	Regular individual employee meetings and all-staff meetings. Employee surveys. Intranet. Internal training courses. Trade union cooperation.	Fair and equal working conditions. Opportunities for advancement. Balance between work life balance. Onboarding of new employees. Safe workplaces.	HR strategy with the aim of creating high employee motivation and maintaining the entrepreneurial spirit while the company grows with new employees.
Strategic partners	We influence each other through our respective commercial plans and technology development. Ultimately, our common success has an impact on society's transition to zero emissions.	To continue the development and commercialization of hydrogen electric applications.	Business meetings, common tenders, negotiations. Joint seminars and education for customers, potential customers and employees.	Technology roadmap, product quality and lifespan. Joint services offering. PowerCell's financial sustainability and plans to ramp up volumes.	Common plans and approaches for the continued cooperation.
Suppliers	The suppliers influence us through their commercial plans and ability to meet our quality, delivery and sustainability requirements. We influence them through our high demands on, among other things, quality, delivery reliability and sustainability.	To create conditions for long-term collaborations and ensure the suppliers' ability to increase volumes while maintaining quality and delivery reliability.	Business meeting and the suppliers' customer surveys. Tenders, negotiations. Seminars, industry events.	PowerCell's code of conduct and the suppliers' control of sustainability issues in their value chain. Logistics and the suppliers' abilities to ramp up volumes.	Implementation of the code of conduct at suppliers. Close cooperation with major suppliers.
Investors and potential investors	They affect us by making demands on transparent financial and sustainability reporting. We influence them through our reporting and ability to create value.	To create the conditions for value creation and continued financing.	Meetings with investors, arranged by banks or directly by the investors.	PowerCell's sustainability work and the environmental impact from its operations.	Extended sustainability reporting.
Society	Society affects us through supranational demands to reduce emissions and increased demands on business to report their emissions. We influence by offering leading zero-emission hydrogen electric solutions for important industries such as aviation, marine and offroad.	To highlight PowerCell's role in reducing the world's emissions. To show PowerCell's importance as a growing company that recruits and contributes positively to society by being an attractive employer and a company that pays taxes where the values arise.	Meetings with authorities and national as well as local representatives. Permit applications and follow-ups. Employee volunteering.	Technology roadmap and commercial progress. PowerCell's financial sustainability and plans to ramp up volumes.	Plans for continued commercialization and product development. Focus on financial development and position. Tax policy to pay taxes where the values arise.

Policies within the area of sustainability

	Environment and climate impact	Social, labour and human rights	Anti-corruption
Policies	• Code of conduct • Environmental policy • Whistleblower policy	• Code of conduct • Tax policy • Whistleblower policy • Corporate governance policy • Integrity policy	• Code of conduct • Whistleblower policy
Key themes	• Environmental care • Commitment to the precautionary principle • Prevent and avoid environmental damages • Systematical reduction of PowerCell's environmental impact • Consumables purchased must have an established environmental label	• Quality and safety prioritized • Prevent and avoid damage to human health • Freedom of association • Equal opportunities • No discrimination accepted • Fair competition • Yearly performance management dialogues • Conflict of interest • Sponsorships and donations • Community engagement and stakeholder relations • Taxes • Quality management system in place • Data privacy	• Zero tolerance to corruption

About the sustainability report

The sustainability report covers the PowerCell Sweden AB (publ) and its subsidiaries as specified in note 15 of the annual report. PowerCell Sweden AB is a Swedish public company and its shares are listed on the MTF platform Nasdaq First North Growth Market. Headquarters are in Gothenburg. In the report, the company name is shortened to
PowerCell.

The sustainability report covers the period 1 January 2022 to 31 December 2022. The sustainability report has been comprehensively reviewed by the auditors. The sustainability report contains information on objectives, results, governance, policies, risks, risk management and opportunities that are relevant to material environmental, social and corporate governance-related aspects and impacts of PowerCell's operations. PowerCell's business offering, financial performance and technology are described on pages 1–20 and in the directors' report. The contact person for the sustainability report is deputy CEO Karin Nilsson, email ir@powercellgroup.com.

Accounting principles and reporting framework
The sustainability report has been prepared with reference to GRI Standards GRI 1: Foundation 2021 (Global Reporting Initiative Standards). PowerCell's intention is to report in accordance to GRI annually starting in fiscal year 2023. In preparing the report, principles for defining content such as stakeholder participation, materiality and completeness as well as principles for accounting quality such as accuracy, balance, clarity, reliability and time factors have been applied. In terms of comparability, PowerCell has this year only reported one comparison period. No restatements have been made from previous years. PowerCell signed the UN's Global Compact initiative in January 2023 and will issue a Communication on Progress in 2024 covering the calendar year 2023.

The EU taxonomy
Today PowerCell is not covered by the taxonomy because the company has fewer than 500 employees and does not have a share listed on a stock exchange. However, PowerCell monitors the development of the taxonomy to be prepared for any changes in the scope of the taxonomy.

Sustainability risks, risk management and opportunities

There are various risks that affect or could affect PowerCell's operations and financial position. PowerCell's operational and financial risks are described in The Board of Directors' report and Note 3. The analysis below covers the risks that PowerCell has identified in the area of sustainability. The risk analysis is based on the GRI standard (Global Reporting Initiative) and the company's value chain as described on page 36. PowerCell's risk process is described in the section Governance in the area of sustainability on page 35.

Sustainability risks in the value chain

PowerCell conducts its main operations in Sweden, where 97 percent of the employees work. Of the other employees, 1.5 percent are based in rest of Europe (Germany and Norway) and 1.5 percent in China. Sales are mostly to Europe and North America, 71 and 23 percent respectively, where the customers are players in industries regulated through certifications and licenses, such as aviation and marine. Of the total purchases, 99 percent come from Europe. PowerCell has not yet mapped major suppliers' subcontractors, and the company cannot rule out today that there may be sustainability risks connected to the supply chain in terms of, for example, environment and human rights. PowerCell makes the assessment that the sustainability risks related to customers are limited.

The business model's resilience against sustainability risks

PowerCell's business model means that the company conducts its main operations in Sweden and directs sales efforts towards customers in Europe, North America and China. The company's business model means that PowerCell offers products that are of decisive importance for the customers' ability to reduce their emissions of greenhouse gases. PowerCell makes the assessment that the company's offer is of central importance in enabling the EU's and the USA's intentions to reduce emissions. PowerCell therefore makes the assessment that the business model gives the company good resilience against sustainability risks in its value chain and very good opportunities to create significant business benefits through society's transition to zero emissions.

PowerCell's strategies against risks

PowerCell's materiality analysis is based, among other things, on stakeholder dialogues and the risk analysis. The materiality analysis is described on page 37 and PowerCell's strategies for managing the prioritized sustainability areas are described on pages 24–32.

Risk	Risk management	Opportunity
Climate, environment and use of resources		
Climate change		
In the short to long term, there is a risk that climate change will lead to increased costs at the supplier level through increased environmental fees and regulations. In the medium to long term, there is a risk that weather changes such as storms and increased water levels may affect the possibilities and costs of transport. This may affect PowerCell's costs and financial results. Climate change is a strong driving force for demand for PowerCell's products, and the opportunity to counter climate change constitutes PowerCell's business concept and entire business model. PowerCell has therefore identified climate change as a significant value-creating business opportunity.	PowerCell manages the risk of increased costs in the short to long term at the supplier level through agreements that provide the opportunity for price compensation. Regarding the availability of transport that may be affected by climate change, PowerCell makes the assumption that in the medium to long term there will be transport available in Europe and North America powered by climate-friendly energy sources.	Climate change drives demand for PowerCell's products and the entire business model is based on society moving towards zero emissions.
Climate adaptation		
PowerCell has not yet done a climate analysis and acquired a picture of what a changed climate means for its suppliers and customers in the form of production adjustments, adaptations to increased temperatures and changed weather conditions, etc.	PowerCell has the intention to perform a climate analysis to understand how a changed climate will impact its operations and financial performance.	

Risk	Risk management	Opportunity
Energy consumption and energy efficiency		
In the short term, there is a risk that PowerCell's costs will increase as a result of the inability to adjust prices and reduce energy consumption or increase energy efficiency. In the medium to long term, the risk of PowerCell failing to reduce its energy consumption and increase energy efficiency is assessed as low. The risk exists in the short to long term that suppliers fail to reduce energy consumption and increase energy efficiency, which could lead to increased costs for PowerCell.	PowerCell works continuously to lower its energy consumption and increase energy efficiency. In 2022, PowerCell has begun the mapping of its scope 1–3 emissions, which will give the company a tool to follow up and report its energy consumption and energy efficiency. PowerCell works closely with its suppliers and monitors their cost trends related to energy consumption and their emissions.	The strongly increased need in Europe and North America among companies and organizations to reduce energy consumption, increase energy efficiency and increase the share of renewable energy is a strong driving force for the demand for PowerCell's offer.
Recycling and circular business models		
There is a risk in the short term that PowerCell or its suppliers do not succeed in establishing routines for recycling and circular business models. The risk is assessed as having a low impact on the financial result. In the medium to long term the risk is assessed as low.	PowerCell intends to establish routines for the recycling of its products. In the business, the goal is to recycle as much as possible and to investigate circular business models together with suppliers and customers.	Circular business models can be a competitive advantage in future business.
Use of water and marine resources		
PowerCell has in 2022 initiated its mapping of water consumption and intends to include water use in the risk analysis in 2023.		PowerCell sees increasing demand for its products from the marine industry driven by the need to reduce its harmful emissions.
Biodiversity, ecosystems and red-listed species		
PowerCell has no operations in or close to protected areas.		
Pollution and handling of harmful substances as well as hazardous waste		
The risk that PowerCell violates laws or regulations regarding emissions or handling is assessed as low in the short to long term.	PowerCell's policy is to always follow laws and guidelines. The company has routines and processes in place in the form of, among other things, management systems to ensure that laws and guidelines are followed in the environmental area.	
Work environment, health and workplace safety		
Workplace accidents and safety		
There is a risk in the short to long term that PowerCell's employees, temporary employees or non-employed workers may be injured in the workplace, which may damage PowerCell's employer brand.	PowerCell's policy is to always follow laws and guidelines. The company has routines and processes in place in the form of, among other things, processes to ensure that laws and guidelines are followed in the areas of work environment, health and safety. The company has an occupational health and safety representative at the facility in Gothenburg and carries out regular occupational health and safety rounds and inspections. PowerCell's goal is to offer healthy working environments with a balance between work and leisure. Stress-related issues also form part of the systematic work environment analysis and action plan.	Providing safe workplaces with balance between work and leisure are essential parts of PowerCell's employer brand.

Risk	Risk management	Opportunity
Terms of employment		
PowerCell assesses the risk of the company failing to offer fair and reasonable employment conditions and wages as low in the short to long term. If the risk should occur, it means a high risk of damage to the company's employer brand and thus the financial result.	PowerCell's policy is to offer fair and reasonable employment conditions and wages.	Offering fair and reasonable employment conditions and wages are essential parts of PowerCell's employer brand.
Competence development		
PowerCell assesses the risk of the company failing to offer competence development as low in the short to long term. If the risk should occur, it means a certain risk of damage to the company's ability to develop its offer and make value-creating customizations.	Competence development through internal collaboration, exchange of experience and customer projects are key parts of PowerCell's ambition to constantly give employees opportunities for competence development.	PowerCell believes that competence development is an important part of creating motivated employees and that motivated employees are one of the most important competitive advantages.
Human rights		
Gender distribution		
PowerCell assesses the short- to long-term risk of not being able to maintain an even gender distribution among employees and managers as low. Should the risk occur, PowerCell's employer brand may be damaged.	PowerCell's view is that groups with an even gender distribution perform better than groups with an uneven gender distribution. PowerCell's goal is therefore to always ensure an even gender distribution in the organization. This must be taken into account for new and replacement recruitments.	An even gender distribution among employees and managers contributes to building a strong employer brand.
Discrimination		
The risk of PowerCell discriminating against any employee is assessed as low in the short and long term. Should the risk occur, it means that the company's employer brand will be damaged.	PowerCell's policy is that no employee or temporary employee may be discriminated against. Anyone who feels discriminated against or has observed discriminatory actions can report this internally or via the external, anonymous and independent whistleblower service.	Offering workplaces where no one is discriminated against is a central part of PowerCell's employer brand.
Freedom of association		
The risk of PowerCell not respecting the employees' freedom of association is assessed as low in the short to long term. Should the risk occur, it means that the company's employer brand will be damaged.	PowerCell's policy is to respect every employee's right to freedom of association.	Respecting the right to freedom of association is a basic requirement for a strong employer brand.
Child labor, forced labor and modern slavery		
PowerCell assesses the risk of child labor, forced labor or modern slavery occurring in its own operations as very low in the short to long term. If the risk were to occur, it would cause very serious damage to PowerCell's brand and would have an immediate significant negative financial impact.	The company has well-established HR routines and follows laws and guidelines for personnel and recruitment issues in Sweden and other countries where the company operates.	
Negative effects on local communities		
The risk of PowerCell's operations having negative effects on the local community is assessed as low in the short and long term. If that were to occur, it would negatively affect the company's brand, which could lead to a negative financial impact.	PowerCell's policy is to comply with laws and guidelines, including local ones. The company also strives to inform about and implement major changes in dialogue with representatives of the local communities.	
Crimes against indigenous people		
PowerCell assesses the risk of crimes against indigenous people from its own operations as very low in the short to long term. If the risk were to occur, it would cause very serious damage to PowerCell's brand and would have an immediate significant negative financial impact.	PowerCell supports and respects international conventions on human rights wherever it operates.	

Risk	Risk management	Opportunity
Corruption, money laundering and taxes		
Corruption and money laundering		
PowerCell assesses the risk of corruption or money laundering its own operations as very low in the short to long term. If the risk were to occur, it would cause very serious damage to PowerCell's brand and would have an immediate significant negative financial impact.	PowerCell has zero tolerance against corruption, money laundering and fraud. The company has processes for checking payment transactions, money transfers, etc. to minimize the risks. Payments and money transfers, account transactions, etc. are reviewed by the external auditors. PowerCell has an external, independent and anonymous whistleblower service for all stakeholders.	
Cartels		
PowerCell assesses the risk of the company participating in cartels as very low in the short to long term. If the risk were to occur, it would seriously damage the company's brand and lead to a negative financial impact.	PowerCell's policy is that business must take place on equal and fair terms. PowerCell does not participate at all in lobbying, takes a political position or makes contributions to political parties, political representatives or officials.	
Taxes		
The risk of PowerCell withholding or not paying tax is assessed as very low in the short and long term. Should the risk occur, it could damage the company's brand and lead to a negative financial impact.	PowerCell's tax policy is to pay taxes where the value is created.	
Product safety, customer integrity and data security		
Product safety		
PowerCell has developed products and solutions based on new technology. Throughout the development chain, product safety has always been of the highest importance and still is. The risk that PowerCell's products are not safe is assessed as very low in the short to long term. If PowerCell were to fail to offer safe products, it would have a very serious impact on the company's brand and an immediate significant negative financial impact.	Product safety is one of the cornerstones of PowerCell and a prerequisite for the business idea to be successful and continue to create value. Therefore, product safety is always included in all internal processes that relate to products and solutions.	Highest product safety and product quality are prerequisites for creating a strong brand and the company's ability to create value.
Branding, product information and marketing		
PowerCell assesses the risk of misleading marketing or product information or violation of marketing rules as low in the short to long term. If the risk were to occur, it would cause damage to PowerCell's brand and would have a negative financial impact.	PowerCell's policy is to comply with all laws and directives, including local ones, regarding marketing and product information. Any failures are reported and followed up.	Correct and transparent marketing and product information build credibility and customer loyalty.
Customer integrity and data security		
PowerCell assesses that there is a risk in the short and long term that the company will be exposed to cyber-attacks, data breaches or theft of customer data or other information. If the risk occurs, it can have a significant negative impact on the brand, customer relations and financial results.	PowerCell has a daily focus on IT security and aims to have relevant and up-to-date systems in place. The company has routines and processes for how customer data and other data should be handled. PowerCell regularly trains all employees in IT security and strives to maintain a high level of preparedness for, for example, cyber-attacks.	

All numbers refer to the financial year 2022.

Over 8,000 new shareholders in 2022

In 2022, the number of shareholders increased by 23.2 percent to 43,098. The closing price on the last trading day of the year was SEK 119.05, corresponding to a market capitalization of SEK 6.2 billion.

In 2022 a total of 74 million shares were traded. In 2022 the share price decreased 35.7 percent while OMXSPI decreased 24.6 percent during the same period. The highest closing price SEK 213.4 was paid on 13 April and the lowest price SEK 109.0 was paid on 12 October. As of December 31, 2022, the market capitalization was SEK 6,208 million (9,652).

During the year, the average stock turnover per trading day was 291,535 shares (456,570). As per December 31, 2022, PowerCell had 43,098 (34,985) shareholders. Of the shareholders 18.3 percent were financial and institutional investors, 23.6 percent were private Swedish individuals. The remaining 58.1 percent of the shares cannot be classified. All of PowerCell's shares are denominated in SEK. The ticker is PCELL.

Share capital

The share capital in PowerCell amounts to SEK 1,147,134, represented by a total of 52,142,434 shares, each with a quotient value of SEK 0.022, as of December 31, 2022. All shares are of the same class, carry one vote each, and are entitled to an equal share of the company's assets and profits, without any specific limitations.

Under the Articles of Association adopted on April 22, 2021, the company's share capital shall be not less than SEK 500,000 and not more than SEK 2,000,000. The number of shares shall be not less than 20,000,000 and not more than 80,000,000.

Dividend policy

PowerCell has adopted a dividend policy that sets out the company's long-term intention to provide its shareholders with a stable and growing dividend. The policy states that the operating surplus, or parts of the surplus, will be distributed when the cash flow from operations exceeds the company's long-term financing needs and if the Board also assesses that the company has a satisfactory capital structure.

PowerCell is undergoing a period of rapid development and expansion. The current policy of the Board is therefore for PowerCell to carry forward any profits to finance the growth and operations of the company and, accordingly, the Board does not anticipate paying out any dividends in the coming years.

Share-based incentive program

The Annual General Meeting resolved to introduce a share-based incentive program for senior executives and key personnel in April 2021. The program in its entirety (including the issue of cost-covering warrants) can result in a maximum dilution of approximately 0.97 percent. For more details on the program, see Note 9.

PowerCell's share
ISIN code: SE 000 642 5815
Ticker: PCELL

Shareholders as of December 31, 2022

	Owner	Number of shares and votes	Share of capital and votes, %
1	Robert Bosch GmbH	5 848 531	11.22
2	BlackRock	2 596 224	4.98
3	Avanza Pension	1 617 961	3.10
4	Legal & General	651 937	1.25
5	Unisuper	524 410	1.01
6	green benefit AG	522 125	1.00
7	CPR Asset Management	513 921	0.99
8	Allspring Global Investments	477 189	0.92
9	PIMCO	469 863	0.90
10	Swedbank Robur Fonder	365 509	0.70
Total ten largest owners		**13 587 670**	**26.07**
Others		38 554 434	73.93
Total		**52 142 434**	**100.00**

Key figures PowerCell share

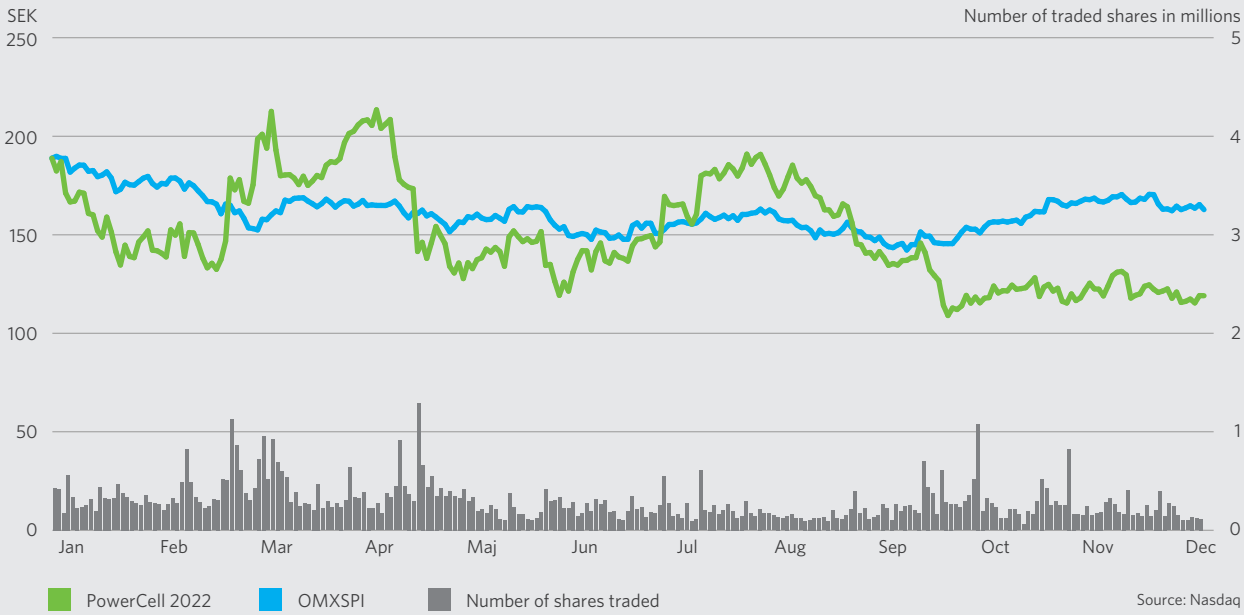
Number of shares at year end, thousands	52,142,434
Market capitalization year end, SEK millions	6,208
Number of shareholders	43,098
Share price year end, SEK	119.05
Earnings per share, SEK	–1.09
Change in share price during the year, %	–37
Proportion of shares in Sweden, %	26.2
Proportion of shares held by 10 largest shareholders, %	26.07

Development in the share capital

Since its founding in 2008 through December 31, 2022, the Company's share capital performed as follows:

Year	Transaction	Increase in number of shares	Increase in share capital	Total share capital	Number of shares	Nominal value/ share
2008	Founding of the Company	500,000	100,000.00	100,000.00	500,000	0.200
2009	New share issue	565,215	113,043.00	213,043.00	1,065,215	0.200
2014	New share issue	91,288	18,257.60	231,300.60	1,156,503	0.200
2014	Split 20:1	21,973,557	—	231,300.60	23,130,060	0.010
2014	New share issue	—	277,560.72	508,861.32	23,130,060	0.022
2014	New share issue	12,289,545	270,369.99	779,231.31	35,419,605	0.022
2015	New share issue	278,787	6,133.32	785,364.63	35,698,392	0.022
2016	Exercise of T01	7,135,480	156,980.55	942,345.18	42,833,872	0.022
2016	Exercise of T02	1,950,520	42,911.44	985,256.62	44,784,392	0.022
2017	New share issue	6,716,418	147,761.20	1,133,017.82	51,500,810	0.022
2017	Exercise of employee stock options	178,080	3,917.76	1,136,935.58	51,678,890	0.022
2018	Exercise of employee stock options	189,920	4,178.24	1,141,113.82	51,868,810	0.022
2020	Exercise of employee stock options	273,624	6,019.73	1,147,133.55	52,142,434	0.022

Share price 2022



Source: Nasdaq

PowerCell's corporate governance

Good corporate governance, risk management and internal control are key parts of a successful business and crucial for being able to maintain the confidence of the Company's stakeholders. The objective of corporate governance is to ensure that the company is run as efficiently as possible for its shareholders.

PowerCell's corporate bodies are the General Meeting of Shareholders, the Board of Directors, the CEO and the Auditor. The Annual General Meeting (AGM) must be held no later than six months after the end of the financial year. At the AGM, the shareholders appoint the Board of Directors and the Auditor. The Board appoints the CEO. The Auditor examines the annual accounts and the Board and CEO's management. The duties of the Nomination Committee are determined at the AGM and consist primarily of proposing Board members, the Board Chair and the Auditor for election at the AGM.

PowerCell applies the Nasdaq First North Growth Market Rulebook. As regards the Swedish Corporate Governance Code (the Code), it applies to companies whose shares are admitted to trading on a regulated market in Sweden. As PowerCell is listed on the Nasdaq First North Growth Market Stockholm, which is not a regulated market, the company does not have to comply with the Code. However, the company's management is familiar with the Code's provisions and PowerCell voluntarily chooses to follow selected parts of the Code that are considered relevant in view of the company's situation.

Shareholders

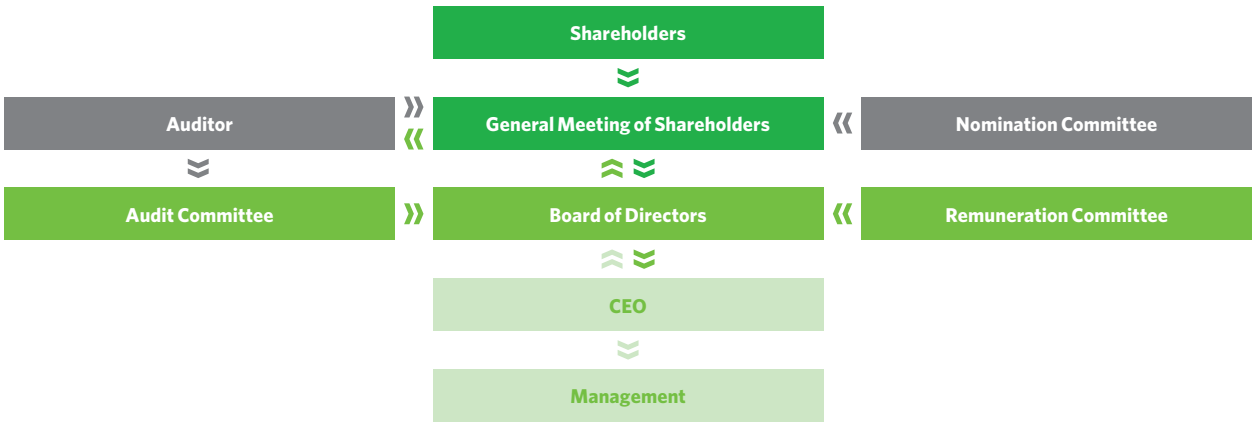
PowerCell Sweden AB (publ) is a Swedish public limited company listed on Nasdaq First North Growth Market Stockholm since December 2014. Information about PowerCell's shares and shareholders can be found on pages 44–45.

Annual General Meeting (AGM)

The AGM is PowerCell's highest decision-making body and the forum where shareholders' rights are exercised. At the AGM, resolutions are passed regarding proposals from the Nomination Committee, the Board and the shareholders, as well as any other resolutions that are listed in the current Articles of Association or legislation. The types of resolutions that are passed include (i) the adoption of income statements and balance sheets, (ii) dispositions of the Company's profit or loss and (iii) the election of the Board and Auditor and remuneration to these. The Company's Articles of Association states that the Board of Directors of the Company is to consist of no fewer than five and no more than seven members without deputies.

Nomination Committee

The AGM determines the policy for how the Nomination Committee is appointed each year. The most recent resolution of the AGM states that the current Nomination Committee has been appointed in line with the following policy: The three largest shareholders in the Company in terms of votes as of July 30, 2022 have each been entitled to appoint a member of the Nomination Committee. None of these three persons may be a member of the Company's Board. In addition, the Nomination Committee is to consist of one Board member appointed by the Board, who in turn is to be the convener. A non-board member is to be appointed as Chair of the Nomination Committee. The Nomination Committee's term of office extends until a new Nomination Committee has been appointed. If a member resigns from the Nomination Committee before its work is completed, and if the Nomination Committee considers that there is a need to replace that member, the Nomination Committee shall appoint a new member; in the first instance, a member nominated by the shareholder by whom the resigning member was nominated, provided that the shareholder is still one of the three largest shareholders in the Company. If any shareholder asked by the Nomination Committee to nominate a member declines to make a nomination, the Nomination Committee shall ask the next largest shareholder (as of July 30, 2022) who has not previously nominated a member to the Nomination Committee. In the event that fewer than three major shareholders choose to appoint a member to the Nomination Committee, the already appointed members of the Nomination Committee shall have the right, but not the obligation, to jointly appoint an additional member. Where fewer than two major shareholders choose to appoint a member to the Nomination Committee, the right to appoint a member to the Nomination Committee under this paragraph shall instead be deemed to constitute an obligation. Changes in the composition of the Nomination Committee shall be communicated without delay by the Chair of the Nomination Committee to the Chair of the Board of Directors of the Company. The change shall also be made public as soon as possible.
No remuneration shall be paid to the members of the Nomination Committee, except for any external member or members appointed jointly by the other members of the Nomination Committee. However, the Nomination Committee may charge the Company with reasonable costs for travel and research in connection with its Nomination Committee work. The Nomination Committee shall submit proposals to the AGM for: a) election of the Chair of the AGM, b) resolution on the number of Board members, c) resolution on Board fees for the Chair and each of the other Board members (including work in the Board committees), d) election of Board members, e) election of the Board Chair, f) resolution on remuneration to the Auditor, g) election of Auditor, h) resolution on policy for the appointment of the Nomination Committee, and i) resolution on policy for the Nomination Committee.



The Nomination Committee for the 2022 AGM included:
- Achim Moritz (Robert Bosch GmbH, appointed by Robert Bosch GmbH)
- Lena Olving, independent member
  Magnus Jonsson was the convening member and represented the Board of PowerCell Sweden AB

The following Nomination Committee has been appointed for the 2023 AGM:
- Achim Moritz (Robert Bosch GmbH, appointed by Robert Bosch GmbH)
- Lena Olving, independent member
  Magnus Jonsson is the convening member and represents the Board of PowerCell Sweden AB

The composition was communicated through a press release and published on the Company's website on October 31, 2022.

Board of Directors
The Board has the ultimate responsibility for PowerCell's organization and management. The Board currently consists of seven members, of which three are women and four are men. The members of the Board and information on dependencies, etc. are listed in the table below, and a presentation of the members of the Board can be found on pages 48–49. The aim is that the Board as a collective should possess the required mix in terms of background and knowledge, whereby an even gender distribution is taken into particular account. The result of the Election Committee's evaluation is that the Board represents a mix of both professional experience and knowledge as well as geographical and cultural backgrounds. 43 percent (three out of seven) of the Board members elected by the Annual General Meeting are women. The Board has no deputies. The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the PowerCell Board. The Company's formal work plan stipulates instructions regarding the allocation of responsibilities between the Board and the CEO. Since January 1, 2021, Richard Berkling is the CEO of the Company.

The nomination committee has also evaluated the Board of Directors of PowerCell Sweden AB in relation to the independence requirements, prior to the Annual General Meeting 2022. The nomination committee assessed that the board members' independence, the proposed board composition meets current requirements in respect of the members' independence, stock market experience and accounting or auditing expertise. Uwe Hillman was considered independent of the company and company management but not in relation to one of the major shareholders, due to his capacity as Head of Business Unit Electronic Controls within Bosch Powertrain Solutions division.

At the Board's meetings, the Board discusses the Company's future performance, quarterly reports, budget and financing, and performs the standard follow-up of the strategic and operational activities of the Company. The Board also evaluates PowerCell's financial reporting annually and sets requirements for its content and format to ensure a high level of quality. The Company's Auditor attends the meeting each year to approve the annual accounts. The Company's CEO Richard Berkling is co-opted and regularly attends the Board's meetings, as do the Company's Deputy CEO Karin Nilsson, and the Company's CFO Torbjörn Gustafsson, who also serves as secretary at the Board's meetings. All Board resolutions are based on detailed decision data and are made following discussions led by the Board Chair. The Board's work is evaluated annually under the guidance of the Board Chair, supported by an independent consultant through a survey. The results of the evaluation are presented to the Board and then discussed, with the aim of optimizing the Board's work. The Chair's work in the Board is evaluated in their absence. The conclusions from the evaluations and discussions are communicated to the Nomination Committee and actions are taken to improve the Board´s work.

Board committees
The Board has appointed an Audit Committee and a Remuneration Committee tasked with preparing audit and remuneration matters, respectively, prior to Board resolutions.

Audit Committee
The Audit Committee adopts a supervisory role with regard to the Company's risk management, governance and control, as well as financial reporting. The Committee consists of three members and held a total of six meetings in 2022. The Auditor regularly reports their observations to the Audit Committee, and has attended all six meetings during the year. The Chair of the Audit Committee is Helen Fasth Gillstedt, and the other members are Annette Malm Justad and Magnus Jonsson.

Remuneration Committee
The Remuneration Committee deals with issues involving remuneration policy and other terms of employment for the CEO and Company management.

The Committee evaluates remuneration programs for Company management on a running basis, and observes and evaluates the application of the guidelines for remuneration determined by the AGM. The Committee consists of three members, Magnus Jonsson (Chair), and Annette Malm Justad and Kajsa Ryttberg-Wallgren, and held a total of four meetings in 2022.

CEO
The CEO is responsible for PowerCell's operational activities in line with the set strategy and the Board's instructions. The CEO reports regularly to the Board on the development of the business.

Auditor
In order to examine the company's annual report and accounts as well as the management of the Board of Directors and the Chief Executive Officer, a registered accounting firm is appointed as the auditor at the Annual General Meeting. At the 2022 Annual General Meeting, the registered accounting firm Öhrlings PricewaterhouseCoopers AB was reelected as Auditor until the end of the 2023 AGM. The auditor in charge is the authorized public accountant Fredrik Göransson. In 2022, he was also auditor in charge in e.g. Bufab AB (publ), Bilia AB (publ) and Concordia Maritime AB (publ).

The auditors have participated in the Board meeting to present PwC´s audit process and to give the Board members an opportunity to ask questions without the presence of management. The auditors also participated in the Audit Committee Meetings.

Governing documents and internal control
PowerCell has established control systems and conducts transparent business operations. The current governing documents are reviewed on an ongoing basis. Additionally, the Board continuously evaluates the financial statements that are provided in connection with Board meetings. The Audit Committee conducts an ongoing dialogue with the Company's Auditor regarding the scope and quality of the financial statements. Further information on the governance of PowerCell can be found on the Company's website.

Board fees

The table refers to the Board members elected at the 2022 AGM

Name	Born	Elected	Role on the Board	Agreed fee	Agreed fee for work in the Audit Committee	Agreed fee for work in the Remuneration Committee
Magnus Jonsson	1956	2012	Chair	440,000	55,000	33,000
Dirk De Boever	1970	2009	Member	220,000	—	—
Helen Fasth Gillstedt	1962	2019	Member	220,000	110,000	—
Annette Malm Justad	1958	2020	Member	220,000	55,000	17,000
Uwe Hillmann[1]	1967	2020	Member	220,000	—	—
Riku-Pekka Hägg	1976	2020	Member	220,000	—	—
Kajsa Ryttberg-Wallgren	1980	2022	Member	220,000	—	17,000

1) Uwe Hillmann waived his fee in accordance with the internal guidelines of Robert Bosch GmbH.

Board of directors and company management

Board of Directors

Magnus Jonsson
Chairman of the Board, since 2015
Residence: Göteborg, Sweden
Born: 1956
Education: MSc in Mechanical Engineering
Elected: 2012
Shares: 6,000

President of Magnus Jonsson Consulting AB and a member of multiple boards. Formerly Senior Vice President, Product Development, at Volvo Cars. Broad experience from the automotive industry. Independent in relation to the company and management as well as in relation to the company's major shareholders.

Dirk De Boever
Board member
Residence: Ghent, Belgium
Born: 1970
Education: MSc in Applied Economics, MBA
Elected: 2009
Shares: 0

Head of Investments at Finindus, an investment company funded by ArcelorMittal and the Flemish Region. Past extensive experience in strategy and marketing at ArcelorMittal. Entrepreneur and consultant to several large companies in industry, banking and telecoms. Independent in relation to the company and management as well as in relation to the company's major shareholders.

Helen Fasth Gillstedt
Board member
Residence: Danderyd, Sweden
Born: 1962
Education: MSc in International Business and Finance & Control
Elected: 2019
Shares: 1,000

Member of the boards of Storytel, Munters, Viva Wine Group AB, Sortera AB and Handelsbanken Fonder AB and its representative on nomination committees. Former Vice President in SAS Group and senior positions in Statoil Group A/S. Independent in relation to the company and management as well as in relation to the company's major shareholders.

Uwe Hillmann
Board member
Residence: Leonberg, Germany
Born: 1967
Education: Diploma in Physics
Elected: 2020
Shares: 0

Head of Business Unit Electronic Controls within Powertrain Solutions division of Robert Bosch GmbH. Over 25 years experience in business management and sales for automotive and non-automotive customers. Representing Bosch Group. Independent in relation to the company and management.

Riku-Pekka Hägg
Board member
Residence: Vantaa, Finland
Born: 1975
Education: MSc Mechanical Engineering
Elected: 2020
Shares: 0

CEO of Steerprop and Chairman of the Board Daphne Technology SA. Former Vice President, Ship Design at Wärtsilä Corporation. Experienced business leader and maritime technology strategist. Strong interest in advanced technologies and has led international sales, strategic transformation and performance culture in high tech engineering and maritime industries. Independent in relation to the company and management as well as in relation to the company's major shareholders.

Kajsa Ryttberg-Wallgren
Board member
Residence: Stockholm, Sweden
Born: 1980
Education: Master of Business Administration, MBA
Elected: 2022
Shares: 0

Executive Vice President, H2 Green Steel and head of Business Unit Hydrogen. Previous experience includes management positions in Sandvik, Sapa, Yara International and Piab. Extensive experience from hydrogen and materials for fuel cells. Independent in relation to the company and management as well as in relation to the company's major shareholders.

Annette Malm Justad
Board member
Residence: Oslo, Norway
Born: 1958
Education: MSc Chemical Engineering, MSc Technology Management
Elected: 2020
Shares: 0

Well renowned senior advisor with more than 25 years of experience from international companies in industry and shipping, including the role of CEO of a listed company. Current board portfolio includes American Shipping Company ASA, Torm Plc, Awilco LNG, Småkraft AS, Store Norske Spitsbergen Kulkompani AS and Feddie Ocean Distillery AS. Independent in relation to the company and management as well as in relation to the company's major shareholders.

Company management

1 Torbjörn Gustafsson
Senior Vice President, CFO
Born: 1976
Employed: 2022
Education: MSc in Business Administration, Lund University
Number of shares: 170

Many years of experience from management positions and board member, most recently as CFO at Christian Berner Tech Trade AB. Former positions include CFO at KappAhl and senior positions at AB Volvo.

2 Lisa Kylhammar
Senior Vice President, Engineering
Born: 1978
Employed: 2011
Education: MSc in Chemical Engineering and PhD in Material Science, Chalmers University of Technology
Number of shares: 0

Broad experience in the fuel cell technology through international collaborations and internal development work. Former positions include manager for different engineering teams at PowerCell as well as project management for development and future technology activities.

3 Richard Berkling
President and CEO
Born: 1972
Employed: 2021
Education: MBA in Business, Economics and Law
Number of shares: 10,000

Richard Berkling has a background as President of CPAC Systems, a subsidiary within the Volvo Group. He built the company, specializing in safety-critical electronics for the marine and off-highway transportation industry, from the ground up. Doing so he gained extensive experience in the marine, construction equipment and material handling segments.

4 Patrik Brouzell
Senior Vice President, Product Sales
Born: 1978
Employed: 2021
Education: MSc Industrial and Logistics Management, University of Gothenburg, School of Business, Economics and Law
Number of shares: 2,900

Patrik Brouzell is responsible for developing PowerCell's product sales to prioritized segments and establishing complementary marketing channels. Patrik Brouzell has previously held the position as CEO of LWW Group.

5 Karl Samuelsson
Senior Vice President, Product Development
Born: 1971
Employed: 2016
Education: MSc Mechanical Engineering, Chalmers University of Technology
Number of shares: 0

Many years experience of management within product development. Former positions include Senior Manager at Volvo Cars, research and development, and Complexity Reduction Analyst at Ford Automotive Group.

6 Dr. Per Ekdunge
Senior Advisor
Born: 1955
Employed: 2008
Education: MSc in Chemical Engineering and Associate Professor in electrochemistry, KTH Royal Institute of Technology
Number of shares: 125,303

More than 30 years of experience in fuel cell and reformer technology. Associate Professor in electrochemistry at the KTH Royal Institute of Technology. Previous career at KTH Royal Institute of Technology, Volkswagen and Dechema in Germany and Volvo Technology where his roles included head of development of fuel cells, batteries and alternative powertrains.

7 Oscar Hamréus
Senior Vice President and Head of HR
Born: 1981
Employed: 2022
Education: BSc Human Resource Management
Number of shares: 69

Oscar Hamréus has previously held positions as HR Manager and senior HR Consultant in a wide array of companies. Oscar Hamréus' most recent position was CEO and Senior HR-Consultant in AddMatch HR-partner.

8 Karin Nilsson
Senior Vice President and deputy CEO
Born: 1969
Employed: 2015
Education: BSc in Business and Economics
Number of shares: 9,000

Many years of international experience of financial and operational management. Earlier positions as CFO at KVD Kvarndammen AB, where Karin Nilsson was also responsible for HR and IT, and as Business Controller in Sibelco Nordic AB and Gunnebo AB.

9 Dr. Andreas Bodén
Senior Vice President, Strategic Sales
Born: 1977
Employed: 2009
Education: MSc in Chemical Engineering and PhD in Chemical Engineering from KTH Royal Institute of Technology in fuel cells.
Number of shares: 2,000

Broad international experience from fuel cell business and technology development. Active within the fuel cell and clean energy field since 2002 and ten years as Board member of Vätgas Sverige. Former positions include Group Manager, Development Manager and Business Developer in PowerCell, Project Manager at Volvo Technology for PEM fuel cell development.

Board of Directors' report

The Board of Directors and the President of Powercell Sweden AB (publ), company registration number 556759-8353, with is registered office in Gothenburg, hereby submit the annual report and consolidated financial statements for the 2022 financial year. All amounts are in KSEK unless otherwise stated. Figures in parenthesis pertain to the preceding year.

PowerCell Sweden AB (publ) develops and produces fuel cell stacks and fuel cell systems with a uniquely high power density, for applications in the aviation, marine, power generation, off-road and on-road segments. PowerCell's products are powered by pure or reformed hydrogen gas and generate electricity and heat without releasing any emissions other than water. Our technology combines high efficiency with a compact format and contributes to increased energy efficiency as well as a significant reduction in emissions of carbon dioxide and harmful particles regardless of application.

Year in brief
2022 has been a year with a lot of development in several dimensions for PowerCell. Net sales has increased, together with an improved gross margin, deriving mainly from a matured market for hydrogen electric solutions in several industries. There has also been a lot of development in maturing the organization and operation within the company to meet the activity level of production, sales and R&D activities for continuous growth in the years to come and to meet the specific needs for activity level in 2022.

There is a partly broadened and new management team in place, that has supported the company to increase pace in developing the company further.

In 2022, we started production of the 200 kW system for marine and stationary applications. The system has rendered a big interest and there are orders to both Power Generation and Marine segment for this system. In the Marine segment PowerCell received a multi megawatt fuel cell system order from U.S. based Maritime Partners in June, worth approximately SEK 37m. Maritime Partners plans to launch the world's first hydrogen-electric towboat, M/V Hydrogen One in 2023.

In September, PowerCell also received an order for fuel cell systems to U.S. based Amogy to be installed in a workboat in which Amogy's solution will reform ammonia into hydrogen. In this way, it is possible to provide continuous power to a workboat over extended periods.

PowerCell also had a lot of activities within the Aviation segment during 2022. In June the company received an order from a European aviation start-up company worth a total of approximately SEK 47m through 2023. The order includes delivering fuel cell systems with a total capacity of several megawatts as well as engineering services and laboratory testing.

In September, PowerCell Sweden AB was invited to participate in a EU project which aims to develop the next generation of sustainable aircraft. Following the completion of negotiations, PowerCell may be chosen to participate in the development of a specially designed multi-megawatt fuel cell system.

In the fourth quarter, PowerCell signed the world's first contract ever covering the serial delivery of hydrogen fuel stacks to the aviation industry. The client is the groundbreaking zero-emission aviation company ZeroAvia. The agreement, valued up to SEK 1.51 billion, is conditioned on ZeroAvia obtaining necessary certifications, and comprises 5,000 hydrogen fuel cell stacks with deliveries planned to start in 2024.

In addition to the Marine and Aviation segments, PowerCell also had a lot of activities in other segments.

In May, PowerCell received an order for a 200 kW fuel cell system from the US company Kaizen Clean Energy. The system will use hydrogen produced through on-site reforming of methanol and will be incorporated into a mobile microgrid solution for electric vehicle charging, hydrogen fueling and mission-critical backup power. This has been an important order in the Power Generation segment.

In segment Off-road, we worked with Volvo Construction Equipment, who built the world's first hydrogen-electric and entirely emission-free articulated hauler prototype. The power is generated by a fuel cell system from PowerCell that is specially designed for the vehicle and application.

Sales and results
The Group's net sales for 2022 were SEK 244.7m (SEK 159.8m), which equates to a rise of SEK 84.9m corresponding to 53%. The increase is deriving from increased sales in the Power Generation, Marine and Aviation segments, were the Marine and Aviation segments contributed the most to the increase. A few large projects have been running in 2022, with revenue recognition as the projects advance. There has also been an increase in engineering services, product sales and sale of IP rights – all contributing to the higher sales. The product/service mix has also contributed to the improved gross margin.

The Group's operating profit/loss is SEK –75.0m (SEK –81.7m), which is an improvement of SEK 5.5m. Although PowerCell has grown the operating expenses, as a part of building capacity for further growth, the improved net sales and gross margin offsets the increasing operating expenses and gives an improved operating profit/loss.

The Parent Company's figures are largely in line with the Group's as the vast majority of the operations are conducted in the Parent Company.

Financial position and liquidity
The Group's financial position and liquidity are satisfactory. Cash and cash equivalents as of 31 December 2022 were SEK 196.9m (SEK 332.5m). The Board assesses that available cash and cash equivalents as of 31 December 2022 are sufficient to finance operations in 2023, which is why the annual report has been prepared on the basis that the assumption of continued operations is met.

Cash flow from operating activities after changes in working capital for 2022 was SEK –120.5m (SEK –66.3m). The Group has increased sales during fourth quarter, leaving a high increase of current receivables and has actively increased the inventory during the year, to match incoming orders and secure critical components.

Cash flow from financing activities for 2022 was SEK –8.5m (SEK –7.5m). The equity/assets ratio at the end of the period was 70.2% (73.6%).

Acquisitions and investments
Investments in property, plant and equipment in the financial year were SEK 24.4m (SEK 17.9m).

Research and Development
The Group continued to conduct significant research and development of fuel cell platforms and fuel cell systems during the year. The costs for research and development were SEK –92.3m (SEK 80.2m) in 2022.

Staff
Converted to full-time positions, the Group had the equivalent of 112 employees at the end of the year. The average number of employees converted to full-time positions for 2022 were 98 (72).

Environmental impact
PowerCell acts responsibly and an active sustainability work is therefore important for the company. PowerCell takes a holistic view, centered around good business ethics, the environment, human rights and the company's future. The Group does not conduct any activities that are subject to notification in compliance with the Environmental Code.

Outlook 2023
PowerCell is active within an industry affected by technical development and a market demand driven by a need to achieve environmental improvements. It is hard to foresee the pace and timing of market growth for hydrogen electric solution, but the ambition is to generate organic growth in 2023.

Future development and significant risks and uncertainties
PowerCell is exposed to risks and uncertainties through its operations. In the coming year, the Company intends to continue the development and industrialisation and commercialisation of its fuel cell platforms and modules. The most significant risks and uncertainties for the Group can be divided into operational and financial factors:

Operational risks

Market-related risks

The Company's products are based on fuel cell technology, which is relatively new in a commercial context. This may entail that customers replace their systems at a slower rate than anticipated, despite the commercial and performance superiority of the Company's products compared with competing technology.

Customer dependency

Until 2022, the Company's operations have primarily been about product development. The company has also delivered a number of products that are being evaluated by customers. The company continues to depend on its development activities and that they are proceeding according to plan and not being affected by any major delays, cost increases or other difficulties. In addition, the Company is dependent on the customers' evaluation of the products and that the Company can increase its sales in line with the continued commercialization

Dependent on individual suppliers

PowerCell is dependent on deliveries of purchased components arriving on time and at the right quality. Should problems arise with deliveries, there is a risk that deliveries to customers will be delayed and therefore a risk that the Group will be subject to both financial and operational problems.

Limited resources

PowerCell is a small company with limited resources in terms of management, administration and capital. For the implementation of the strategy, it is important that the resources are utilised in the Company as optimally as possible. There is a risk that the Company's resources are insufficient and therefore are subject to both financial and operational problems.

Ability to manage growth

The business will grow organically going forward. As the business grows and the workforce increases, PowerCell needs to ensure that the Company always has effective planning and management processes in place to enable the implementation of the business plan in a market that is developing rapidly. Investments and the allocation of valuable management resources are required in order to manage this growth. If PowerCell does not handle growth effectively, this could have an adverse impact on earnings.

Employees

PowerCell's future development depends on the Company's ability to retain and recruit staff with the relevant experience, expertise and dedication. The Company works to reduce its dependence on key individuals by documenting procedures and working methods in a professional manner. However, the risk remains that any individual who is part of the Company's management, or another key individual terminates his/her employment with the Company, which in the short term at least, risks having a significant adverse impact on the Company's operations, earnings and financial position.

Financial risks

The Group is exposed to various types of financial risks in its operations. The financial risks to which the Group is exposed are credit, currency, liquidity and interest rate risks. The overall responsibility for managing the Group's financial risks and developing methods and policy for managing financial risks is incumbent on the Company management and the Board. PowerCell has a finance policy for the Group. For further information on the financial risks, see Note 3.

Pandemic

Covid-19 pandemic has impacted society and the world economy in a profound way and has caused significant human suffering. For PowerCell, the pandemic has periodically had a specific impact on the level of activity in China, but overall it has not had any major impact on either PowerCell's sales or profitability over the past year. Although the Covid-19 outbreak is still ongoing, the effects are less than before due to the increasing degree of vaccination. It is difficult to determine how the virus outbreak will develop and impact PowerCell going forward but the risks of negative effect for PowerCell operation and Sales, have decreased.

Significant events after the end of the financial year:

- Strengthened management team to accelerate the product offering, introducing new roles with Lisa Kylhammar as SVP Engineering, Karl Samuelsson as SVP Application Development and Andreas Bodén as SVP CTO.
- PowerCell develops next generation aviation fuel cells as part of the EU's Clean Aviation Joint Undertaking, through "Newborn" MW project, that aims to develop climate-neutral aviation.
- PowerCell will establish a local presence in the US to meet a strong interest from American customers.
- PowerCell signs agreement for deliveries to Norwegian state ferries valued at EUR 19.2 million.

Dividend policy

PowerCell has adopted a dividend policy that establishes the Company's long-term intention to provide its owners with a stable and increasing dividend. Dividends are proposed by the Board and adopted by a General Meeting of Shareholders, in accordance with the Swedish Companies Act and the Company's Articles of Association. Historically, PowerCell has not had any dividends and no dividends have been paid out for the previous financial year. PowerCell is undergoing a period of rapid development and expansion. The current policy of the Board is that the Company carries forward any profits to finance the growth and operations of the Company and, accordingly, the Board does not anticipate the payment of any dividends in the coming years.

The Board therefore proposes that no dividend be paid out for 2022 but the profits are retained to finance the continued growth and the operation of the business.

Profit appropriation

The following earnings are at the disposal of the AGM (SEK):

Share premium reserve	555,506,677
Retained earnings	-166,877,900
Net profit/loss for the year	-56,693,130
SEK	**331,935,647**
The Board proposes that the profits be appropriated so that the following amount can be carried forward	331,935,647
SEK	**331,935,647**

Regarding the Company's earnings and position in general, reference is made to the following income statements and balance sheets with associated additional disclosures.

Five-year summary

Amounts in KSEK	**2022**	2021	2020	2019	2018
Net sales	**244,691**	159,757	103,528	66,850	60,513
Operating income before items affecting comparability	**-75,019**	-80,475	-97,749	-79,898	-60,893
Operating income	**-75,019**	-81,731	-103,386	448,408	-60,893
Operating cash flow	**-120,506**	-66,338	-3,863	369,147	-99,980
Total assets	**473,946**	521,328	564,692	683,213	217,118
Equity	**332,874**	383,451	457,560	565,271	127,249
Equity/assets ratio (%)	**70.2**	73.6	81.0	82.7	58.6
Current ratio	**4.5**	5.7	11.9	13.1	4.0
Number of shares	**52,142,434**	52,142,434	52,142,434	51,868,810	51,868,810
Earnings per share (SEK)	**-1.09**	-1.50	-2.19	8.38	-1.19
Dividends per share (SEK)	**—**	—	—	—	—

Consolidated statement of comprehensive income

Amounts in KSEK	Note	**2022**	2021
Net sales	6	244,691	159,757
Cost of goods sold	7	-131,668	-110,723
Gross profit		**113,023**	**49,034**
Sales and administration costs	7, 9	-98,559	-69,084
Research and development costs	7, 9	-92 329	-80,197
Other operating income	10	21,807	26,760
Other operating costs	7, 11	-18,961	-6,954
Portion of profit after tax from associated companies recognized in accordance with the equity method	7	—	-34
Operating income before items affecting comparability		**-75,019**	**-80,475**
Items affecting comparability	7, 13	—	-1,256
Operating income		-75,019	**-81,731**
Financial income	7	32,319	21,715
Financial expenses	7	-15,518	-15,099
Net financial items		**16,801**	**6,616**
Profit (loss) before tax		**-58,218**	**-75,115**
Income tax	14, 26	45	31
Profit (loss) for the year		**-58,173**	**-75,084**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences from foreign operations		37	-64
Other comprehensive income for the year		**37**	**-64**
Total comprehensive income for the year		**-58,136**	**-75,148**

Profit (loss) for the year and total comprehensive income are, in their entirety, attributable to shareholders of the Parent Company.

Earnings per share, calculated on profit (loss) for the year attributable to Parent Company shareholders of ordinary shares:

Amounts in SEK		**2022**	2021
Earnings per share, basic	32	Neg	Neg
Earnings per share, diluted	32	Neg	Neg

The notes on pages 59 to 73 constitute an integrated part of these consolidated statements.

Consolidated balance sheet

Amounts in KSEK	Note	**2022-12-31**	2021-12-31
ASSETS			
Non-current assets			
Intangible assets			
Software	18	8,173	864
Total intangible assets		**8,173**	**864**
Right-of-use assets			
Right-of-use-assets	17	34,842	40,376
Total Right-of-use assets		**34,842**	**40,376**
Property, plant and equipment			
Machinery and vehicles	16	31,066	33,146
Equipment, tools, fixtures and fittings	16	3,751	2,812
Total property, plant and equipment		**34,817**	**35,958**
Financial assets			
Deferred tax assets	14, 26	186	93
Long term trade receivables		6,677	—
Total financial assets		**6,863**	**93**
Total non-current assets		**84,695**	**77,291**
Current assets			
Inventories			
Raw materials and consumables	21	54,489	30,297
Products in progress	21	20,233	6,997
Inventories of finished goods	21	763	605
Total inventories		**75,485**	**37,899**
Current receivables			
Trade receivables	19, 20	66,695	37,942
Current tax asset		1,485	1,164
Contractual assets	28	23,065	8,228
Other current receivables	19, 22	7,174	11,275
Prepaid costs and accrued income	23	18,490	15,022
Total current receivables		**116,909**	**73,631**
Cash and cash equivalents	19, 24, 31	196,857	332,507
Total current assets		**389,251**	**444,037**
TOTAL ASSETS		**473,946**	**521,328**

Consolidated balance sheet (cont.)

Amounts in KSEK	Note	**2022-12-31**	2021-12-31
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders	25		
Share capital		1,147	1,147
Other contributed capital		635,007	635,007
Reserves		-234	-271
Retained earnings (including profit (loss) for the year)		-303,046	-252,432
Total equity attributable to Parent Company shareholders		**332,874**	**383,451**
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	19, 27	30,000	30,000
Liabilities leases, interest bearing	19, 27	24,123	29,299
Deferred tax liability	26	558	525
Total non-current liabilities		**54,681**	**59,824**
Current liabilities			
Liabilities leases, interest bearing	19, 27	7,342	7,916
Contractual liabilities	28	15,222	11,064
Trade payables	19	19,272	18,799
Other current liabilities	19	6,567	8,774
Provisions	30	3,146	2,037
Accrued costs and prepaid income	29	34,842	29,463
Total current liabilities		**86,391**	**78,053**
Total liabilities		**141,072**	**137,877**
TOTAL EQUITY AND LIABILITIES		**473,946**	**521,328**

The notes on pages 59 to 73 constitute an integrated part of these consolidated statements.

Consolidated statement of changes in equity

		Attributable to shareholders of the Parent Company				
Amounts in KSEK	Note	Share capital	Other contributed capital	Reserves	Retained earnings incl. profit (loss) for the year	Total equity
Opening balance at January 1, 2021	25	**1,147**	**635,007**	**–207**	**–178,387**	**457,560**
Profit (loss) for the year		—	—	—	–75,084	–75,084
Other comprehensive income for the year		—	—	–64	—	–64
Total comprehensive income for the year		**—**	**—**	**–64**	**–75,084**	**–75,148**
Transactions with shareholders in their role as owners						
Share-based benefits	9	—	—	—	1,039	1,039
Closing balance at December 31, 2021	25	**1,147**	**635,007**	**–271**	**–252,432**	**383,451**
Opening balance at January 1, 2022	25	**1,147**	**635,007**	**–271**	**–252,432**	**383,451**
Profit (loss) for the year		—	—	—	–58,173	–58,173
Other comprehensive income for the year		—	—	37	—	37
Total comprehensive income for the year		**—**	**—**	**37**	**–58,173**	**–58,136**
Transactions with shareholders in their role as owners						
Share-based benefits	9	—	—	—	7,559	7,559
Closing balance at December 31, 2022	25	**1147**	**635,007**	**–234**	**–303,046**	**332,874**

The notes on pages 59 to 73 constitute an integrated part of these consolidated statements.

Reserves comprise, in their entirety, a translation reserve. The translation reserve comprises exchange differences that occur as a result of income statements and balance sheets of all Group companies being translated to the Group's reporting currency.

Consolidated cash flow statement

Amounts in KSEK	Note	**2022**	2021
Cash flow from operating activities			
Operating profit (loss)		–75,019	–81,731
Adjustments for non-cash items	35	37,693	30,393
Interest received		234	—
Interest paid		–918	–1,017
Tax paid		493	203
Cash flow from operating activities before changes in working capital		**–37,517**	**–52,152**
Cash flow before changes in working capital			
Increase/decrease of inventories		–41,609	–7,250
Increase/decrease of trade receivables		–28,725	–29,843
Increase/decrease of other receivables		–19,922	–11,401
Increase/decrease of contractual liabilities		4,157	9,255
Increase/decrease of trade payables		477	13,673
Increase/decrease of other liabilities		2 631	11,380
Total changes in working capital		**–82,989**	**–14,186**
Cash flow from operating activities		**–120,506**	**–66,338**
Cash flow from investing activities			
Change in financial assets		—	–34
Acquisitions of tangible and intangible assets		–17,806	–17,883
Sales of tangible and intangible assets		89	–6
Long term trade receivables		–6,677	—
Cash flow from investing activities		**–24,394**	**–17,923**
Cash flow from financing activities			
Repayment of leasing liability	34	–8,464	–7,520
Cash flow from financing activities		**–8,464**	**–7,520**
Decrease/increase of cash and cash equivalents		**–153,364**	**–91,781**
Exchange rate differences in cash and cash equivalents		17,714	7,442
Opening cash and cash equivalents		332,507	416,846
Closing cash and cash equivalents		**196,857**	**332,507**

The notes on pages 59 to 73 constitute an integrated part of these consolidated statements.

Notes to the consolidated statements

Note 1 General

PowerCell Sweden AB (publ) (PowerCell), Corp. Id. No 556759-8353 is a Parent Company registered in Sweden and domiciled in Göteborg, with address Ruskvädersgatan 12, 418 34 Göteborg, Sweden.
The Board has approved these consolidated financial statement for publication on March 14, 2023.

All amounts are stated in SEK thousand (KSEK) unless otherwise stated. Amounts in brackets refer to the comparative year.

Amounts in tables and other compilations have been rounded off separately. Minor rounding differences may therefore occur in summations.

Note 2 Summary of significant accounting policies

Included in this Note is a list of significant accounting policies applied in the preparation of these consolidated financial statements. The policies have been applied consistently for all year presented, unless otherwise stated. The consolidated financial statements cover the Parent Company PowerCell Sweden AB (publ) and its subsidiaries.

Basis of preparation
The Groups consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the Annual accounts act and Swedish Financial Reporting Board's recommendation RFR 1 has been applied. The consolidated financial statements are prepared in accordance with the cost method except for assets held for sale and financial assets and liabilities (including derivatives) measured at fair value through profit or loss.

The annual accounts for the Parent Company have been prepared in accordance with RFR 2 Accounting for legal entities and the Swedish Annual Accounts Act.

Note 2.1 Consolidated financial statements

Subsidiaries
Subsidiaries are all companies in which the Group has a controlling influence. The Group has control over a company when it is exposed to or have a right to variable returns from its participation in the company, and has the possibility to influence the return through its participation in the company. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to recognize the Group's business combinations. The acquisition price is the consideration paid for a subsidiary and comprise the fair value of the assets transferred, the liabilities incurred by the Group to the previous owner of the company. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred. Inter-company transactions, balance sheet items and unrealized gains and losses on transaction between Group companies are eliminated. The accounting principles for subsidiaries have, when necessary, been revised in order to ensure a consistent application of the Group's accounting principles.

Associated companies
Associated companies are all the companies in which the Group has significant but not controlling interest, which generally derives from a shareholding of between 20 percent and 50 percent of the voting rights. Participations in associated companies are recognized in accordance with the equity method.

Equity method
In accordance with the equity method, participations in associated companies are initially recognized at cost. The carrying value is subsequently increased or decreased in order to take into consideration the Group's part of the profit and other comprehensible income from its associated companies after the acquisition date.

When the Group's part of the losses in an associated company are equal to or exceeds the participation in this associated company, the Group does not recognize any further losses, unless the Company has not assumed any liabilities or made any payments on account of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's participation in the associated companies. Unrealized losses are eliminated as well, in case the transaction is not an indication of impairment of the asset which is transferred. The accounting principles for associated companies have, when necessary, been revised in order to ensure consistency with the Group's accounting principles.

Note 2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments. The CEO of PowerCell is the chief operating decision maker. PowerCell has identified an operating segment which makes up the Group's operation as a whole. The assessment is based on the operations in their entirety being reviewed regularly by the CEO, as a base for allocating resources and assessing the performance.

Note 2.3 Items affecting comparability

Items affecting comparability are reported separately in the financial statements when this is necessary to explain the Group's results. Items affecting comparability refer to significant income or expense items that are reported separately due to the significance of their nature or amount. For the year and the comparative year, PowerCell has decided to report separately items that reduces the possibility for comparison regarding severance pay to the CEO and costs related to the launch of PowerCellution, the new product brand.

Note 2.4 Translation of foreign currencies

(i) Functional currency and presentation currency
The entities in the Group have the local currency as their functional currency, as the local currency has been defined as the primary economic environment in which each entity operates. The consolidated accounts are presented in SEK, which is the Parent Company's functional and the Group's presentation currency.

(ii) Transactions and balance sheet items
Foreign currency transactions are translated into the functional currency, applying the exchange rates prevailing on the transaction dates. Foreign exchange-rate profits and losses from such transactions and at the translation of monetary assets and liabilities in foreign currencies using the exchange rates prevailing at the balance sheet date, are recognized in operating profit (loss) in other comprehensive income.

Foreign exchange-rate profits and losses attributable to liabilities and cash and cash equivalents are recognized in the statement of comprehensive income as financial income and financial costs. All other foreign exchange-rate profits and losses are recognized under other operating costs and other operating income, respectively.

note 2.4 cont.

(iii) Translation of foreign Group companies
Profit (loss) and financial position for all companies with a functional currency other than the reporting currency are translated to the reporting currency of the Group. Assets and liabilities for each of the balance sheets are translated from the foreign operation's functional currency to the Group's reporting currency, applying the exchange rates prevailing on the balance sheet date. Income and costs for each of the income statements are translated to SEK using the average exchange rate prevailing at each transaction date. Foreign exchange differences arising from the currency translation of foreign operations are recognized in other comprehensive income. Accumulated profit or loss are recognized in profit (loss) for the year when the foreign entity is disposed of, wholly or in part.

Note 2.5 Revenue

The Group's principles for recognition of revenue from customers contracts are presented below.

(i) Sales of goods
The Group develops, manufactures and sells fuel cell stacks, fuel cell systems (hardware). In the majority of the cases, PowerCell will sell the hardware without any conditional liabilities associated with installation and support. The sale is recognized as income when the control of the goods is transferred to the customer, which is normally at delivery. Delivery occurs when the goods have been transported to the specific location, when the risk of obsolete or lost goods have been transferred to the customer,
and the customer has either accepted the goods in accordance with the agreement, the period of time for objections to the agreement has expired, or the Group has objective evidence that all criteria of acceptance are met. No financing component is deemed to be existent at the date of sale for the Group's products.

(ii) Sales of services
The Group provides services, including:

- Technical support regarding fuel cell stacks and fuel cell systems
- Development services, such as customized fuel cell stacks and fuel cell systems
- Service agreements

The above services are recognized as separate performance obligations when the customer, separately or in connection with other available resources, can make use of such a service, and it can be contractually
separated from other commitments in the agreement. In the case an agreement includes more than one performance obligation, the transaction price is allocated to each separate performance obligation, based on their independent sales prices. Technical support and development services are deemed to make up separate performance obligations, where income is recognized over time. Service agreements are recognized on a straight-line basis over the term of contract.

If the services delivered by the Group exceed the payment, a contract asset is recognized. If the payments exceed the services delivered, a contract liability is recognized.

For major assignments that meet the criteria for revenue recognition over time, income and expenses are reported in relation to the degree of completion of the assignment on the balance sheet date. The degree of completion of an assignment is determined in the ratio between the commissioned expenses incurred for work performed on the balance sheet date and the estimated total commission expenses, except in cases where this does not correspond to the degree of completion. When the outcome of an assignment cannot be calculated in a reliable manner, only the amount corresponding to the incurred assignment expenses that are likely to be reimbursed by the customer is recognized as an income and other incurred assignment expenses are reported as expenses in the period in which they arise. As it is probable that the total commission expenses will exceed the total commission income, the feared loss is immediately reported as an expense in its entirety.

The company have for some contracts been awarded a fee for the transfer of IP-rights at the inception of the contract and/or at certain contractual milestones. The fees are all considered by the management to be irrevocable and to constitute a direct exchange of services in the sense that rights have been transferred to the counterparty. Consequently, the licence fees, for IP rights, have therefore been recognized as revenue directly in connection with the signing of the agreement and/or at the achievement of the contractual milestones.

(iii) Interest income
Interest income is recognized with the application of the effective interest method.

Note 2.6 Intangible assets

Capitalized expenditure for development activities
Maintenance costs are expensed as incurred. Development costs directly attributable to the development of fuel cell stacks and fuel cell systems over which the Group has control, are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete them so that they will be available for use;
- it is the Group's purpose to complete them so that they will be available for use or sale;
- there are prerequisites to make them available for use or sale;
- it is possible to prove how they are likely to generate future economic benefits;
- there are adequate technical, economic and other resources to fulfill the development and to make them available for use or sale; and
- the costs attributable to the assets during development can be reliably calculated.

Directly attributable costs recognized as a component of development work include costs of personnel and external consultants.

Other development costs, that do not meet these criteria, are expensed as incurred. Development expenditure previously carried at cost is not recognized as an asset in a subsequent period.

Capitalized development expenditure is recognized as intangible assets and is depreciated from the date when the asset is ready for use.

The Group's costs of research and development have not been deemed to meet the criteria for capitalization, and have instead been expensed in their entirety.

Other intangible assets
Other intangible assets comprise software. The accounting principles of this items is described below.

Software
Software acquired separately, together with related costs for installation, is recognized at cost, less accumulated depreciation. The estimated useful life is normally 5 years, which corresponds to the estimated period of time during which these assets will generate cash flows.

Useful lives of the Group's intangible assets

Licenses	4 years
Software	5 years

Note 2.7 Leases

The Group as a lessee
The Group only acts as a lessee. The Group's leases mainly comprise the right-of-use regarding premises and equipment. The leases are recognised as a right-of-use asset with a corresponding lease liability when the leased asset is available for use by the Group. Short-term leases and leases for which the underlying asset is of low value are exempted.

Each lease payment should be divided between amortisation of the lease liability and a financial cost. The financial cost should be allocated over the lease term, so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognised under each period.

The lease term is determined as the non-cancellable period of the lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group's lease liabilities are recognised at the present value of the Group's fixed lease payments (including in-substance fixed lease payments). Purchase options are included if it is reasonably certain that the Group will exercise the option to acquire the underlying asset. Penalties for terminating the lease are included if the lease term reflects that the lessee will exercise an option to cancel the lease. Lease payments are discounted with the interest rate implicit in the lease, if this rate can easily be determined. Otherwise, the Group's incremental borrowing rate is applied.

The Group's right-of-use assets are recognised at cost, and include initial present value of the lease liability, adjusted for lease payment made at or

before the commencement date and any initial direct expenses. Restoration costs are included in the asset if a corresponding provision for restoration costs exists. The right-of-use asset is depreciated on a straight-line basis over the asset's useful life and the lease term, whichever is the shortest.

Note 2.8 Property, plant and equipment

Property, plant and equipment are recognized at cost less depreciation and any impairment. In cost is included expenditure directly attributable to the acquisition of the asset, and the cost of bringing it to the location and condition necessary for it to be capable of operating in the manner intended by the acquisition.

Additional costs are added to the asset's carrying value or are recognized as a separate asset, depending on which is most suitable, only when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. The carrying value of a substituted part is derecognized. All other kinds of reparations and maintenance are recognized at cost in the statement of comprehensive income in the period in which they occur.

Depreciation of assets, in order to allocate their cost to their estimated residual value over their estimated useful lives, is done on a straight-line basis according to the following:

The following depreciation periods apply:	
Machinery and vehicles	3–10 years
Equipment, tools and fixtures and fittings	3–10 years

The assets' residual values and useful lives are assessed at the end of each reporting period and adjusted, if needed.

The carrying value is immediately written down to its residual value if the asset's carrying value exceeds its estimated residual value.

Profit or loss from the disposal of property, plant and equipment is established through a comparison of the profit from the sales and the carrying value, and is recognized in "Other operating income" and "Other operating costs", respectively, in the statement of comprehensive income.

Note 2.9 Impairment of non-financial assets

Intangible assets not ready for use (capitalized expenditure for development activities), are not impaired, but tested annually for any indication of impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is made in the amount to which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the greater of an asset's fair value, less selling expenses and the asset's value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate, identifiable cash flows (CGUs). Assets that have previously been impaired are tested for reversal on each balance sheet date.

Note 2.10 Financial instruments of general information

Financial instruments are recognized in various balance sheet items and are further presented below.

Initial recognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms and conditions of the instrument. Purchases and sales of financial instruments are reported on the trade date, that is, the date on which the Group commits itself to purchase or sell the asset.

Financial instruments are initially valued at fair value plus transaction costs directly attributable to the acquisition or issuance of a financial asset or a financial liability, e.g., fees and commission fees.

Classification

The Group classifies its financial assets and liabilities in the category amortized cost. The classification is based on the purpose for acquiring the financial asset or liability.

Financial assets at amortized cost

Assets held with the sole purpose of collecting contractual cash flows, and where these cash flows comprise only principal and interest, are valued at amortized cost. The carrying value of these assets are adjusted for any expected credit losses that have been recognized (refer to impairment below). Interest income from these financial assets are recognized in accordance with the effective interest method and are included in financial income. The Group's financial assets valued at amortized cost comprise the items trade receivables, other receivables, accrued income and cash and cash equivalents.

Financial liabilities at amortized cost

The Group's other financial assets are classified as subsequently valued at amortized cost applying the effective interest method. Other financial liabilities comprise other non-current liabilities, trade payables and a portion of other current liabilities.

Derecognition of financial instruments

Derecognition of financial assets

Financial instruments are derecognized from the balance sheet when the contractual rights to receive cash flows from the instruments have expired or been transferred, and the Group has either (i) substantially transferred all of the risks and rewards associated with ownership, or (ii) not substantially transferred all of the risks and rewards associated with ownership and the Group has not retained control of the asset.

Derecognition of financial liabilities

Financial liabilities are derecognized from the balance sheet when the obligations are settled, cancelled or has expired in any other way. The difference between the carrying value of a financial liability (or a portion of a financial liability) that has been extinguished or transferred to another party and the fee paid, including assets transferred, assets that are not cash and cash equivalents or assumed liabilities, are reported in the statement of comprehensive income.

When the terms and conditions are re-negotiated and are not derecognized, a profit or loss is reported in the statement of comprehensive income. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Offsetting of financial instruments

Financial assets and liabilities are offset and recognized with a net amount in the balance sheet only when there is a legal right to offset the recognized amounts and an intention to balance the items with a net amount, or to simultaneously realize the asset and settle the liability. The legal right must not be dependent on future events and it must be legally binding for the Company and the counterparty, both in the normal course of business and in case of suspension of payments, insolvency or bankruptcy.

Impairment of financial assets

Assets recognized at amortized cost

The Group assesses future credit losses associated with assets recognized at amortized cost. The Group recognizes a credit reserve for such expected credit losses on each reporting date. For trade receivables, the Group applies the simplified method of credit reserves, i.e., the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivable are grouped based on credit risk characteristics and days past due. The Group applies forward-looking variables for expected credit losses. Expected credit losses are recognized in the consolidated statement of comprehensive income, in the items sales and administrative costs.

Note 2.11 Inventories

Inventories are reported using the first-in, first-out method at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the on-going course of business, less applicable variable selling expenses.

Note 2.12 Trade receivables

Trade receivables are amounts attributable to customers regarding good or services sold in the on-going course of business. Trade receivables are classified as current assets. Trade receivables are initially recognized at their transaction price. The Group hold the trade receivables in order to collect contractual cash flows, wherefore they are recognized at the subsequent reporting date at amortized cost using the effective interest method.

Note 2.13 Cash and cash equivalents

Cash and cash equivalents include, in the balance sheet as well as in the income statement, cash and bank balances.

Note 2.14 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issuance of new ordinary shares are recognized, net of tax, in equity as a deduction for the proceeds of the issue.

Note 2.15 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs. Borrowings are subsequently recognized at amortized cost and any difference between the amount received (net of transaction costs), and the amount to be repaid is recognized in the statement of comprehensive income, distributed over the term of the loan, using the effective interest method.

The liability is classified as current in the balance sheet, if the company does not have an unconditional right to postpone the settlement of the liability for at least twelve months after the reporting period.

Note 2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifies assets are recognized as a portion of the cost for these assets. Qualified assets are assets that necessarily take a considerable time to complete for their intended use. Capitalization will cease when all activities needed to complete the asset have, in all significant aspects, been completed.

All other borrowing costs are expensed as incurred.

Note 2.17 Employee benefits

Pension obligations

Within PowerCell, there are both defined-contribution plans and defined-benefit plans. A defined-contribution plan is a pension plan according to which the Group pays a fixed amount to a separate legal entity. PowerCell has no legal or constructive obligation to pay additional premiums of this legal entity does not have adequate means to pay all benefits to employees, attributable to their service in current or previous periods. The premiums are reported as personnel costs when they fall due.

PowerCell's defined benefit plans comprise the defined pension benefit obligations of the ITP 2 plan. The defined pension benefit obligations of the ITP 2 plan for retirement pensions and survivor's pension are secured through an insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 *Accounting for the pension plan ITP 2 financed through an insurance in Alecta*, this is a defined benefit multi-employer plan. For the financial year 2022, PowerCell has not had access to information in order to be able to report its proportional share of the obligations of the plan, plan assets and costs and, therefore, it has not been possible to recognize the plan as a defined benefit plan. The ITP 2 pension plan, secured through an insurance with Alecta, is therefore reported as a defined contribution plan. The premium of the defined contribution plan for retirement pensions and survivor's pension is calculated individually, and is, among other factors, based on salary, previously earned pension and expected remaining years of service. Expected premiums for the next reporting period for ITP insurances agreed with Alecta is KSEK 5,500.

The collective consolidation level comprise the market value of Alecta's assets as a percentage of the insurance obligations in accordance with Alecta's actuarial methods and assessments, which do not comply with IAS 19. The collective consolidation level should normally be allowed to vary between 125% and 155%. If Alecta's collective consolidation level falls below 125% or exceeds 155%, measure should be taken in order for the consolidation level to return to the normal interval. At a low consolidation, one measure might be to increase the price when signing new insurance agreements and an expansion of existing benefits. At the end of the financial year 2022, Alecta's surplus of the collective consolidation level was, preliminary, 172% (2021: 172%).

Short-term benefits:

Liabilities for salaries and remuneration, including non-monetary benefits and paid sick leave, that are expected to be settled within 12 months after the end of the financial year, are recognized as current liabilities at the non-discounted amount expected to be paid when the liabilities are settled. The cost is recognized as the services are rendered by the employees.

The liability is recognized as a liability regarding employee benefits in the balance sheet.

Share-based benefits

PowerCell's share-based payment program is classified as equity-settled transactions, and the granted instrument's fair value at grant date is recognised over the vesting period. At each balance sheet date, the Group revises the estimates to the number of equity instruments that are expected to vest. PowerCell recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. In addition, PowerCell provides for employer contributions expected to be paid in connection with the share-based payment program. These costs are recognized in the income statement over the vesting period. The provision is periodically revalued based on the fair value of the instruments at each balance sheet date.

Note 2.18 Trade payables

Trade payables are financial instruments and refer to the obligation to pay for goods and services acquired in the normal course of business from suppliers. Trade payables are classified as current liabilities if they fall due within one year. In other cases, they are recognized as non-current liabilities.

Note 2.19 Public grants

Public grants are reported at fair value when there is a reasonable assurance the grants will be received and the Group will meet the terms and conditions associated with the grants. Grants received before the terms and conditions to recognize them as revenue have been met, is recognized as a liability.

Government grants regarding cost recovery are allocated to the same periods which the grants are intended to cover.

Note 2.20 Cash Flow Statement

Cash flow statements are prepared in accordance with the direct method. The cash flow recognized comprise only transactions that have given rise to payments to or from the Company.

Note 2.21 Earnings per share

Earnings per share, basic

Earnings per share, basic, is calculated by dividing:
- equity attributable to Parent Company shareholders,
- with a weighted average number of ordinary shares during the period.

(ii) Earnings per share, diluted

For the calculation of earnings per share, diluted, the amounts are adjusted that were used for the calculation of earnings per share, basic, by taking into account:
- the weighted average of the further ordinary shares that would have been outstanding at a conversion of all potential ordinary shares.

Note 3 Financial risk management

3.1 Financial risk factors

Through its operations, the Group is exposed to a number of different financial risks related to cash and cash equivalents, accounts receivable, trade payables and loans: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Group strives to minimize potential unfavorable effects on the Group's financial performance.

The aim of the Group's financial activities is to:
- secure that the Group can meet its payment obligations;
- manage financial risks;
- secure necessary financing; and
- optimize the Group's net financial income.

Credit risk is managed by Group management. Only banks and credit institutions with a good credit rating are accepted. If the customers have been valuated by an independent valuator, these valuations are used. In the cases where there is no independent credit rating, a risk assessment is made of the customer's creditworthiness, where financial position, historical experience

and other factors are taken into account. As a significant portion of the Group's contracts have been agreed with wholly or part advance payments, or in other cases comprise customers with a strong financial position, the customer related credit risk is deemed to be limited.

(a) Market risk

Currency risk

The Group has international operations and is exposed to currency risk occurring from different currency exposures, mainly regarding euro (EUR). Currency risk arise from payment flows in foreign currencies, so called transaction exposure, and from the revaluation of balance items in foreign currencies and at the revaluation of foreign subsidiaries' income statements and balance sheets to the Group's reporting currency, which is Swedish kronor (SEK), so called balance exposure.

Currency risk occurs when future business transactions or recognized assets or liabilities are nominated in a currency which is not the entity's functional currency. In PowerCell, currency risk mainly occurs through cash and cash equivalents in foreign currencies (EUR) and future business transactions, mainly in the Parent Company, where a significant portion of the transactions are made in euro.

Sensitivity analysis – transaction exposure

Sensitivity in profit (loss) regarding changes in exchange rates mainly occurs in EUR. Significant items in the balance sheet in foreign currencies are found within trade receivables, contractual liabilities, trade payables and accrued and prepaid government grants. Trade receivables in foreign currencies were KSEK 66,483 at December 31 2022 (December 31 2021: KSEK 36,732). Cash and cash equivalents in foreign currency amount to KSEK 92,542 at December 31 2022 (December 31, 2021: KSEK 314,419).

Contractual liabilities in foreign currencies were KSEK 15,222 at December 31, 2022 (December 31, 2021: KSEK 10,826. Trade payables in foreign currencies was KSEK 8,157 at December 31, 2022 (December 31, 2021: KSEK 10,595). Accrued government grants in foreign currencies were KSEK 5,510 at December 31, 2022 (December 31, 2021: KSEK 10,576) and prepaid government grants in foreign currencies were KSEK 6,463 at December 31, 2022 (December 31, 2021: KSEK 5,996)

A weakening/strengthening of the Swedish krona against the euro of 10% with all other variables remaining constant would result in a change of the profit after tax for the financial year 2022 would have been KSEK 10,848 (KSEK 33,155) lower/higher. This mainly as a result of gains/losses at the translation of trade receivables and prepaid and accrued government grants.

Interest rate risk

The debt to the Swedish Energy Agency consists of two loans received for development of the Group's project regarding fuel cell technology to be included in the Company's operations. The loans are interest free and with a grace period until certain criteria are met and the new technology will start generating revenue. Thereafter, payments of interest and principal will be made based on PowerCell's invoicing for each project. Interest will be charged with 6% over that of the Swedish Central Bank (Riksbanken) at every occasion as regards reference rate. The Group is not exposed to any significant interest rate risk, as the majority of the liabilities runs without interest. For further information see note 28.

(b) Credit risk

Credit risk arises through participations in cash and cash equivalents, balances with banks and credit institutions and customer credit exposures, including outstanding receivables. Credit risk is managed by Group management. Only banks and credit institutions with the lowest of the credit rating "A" from an independent valuator are accepted.

Historically, the Group has had a low level of bad debts, as the customers to a large extent comprise well-known customers. If the customers have been valuated by an independent valuator, these valuations are used. In the cases where there is no independent credit rating, a risk assessment is made of the customer's creditworthiness, where financial position, historical experience and other factors are taken into account. Individual risk limits have been established based on internal and external credit ratings, in accordance with the limits established by the Board of Directors. Compliance with credit limits is monitored regularly by Group management.

Dec 31, 2022	Receivables not yet due	1 to 30 days past due	30 to 60 days past due	60 to 120 days past due	More than 120 days past due	Total
Expected credit loss	—	—	—	—	—	—
Carrying amounts gross – trade receivables	41,211	23,025	47	2,412	—	66,695

(c) Liquidity risk

Through a careful liquidity management the Group secures that there are sufficient cash and cash equivalents to meet the requirements of the operating activities. At the same time, the Group secures that there are sufficient cash and cash equivalents so that debts can be paid on maturity.

Group management monitors rolling forecasts for cash and cash equivalents of the Group based on expected cash flows.

The below table shows the Groups non-derivative financial liabilities, categorized by the time per the balance sheet date that remain until the contractual due date. Amounts in the table are the contractual, non-discounted cash flows. Future cash flows in foreign currencies and regarding variable interest rates have been calculated based on the exchange and interest rate prevailing on the balance sheet. The due date regarding the loan from the Swedish Energy Agency is established based on the assessment of when the projects will start generating revenue.

At December 31, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Later than 5 years	Total contractual cash flows	Carrying value
Financial liabilities							
Other financial liabilities	—	—	30,000	—	—	30,000	30,000
Liabilities, leasing	1,973	5,927	6,428	14,164	8,645	37,136	37,215
Trade payables	18,799	—	—	—	—	18,799	18,799
Total	**20,771**	**5,927**	**36,428**	**14,164**	**8,645**	**85,935**	**86,014**

At December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Later than 5 years	Total contractual cash flows	Carrying value
Financial liabilities							
Other financial liabilities	—	—	*30,000*	—	—	30,000	30,000
Liabilities, leasing	1,999	5,326	5,440	14,774	3,857	31,396	37,215
Trade payables	19,272	—	—	—	—	19,272	19,272
Total	**21,271**	**5,326**	**35,440**	**14,774**	**3,857**	**80,668**	**86,487**

note 3 cont.

Note 3.2 Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

The Group assesses the capital based on the debt/equity ratio. This key performance indicator is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including the items current borrowings and non-current borrowings in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as net debt plus equity.

	December 31, 2022	December 31, 2021
Total borrowings (Note 27)	61,465	67,215
Less: cash and cash equivalents	–196,857	–332,507
Net debt (+)/Net cash (–)	**–135,392**	**–265,292**
Total equity	332,874	383,451
Total capital	**197,482**	**118,159**

Note 4 Significant accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The accounting estimates that result from these will, as per definition, seldom correspond to the real performance. The estimates and judgements that imply a significant risk of adjustments of carrying values for assets and liabilities for the next financial year are summarized below.

Valuation of inventories
The Group recognizes inventories of KSEK 75,485 (KSEK 37,899). For 2022 an obsolescence reserve of KSEK 4,020 (KSEK 9,175) was recognized. An obsolescence reserve is recognized if the estimated net sales value is lower than cost, and in connection with this, the Group makes estimates and judgements regarding, among other factors, future market situation and estimated net sales values. The risk of obsolescence arises in periods of a drop in demand, and where the technological development on the markets in which the Group has operations pose a specific risk. An inability to foresee and meet the expectations of the market might result in a future need of making provisions for inventory obsolescence.

Trade receivables
For trade receivables, the Group applies the simplifies method of credit reserves, i.e., the reserve will correspond to the expected loss over the whole life of the trade receivable. In order to measure the credit losses, trade receivable are grouped based on credit risk characteristics and days past due. The Group applies forward-looking variables for expected credit losses. This method implies that certain judgements need to be made regarding the probability that a trade receivable will flow to the Group.

Deferred tax liabilities and tax assets
Significant judgements are made in order to determine deferred tax liabilities and tax assets, not least regarding deferred tax assets. The Company need to assess the probability that the deferred tax assets will be utilized to offset future taxable profits.

At the end of 2022, the Group had losses carried-forward of approximately KSEK 375,013 (KSEK 320,488) that had not been valued based on the assessment that a utilization must be probable. Thus, changed assessments for the probability of utilization can impact the performance both negatively as positively.

Intangible assets
Development costs directly attributable to the development of the Group's products are subject to estimates and judgements. The costs are recognized as intangible assets when the following criteria are met:
- it is technically feasible to complete them so that they will be available for use;
- it is the Group's purpose to complete them so that they will be available for use or sale;
- there are prerequisites to make them available for use or sale;
- it is possible to prove how they are likely to generate future economic benefits;
- there are adequate technical, economic and other resources to fulfill the development and to make them available for use or sale; and
- the costs attributable to the assets during development can be reliably calculated.

The Group's costs of research and development have not been deemed to meet the criteria for capitalization, and have instead been expensed in their entirety.

Percentage of completion
For longer, more complex customer contracts, the percentage of completion method is applied involving a judgement from management. The degree of completion of an assignment is determined in the ratio between the commissioned expenses incurred for work performed on the balance sheet date and the estimated total commission expenses, except in cases where this does not correspond to the degree of completion. When the outcome of an assignment cannot be calculated in a reliable manner, only the amount corresponding to the incurred assignment expenses that are likely to be reimbursed by the customer is recognized as an income and other incurred assignment expenses are reported as expenses in the period in which they arise. Changed assessments of the projects' total expenses have retroactive effects that affect revenue and profit settlement. As part of the ongoing operations, reviewing risks in projects and total expenses forecasts are included. This review may result in corrections to project estimates, both positive and negative. The reporting of long-term customer contracts also affects balance sheet items such as contractual assets and contractual liabilities and, where applicable, provisions for loss contracts.

Note 5 Segment information

Description of segments and main activities
PowerCell's CEO is the chief operating decision maker and evaluates financial position and performance and makes strategic decisions. The chief operating officer has established operating segments based on the information processed and which is used as a base for allocating resources and to evaluate performance. The CEO monitors and evaluates the Group from an operating segment, which is the Group in its entirety.

The CEO uses mainly the operating income in the assessment of the Group's performance.

Operating income	**2022**	2021
Operating income	–75,019	–81,731

Note 6 Net sales

Revenue
As revenue from external parties are reported to the CEO, it is valued in the same way as in the consolidated statement of comprehensive income. The main part of revenue is recognized at one point in time.

	2022	2021
Revenue from external customers		
Hardware	83,887	133,921
Services	57,133	5,606
Royalty fees	15,182	—
Contractual assets refer to projects that are reported in accordance with the principles for revenue recognition.	88,489	20,230
Total	**244,691**	**159,757**

From January 2022, royalty fees (KSEK 523) are reported as net sales instead of other operating income.

Revenue from external customers per country, based on where customers are located:

Net sales by geographic market:	**2022**	2021
Sweden	2,694	1,374
Germany	92,176	107,579
UK	30,267	22,410
China	2,728	1,761
Netherlands	44,874	13,729
US	42,366	688
Other	29,586	12,216
Total	**244,691**	**159,757**

The Group has for 2022 four external customers, which individually exceed 10% of the Group´s total revenues. Revenue per customer amounts to approximately KSEK 43,789, KSEK 42,958, KSEK 37,359 respective KSEK 25,694.

For 2021 the Group had two external customers, which individually exceed 10% of the Group´s total revenues. Revenue per customer amounts to approximately KSEK 67,971 respective KSEK 27,279.

Note 7 Costs by nature

	2022	2021
Raw materials and consumables	131,668	110,723
Other external costs	69,978	66,010
Personnel costs	101,157	68,581
Depreciation of tangible assets	17,991	15,330
Depreciation of intangible assets	1,762	615
Disposal fixed assets	—	273
Exchange-rate differences	1,439	-651
Portion of profit after tax from associated companies recognized in accordance with the equity method	—	34
Financial items	721	717
Total	**324,716**	**261,632**

Note 8 Auditors' fees

	2022	2021
PricewaterhouseCoopers AB		
Audit assignment	623	568
Audit activities in addition to the audit assignment	160	—
Other services	63	202
Total	**846**	**770**

Note 9 Employee benefits, etc.

	2022	2021
Salaries and other remuneration	73,207	52,012
Share-based benefits	7,559	1,039
Social security contributions	21,993	14,614
Pension costs – defined contribution plans	10,333	8,450
Total employee benefits	**113,092**	**76,115**

Salaries and other remuneration and social security contributions

	2022		2021	
	Salaries and other remuneration (of which bonuses)	Social security contributions (of which pension costs)	Salaries and other remuneration (of which bonuses)	Social security contributions (of which pension costs)
Directors of the Board, presidents and other senior executives	25,552 (2,768)	12,727 (4,698)	14,126 (1,860)	7,910 (3,472)
Other employees	55,213 (2,464)	19,600 (5,635)	38,925 (2,635)	15,154 (4,978)
Group total	**80,765**	**32,327**	**53,051**	**23,064**

Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest-paid individual): 4.60

Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual): 0.79

Total compensation used in calculations includes Base Salary + Bonus Payment for 2022.

Average number of employees per country

	2022		2021	
	Average number	Of which men	Average number	Of which men
Sweden	94	71	68	50
Germany	1	1	1	1
Norway	1	1	—	—
China	2	1	3	1
Group total	**98**	**74**	**72**	**52**

Percentage of individuals in the following diversity categories for employees

	<30 years old		30–50 years old		50+ years old	
	2022	2021	**2022**	2021	**2022**	2021
Male	17%	13%	40%	48%	16%	15%
Female	8%	4%	12%	12%	7%	8%

Percentage of individuals in the following diversity categories for Director of the Board and other senior executives

	<30 years old		30–50 years old		50+ years old	
	2022	2021	**2022**	2021	**2022**	2021
Male	—	—	14%	14%	43%	57%
Female	—	—	14%	—	29%	29%

Gender breakdown (incl. subsidiaries) for Director of the Board and other senior executives

	2022		2021	
	Average number	Of which men	Average number	Of which men
Directors	7	4	7	5
CEO and other senior executives	10	8	7	6
Group total	**17**	**12**	**14**	**11**

note 9 cont.

Remuneration and other benefits to senior executives 2022

	Director's fees/ Basic salary	Variable remuneration	Other benefits	Pension costs	Share-based benefits	Total
Chairman of the Board Magnus Jonsson	528	—	—	—	—	—
Director Dirk De Boever	220	—	—	—	—	—
Director Göran Linder	55	—	—	—	—	—
Director Helen Fasth Gillstedt	330	—	—	—	—	—
Director Riku-Pekka Hägg	220	—	—	—	—	—
Director Uwe Hillmann	—	—	—	—	—	—
Director Annette Malm Justad	292	—	—	—	—	—
Director Kajsa Ryttberg-Wallgren	178	—	—	—	—	—
CEO Richard Berkling	2,384	473	135	837	3,149	6,978
Other senior executives (9 individuals)	12,147	2,296	600	3,861	2,545	21,449
Group total	**16,354**	**2,769**	**735**	**4,698**	**5,694**	**30,250**

CEO and senior executives
In addition to a fixed salary to the CEO and other senior executives, variable remuneration will be paid if established performance goals are achieved. The remuneration is established by the Board of Directors. During the financial year, variable remuneration amounting to KSEK 473 (450) was paid to the CEO, and KSEK 2,296 (1,410) to other senior executives.

Other benefits comprise KSEK 735 (408), mainly consisting of car compensations of KSEK 696 (381).

Between the Company and the CEO, there is a mutual period of notice of nine months. If the termination is initiated by the Company, the CEO is entitled to three months' severance pay . No agreements exist regarding severance pay for other employees.

Board of Directors
According to a decision at the AGM in May 2022, Director's fees will be paid up until the next AGM amounting to KSEK 1,827 of which KSEK 528 to the Chairman of the Board.

Share-based benefits
The general meeting of PowerCell 2021 decided to implement a performance-based long-term incentive program for certain senior executives and key persons in the Company ("LTI 2021"). The motives for the LTI 2021 are to reinforce the Company's ability to retain existing workforce and recruit key personnel to the Company. The proposal has also been developed with the aim of spreading and increasing shareholding among the Participants and ensuring a common focus on long-term and sustainable growth for the Company, which would ensure that the shareholders' and Participants' interests are further consolidated.

LTI 2021 includes maximum 28 key persons in the Company. The maximum number of Performance Share Rights that can be allotted in the program is limited to 390 601 (corresponding to equal number of shares in the company. The Performance Share Rights mean that Participants in the program are entitled to receive free of charge one warrant in the Company for each Performance Share Right with a right for its holder to acquire one share in the Company at a price corresponding to the quota value of the share at the time the shares are subscribed (currently SEK 0,022), provided that vesting conditions stated below are fulfilled.

After a vesting period of five years the participants will be allotted warrants in the Company free of charge, provided that certain vesting conditions are fulfilled. In order for these Performance Share Rights to entitle the Participant to an allotment, the Participant must have chosen to retain his/her assignment in the Company under the current vesting period until 1st of January 2026.

The Performance Share Rights are gradually vested over approximately five years, corresponding to five periods until 1 January 2026 (each such period is a "vesting period").

In addition to the above conditions, the Performance Share Rights are subject to performance conditions based on the extent the Company achieves certain milestones set by the Board for respective vesting period. In addition to fulfilling the performance conditions, the annual outcome of LTI 2021 depends on the annual development of PowerCell's share price in relation to average annual share price development for all companies whose shares are listed for trading on the stock exchange where PowerCell's shares, at any given time, are listed.

One warrant, for each Performance Share Right vested, is distributed to the participant in connection to the Annual General meeting 2026. The participant will then have the right to exercise the warrants until 1st of July 2026.

The value for one warrant has been estimated to SEK 151.08 in December 2021. This valuation is based on a MonteCarlo-model that has conducted 100 000 simulations for each period. The most important assumptions, apart from the program conditions, are risk free interest rate, which has been set to the interest rate of Swedish Government Bonds with corresponding duration, and volatility, where historical volatility of PowerCell share (61.3%) and for the OMX Nordic First North (14.2%) has been used. Potential dividends are not considered in the valuation.

For 2022, a cost of SEK 9.2 million (1.4) (including a cost of SEK 1.6 million (0.4) in employer contribution) has been accrued for the LTI program. The total provision for employer contribution in the balance sheet amounted to SEK 2.0 million (0.4) at year-end.

Remuneration and other benefits to senior executives 2021

	Director's fees/ Basic salary	Variable remuneration	Other benefits	Pension costs	Share-based benefits	Total
Chairman of the Board Magnus Jonsson	504	—	—	—	—	504
Director Dirk De Boever	210	—	—	—	—	210
Director Göran Linder	210	—	—	—	—	210
Director Helen Fasth Gillstedt	360	—	—	—	—	360
Director Riku-Pekka Hägg	210	—	—	—	—	210
Director Uwe Hillmann	—	—	—	—	—	—
Director Annette Malm Justad	279	—	—	—	—	279
CEO Richard Berkling	2,334	450	136	867	508	4,295
Other senior executives (7 individuals)	6,802	1,410	272	2,605	441	11,530
Group total	**10,909**	**1,860**	**408**	**3,472**	**949**	**17,598**

Note 10 Other operating income

	2022	2021
Contributions attributable to the financing of projects and government grants	4,975	20,816
Exchange-rate differences	16,410	5,177
Royalty fees	—	523
Other	422	244
Total	**21,807**	**26,760**

From January 2022, royalty fees are reported as net sales instead of other operating income.

Note 11 Other operating costs

	2022	2021
Exchange-rate differences	18,961	6,681
Losses disposal fixed assets	—	273
Total	**18,961**	**6,954**

Note 12 Exchange rate differences - net

Exchange rate differences have been reported in the statement of comprehensive income according to the following:

	2022	2021
Other operating income (Note 10)	16,410	5,177
Other operating costs (Note 11)	–18,961	–6,681
Total	**–2,551**	**–1,504**

Note 13 Items affecting comparability

Items affecting comparability consists of the following:

	2022	2021
Costs related to new brand PowerCellution	—	–1,256
Total	—	**–1,256**

Note 14 Income tax

	2022	2021
Current tax		
Tax on profit for the year	–15	—
Total current tax	**–15**	**—**
Deferred tax		
Occurrence and reversal of temporary differences	60	31
Total deferred tax	**60**	**31**
Total income tax	**45**	**31**

Income tax of on the Group's operating income before tax differs from the theoretical amount that would have appeared at the use of the Swedish tax rate for the profit of the consolidated companies according to the following:

	2022	2021
Profit (loss) before tax	**–58,218**	**–75,115**
Income tax calculated according to the Swedish tax rate 20.6% (20.6%)	11,993	15,474
Tax effects from:		
Non-deductible costs	–466	–1,263
Losses carried-forward, for which no deferred tax asset is recognized	–11 527	–14,211
Current tax	–15	
Deferred tax	60	31
Income tax	**45**	**31**

Weighted average tax rate for the Group was 0% (0%).

Note 15 Investments in subsidiaries

The Group had the following subsidiaries as at December 31, 2022

Name	Country of registration and operations	Opera-tions	Share of ordinary shares directly owned by the Parent Company	Share of ordinary shares directly owned by the Group (%)
PowerCell Deutsch-land GmbH	Germany	Sales organisa-tion	100	100
PowerCell Warrants One AB	Sweden	Adminis-tration	100	100
PowerCell China LTD	China	Sales organisa-tion	100	100
PowerCell Norway AS	Norway	Adminis-tration	100	100

Note 16 Property, plant and equipment

	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Total
Financial year 2021			
Opening carrying value	24,622	2,337	26,959
Purchases	11,050	6,313	17,363
Disposal/sale	-179	-48	-227
Reclassifications	4,740	-4,820	-80
Depreciation	-7,087	-970	-8,057
Closing carrying value	**33,146**	**2,812**	**35,958**
At December 31, 2021			
Cost	100,483	6,438	106,922
Accumulated depreciation	-67,337	-3,626	-70,963
Carrying value	**33,146**	**2,812**	**35,958**
Financial year 2022			
Opening carrying value	33,146	2,812	35,958
Purchases	6,902	2,265	9,167
Depreciation	-8,982	-1,326	-10,308
Closing carrying value	**31,066**	**3,751**	**34,817**
At December 31, 2022			
Cost	107,385	8,704	116,089
Accumulated depreciation	-76,319	-4 953	-81,272
Carrying value	**31,066**	**3,751**	**34,817**

Depreciation of KSEK 10,308 (KSEK 8,253) are allocated between research and development costs and selling and administrative costs in the consolidated statement of comprehensive income.

Tangible fixed assets in the Group is mainly located in the Swedish parent company Powercell Sweden AB.

Note 17 Right-of-use-assets

Right-of-use assets	Premises	Machinery	Other	Total
Financial year 2021				
Opening balance	33,721	6,990	4,150	44,862
Additions	1,451	—	1,480	2,931
Disposal/sale	—	-199	-56	-255
Reclassifications	—	3,326	-3,326	—
Depreciation	-4,490	-3,012	340	-7,162
Closing balance	**30,682**	**7,105**	**2,588**	**40,376**
At December 31, 2021				
Cost	43,782	12,893	4,362	61,037
Accumulated depreciation and write-downs	-13,100	-5,788	-1,774	-20,661
Carrying value	**30,682**	**7,105**	**2,588**	**40,376**
Financial year 2022				
Opening balance	30,682	7,105	2,588	40,375
Additions	894	639	1,284	2,817
Disposal/sale	—	—	-1,679	-1 679
Depreciation	-4,621	-1,799	-251	-6 671
Closing balance	**26,955**	**5,945**	**1,942**	**34,842**
At December 31, 2022				
Cost	44,676	13,532	3,967	62,175
Accumulated depreciation and write-downs	-17,721	-7,587	-2,025	-27,333
Carrying value	**26,955**	**5,945**	**1,942**	**34,842**

Lease liabilities	**Dec 31, 2022**	Dec 31, 2021
Long-term lease liabilities	24,123	29,299
Short-term lease liabilities	7,342	7,916
Total lease liabilities	**31,465**	**37,215**

Disclosures

- Interest expenses of KSEK 951 is presented as part of the financial expenses.
- Expenses relating to short-term leases and leases of low value is part of the operating costs and amounts to KSEK 1,737.
- The total cash outflow for leases in 2022 amounts to KSEK 10,589 including short-term leases and leases of low value.

Note 18 Intangible assets

	Software	Total
Financial year 2021		
Opening carrying value	1,083	1,083
Purchase	555	555
Disposal/sale	-668	-668
Reclassifications	80	80
Depreciation	-186	-186
Closing carrying value	**864**	**864**
At December 31, 2021		
Cost	2,476	2,476
Accumulated depreciation, amortization and impairments	-1,612	-1,612
Carrying value	**864**	**864**
Financial year 2022		
Opening carrying value	864	864
Purchase	9,071	9,071
Depreciation	-1,762	-1,762
Closing carrying value	**8,173**	**8,173**
At December 31, 2022		
Cost	11,547	11,547
Accumulated depreciation, amortization and impairments	-3,374	-3,375
Carrying value	**8,173**	**8,173**

Depreciation of KSEK 1,762 (KSEK 615) are allocated between research and development costs and selling and administrative costs in the consolidated statement of comprehensive income.

All intangible fixed assets in the Group can be found in the Swedish parent company PowerCell Sweden AB.

Note 19 Financial instruments per category

Dec 31, 2021	Financial assets at amortized cost	Total
Assets in the balance sheet		
Trade receivables	37,942	37,942
Other current receivables	11,275	11,275
Cash and cash equivalents	332,507	332,507
Total	**381,724**	**381,724**

Dec 31, 2021	Financial liabilities at amortized cost	Total
Liabilities in the balance sheet		
Other non-current and current financial liabilities	30,000	30,000
Liabilities, leasing	37,215	37,215
Trade payables	18,799	18,799
Other current liabilities	8,774	8,774
Total	**94,774**	**94,774**

Dec 31, 2022	Financial assets at amortized cost	Total
Assets in the balance sheet		
Trade receivables	66,695	66,695
Other current receivables	7,174	7,174
Cash and cash equivalents	196,857	196,857
Total	**270,726**	**270,726**

Dec 31, 2022	Financial liabilities at amortized cost	Total
Liabilities in the balance sheet		
Other non-current and current financial liabilities	30,000	30,000
Liabilities, leasing	31,465	31,465
Trade payables	19,272	19,272
Other current liabilities	6,567	6,567
Total	**87,304**	**87,304**

Note 20 Trade receivables

	Dec 31, 2022	Dec 31, 2021
Trade receivables	66,695	37,942
Trade receivables – net	**66,695**	**37,942**

Recognized amounts, per currency, for the Group's trade receivables and other receivables are:

	Dec 31, 2022	Dec 31, 2021
SEK	212	1,210
EUR	60,245	34,176
GBP	2,408	1,846
CNY	—	710
USD	3,830	—
Total	**66,695**	**37,942**

The maximum exposure to credit risk at the balance sheet date for trade receivables correspond to its carrying value, as the discount effect is insignificant.

No trade receivables have been pledged as assets for any liability.

Note 21 Inventories

	Dec 31, 2022	Dec 31, 2021
Raw materials and consumables	54,489	30,297
Products in progress	20,233	6,997
Inventories of finished goods	763	605
Total	**75,485**	**37,899**

The cost of inventories recognized is included in the item cost of goods sold in the consolidated statement of comprehensive income and amounts to KSEK 131,668 (2021: KSEK 110,723).

Note 22 Other current receivables

	Dec 31, 2022	Dec 31, 2021
Tax account	22	2,771
Advance payments, suppliers	3,960	3,214
VAT receivable	2,612	3,299
Other	580	1,991
Total	**7,174**	**11,275**

Note 23 Prepaid costs and accrued income

	Dec 31, 2022	Dec 31, 2021
Prepaid rent	1,885	1,693
Accrued income, on-going grant projects	5,517	10,444
Other prepaid costs	2,107	1,505
Other accrued income	8,981	1,380
Total	**18,490**	**15,022**

Note 24 Cash and cash equivalents

	Dec 31, 2022	Dec 31, 2021
Bank deposits	196,857	332,507
Total	**196,857**	**332,507**

Note 25 Share capital and other contributed capital

	Number of shares	Share capital	Ongoing new share issue	Other contributed capital
As of 1 January 2021	**52,142,434**	**1,147**	**—**	**635,007**
As of 31 December 2021	**52,142,434**	**1,147**	**—**	**635,007**
As of 31 December 2022	**52,142,434**	**1,147**	**—**	**635,007**

As of December 31, 2022 share capital consists of 52,142,434 ordinary shares with a par value of SEK 0,022.

All shares issued by the Parent Company are fully paid.

Note 26 Deferred tax

Deferred tax debt consists entirely of deferred tax related to temporary differences in financial leases recognized in the balance sheet.

Reported deferred tax assets consist of future deductions for pension payments. Deferred tax assets are recognized for taxable carry-forwards or other deductions to the extent that it is probable that they can be offset against future taxable profits. No deferred tax asset concerning losses carried-forward is recognized, as the Parent Company is not deemed to meet the criteria to recognize deferred tax in accordance with IAS 12. Unutilized losses carried-forward in Parent Company for which no deferred tax asset has been recognized amount to KSEK 375,013 on December 31, 2022 (December 31, 2021: KSEK 320,488). The losses carried-forward do not fall due at any point in time.

Note 27 Borrowings

	Dec 31, 2022	Dec 31, 2021
Non-current		
The Swedish Energy Agency	30,000	30,000
Finance lease liabilities	24,123	29,299
Total	**54,123**	**59,299**
Current		
Finance lease liabilities	7,342	7,916
Total	**7,342**	**7,916**
Total borrowings	**61,465**	**67,215**

(i) Loan conditions The Swedish Energy Agency
The debt to the Swedish Energy Agency consists of a loan received for development of the Group's project regarding fuel cell technology to be included in the Company's operations. The loan is free and with a grace period until the projects start generating revenue. Thereafter, payments of interest and principal will be made based on PowerCell's invoicing for each project. Interest will be charged with 6% over that of the Swedish Central Bank (Riksbanken) at every occasion as regards reference rate.

(ii) Fair value loan from the Swedish Energy Agency
Thus, payments of interest and principal on the above mentioned loan from the Swedish Energy Agency will not be initiated until each project is finalized and start generating revenue for PowerCell. Thereafter, interest and principal are paid based on the projects' development and in relation to PowerCell's invoicing to third parties related to the financed project. Thus, the loan conditions regarding the Swedish Energy Agency are such, that future payment flows regarding the payment of principal and interest are highly uncertain, both as regards the point in time and the amounts. This uncertainty means that a number of different outcomes are possible after the repayment of the loans. Therefore, PowerCell considers it impossible to calculate, reliably, fair value of the loans, and has made the decision to report the significant loan conditions instead.

	Carrying value	
	Dec 31, 2022	Dec 31, 2021
The Swedish Energy Agency	30,000	30,000
Finance leases	31,465	37,215
Total	**61,465**	**67,215**

(iii) Risk exposure
Information of the Group's risk exposure regarding non-current borrowings can be found in Note 3.

(iiii) Net debt
The Group's total liabilities less cash and cash equivalents.

Note 28 Contractual assets and contractual liabilities

	Dec 31, 2022	Dec 31, 2021
Contractual assets	23,065	8,228
Contractual liabilities	–15,222	–11,064
Total	**7,843**	**–2,836**

Contractual liabilities consist entirely of payments in advances from customers. Contractual assets refer to projects that are reported in accordance with the principles for revenue recognition, see Note 2.

Remaining unfulfilled agreements
The total amount of the transaction price allocated to agreements that are unfulfilled or partly unfulfilled as of December 31, 2022 is KSEK 50,557. Of these, management makes the assessment that 97% will be fulfilled during the next year. Of the contractual liabilities at December 31, 2021 has 100% been fulfilled during 2022.

Note 29 Accrued costs and prepaid income

	Dec 31, 2022	Dec 31, 2021
Accrued vacation pay liability	6,893	5,781
Accrued social costs	6,205	3,740
Accrued salaries	9,036	7,343
Accrued pension	718	617
Other prepaid income	6,463	5,996
Other items	5,527	5,986
Total	**34,842**	**29,463**

Note 30 Provisions

	Dec 31, 2022	Dec 31, 2021
Warranty provision	3,146	2,037
Total	**3,146**	**2,037**

The warranty provision includes the estimated costs related to repairing any defective products within the warranty period. The warranty period is one year.

Note 31 Contingent liabilities and pledged collateral

The Group has no contingent liabilities.

	Dec 31, 2022	Dec 31, 2021
Pledged collateral		
Blocked bank funds	—	1,359
Total	—	**1,359**

Note 32 Earnings per share

	2022	2021
SEK		
Earnings per share, basic	Neg	Neg
Earnings per share, diluted	Neg	Neg
Performance measures used in the calculation of earnings per share		
Operating income attributable to the shareholders of the Parent Company used at the calculation of earnings per share, basic and diluted		
Profit (loss) attributable to Parent Company shareholders, KSEK	-56,693	-78,159
Number		
Weighted average number of ordinary shares at the calculation of earnings per share, basic	52,142,434	52,142,434
Adjustment for the calculation of earnings per share, diluted*	52,142,434	52,142,434

* No dilution effect when Group reports negative earnings per share for both the financial year and the comparison year.

Note 33 Related party transactions

No significant transactions took place with related parties during the period. During last quarter 2021 a long term incentive program including management and key employees have been implemented, see Note 9.

Note 34 Changes in liabilities attributable to financing activities

	Jan 1, 2021	Cash inflow	Cash outflow	Non-cash items	Dec 31, 2021
Liability Statens Energimyndighet	30,000	—	—	—	30,000
Liability regarding financial leasing	42,404	—	-7,520	2,331	37,215
Total	**72,404**	**—**	**-7,520**	**2,331**	**67,215**

	Jan 1, 2022	Cash inflow	Cash outflow	Non-cash items	**Dec 31, 2022**
Liability Statens Energimyndighet	30,000	—	—	—	30,000
Liability regarding financial leasing	37,215	—	-8,464	2,714	31,465
Total	**67,215**	**—**	**-8,464**	**2,714**	**61,465**

Note 35 Adjustments for non-cash items

	Dec 31, 2022	Dec 31, 2021
Depreciation	19,753	15,944
Allocation of grant-aided projects	5,397	2,498
Warranty provision	1,109	1,533
Portion of profit after tax from associated companies recognized in accordance with the equity method	—	34
Share-based benefits	7,559	1,039
Inventory obsolescence	4,020	9,175
Other	-145	170
Total	**37,693**	**30,393**

Note 36 Events after the end of the reporting period

- Strenghtened management team to accelerate the product offering, introducing new roles with Lisa Kylhammar, as SVP Engineering, Karl Samuelsson as SVP Application Development and Andreas Bodén as SVP CTO.
- PowerCell develops next generation aviation fuel cells as part of the EU's Clean Aviation Joint Undertaking, through "Newborn" MW project, that aims to develop climate-neutral aviation.
- PowerCell will establish a local presence in the US to meet a strong interest from American customers.
- PowerCell signs agreement for deliveries to Norwegian state ferries valued at EUR 19.2 million.

Parent company income statement

Amounts in KSEK	Note	**2022**	2021
Net sales	2	243,838	158,959
Cost of goods sold	3	–131,661	–110,684
Gross profit		**112,177**	**48,275**
Sales and administration costs	3, 7	–95,746	–66,833
Research and development costs	3, 7	–93,084	–80,986
Other operating income	4	21,856	27,464
Other operating costs	3, 5	–18,803	–7,049
Operating profit (loss) before items affecting comparability		**–73,600**	**–79,129**
Items affecting comparability	3, 8	—	–1,256
Operating profit (loss)		**–73,600**	**–80,385**
Profit (loss) from financial items			
Profit from participations in group companies	3	–944	–5,385
Other interest income and similar items	3	32,330	21,728
Depreciation of financial assets	3	—	–34
Interest costs and similar items	3	–14,572	–14,176
Profit (loss) after financial items		**–56,786**	**–78,252**
Income tax	9, 13	93	93
Profit (loss) for the year		**–56,693**	**–78,159**

In the Parent Company there are no items recognized as other comprehensive income, why total comprehensive income corresponds to profit (loss) for the year.
The notes on pages 79–85 constitute an integrated part of the Parent Company financial statements.

Parent company balance sheet

Amounts in KSEK	Note	**Dec 31, 2022**	Dec 31, 2021
ASSETS			
Non-current assets			
Intangible assets			
Software	12	8,173	864
Total intangible assets		**8,173**	**864**
Property, plant and equipment			
Machinery and other technical facilities	11	31,066	33,146
Equipment, tools, fixtures and fittings	11	3,748	2,803
Total property, plant and equipment		**34,814**	**35,949**
Financial assets			
Participations in subsidiaries	10	1,890	1,159
Deferred tax assets	9, 13	186	93
Long term trade receivables		6,677	—
Total financial assets		**8,753**	**1,252**
Total non-current assets		**51,740**	**38,065**
Current assets			
Inventories			
Raw materials and consumables	16	54,489	30,297
Products in progress	16	20,233	6,997
Inventories of finished goods	16	763	605
Total inventories		**75,485**	**37,899**
Current receivables			
Trade receivables	15	66,695	37,232
Receivables from Group companies	26	4,309	3,086
Current tax asset		1,484	1,163
Contractual assets	20	23,030	8,228
Other current receivables	17	7,096	11,187
Prepaid costs and accrued income	18	19,219	15,709
Total current receivables		**121,833**	**76,605**
Liquid assets	14, 31	192,893	329,785
Total current assets		**390,210**	**444,289**
TOTAL ASSETS		**441,951**	**482,354**

Parent company balance sheet (cont.)

Amounts in KSEK	Note	**Dec 31, 2022**	Dec 31, 2021
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1,147	1,147
Total restricted equity		**1,147**	**1,147**
Non-restricted equity			
Share premium reserve		555,507	555,507
Retained earnings		–166,878	–96,278
Profit (loss) for the year		–56,693	–78,159
Total non-restricted equity		**331,936**	**381,070**
Total equity		**333,083**	**382,217**
Non-current liabilities			
Other non-current financial liabilities	19, 27	30,000	30,000
Total non-current liabilities		**30,000**	**30,000**
Current liabilities			
Trade payables		19,308	18,907
Other current liabilities		6,384	8,707
Contractual liabilities	20	15,222	11,064
Provisions	23	3,146	2,037
Liabilities to Group companies	26	420	167
Accrued costs and prepaid income	21	34,388	29,255
Total current liabilities		**78,868**	**70,137**
Total liabilities		**108,868**	**100,137**
TOTAL EQUITY AND LIABILITIES		**441,951**	**482,354**

The notes on pages 79–85 constitute an integrated part of the Parent Company financial statements.

Parent Company statement of changes in equity

		Restricted equity	Non-restricted equity			
Amounts in KSEK	Note	Share capital	Share premium reserve	Retained earnings	Profit (loss) for the year	Total equity
Opening balance at January 1, 2021		**1,147**	**555,507**	**–97,317**	**—**	**459,337**
Profit (loss) for the year and comprehensive income		—	—	—	–78,159	–78,159
Total comprehensive income		**—**	**—**	**—**	**–78,159**	**–78,159**
Transactions with shareholders in their role as owners						
Share-based benefits		—	—	1,039	—	1,039
Closing at December 31, 2021		**1,147**	**555,507**	**–96,278**	**–78,159**	**382,217**
Opening balance at January 1, 2022		**1,147**	**555,507**	**–174,437**	**—**	**382,217**
Profit (loss) for the year and comprehensive income		—	—	—	–56,693	–56,693
Total comprehensive income		**—**	**—**	**—**	**–56,693**	**–56,693**
Transactions with shareholders in their role as owners						
Share-based benefits		—	—	7,559	—	7,559
Closing at December 31, 2022		**1,147**	**555,507**	**–166,878**	**–56,693**	**333,083**

The notes on pages 79 to 85 constitute an integrated part of the Parent Company financial statements.

Parent Company cash flow statement

Amounts in KSEK	Note	**2022**	2021
Cash flow from operating activities			
Operating profit (loss) after depreciation		-73,600	-80,385
Adjustment for non-cash items	28	30,149	23,501
Interest paid		470	11
Tax paid		493	203
Cash flow from operating activities before changes in working capital		**-42,488**	**-56,670**
Changes in inventories		-41,605	-7,250
Changes in current receivables		-50 625	-40,038
Changes in current liabilities		6,894	33,981
Total changes in working capital		**-85,336**	**-13,307**
Cash flow from operating activities		**-127,824**	**-69,977**
Cash flow from investing activities			
Shareholder contribution to associated companies		—	-34
Shareholder contributions to group companies		-1,675	-3,083
Long term trade receivables		-6,677	—
Acquisitions of tangible and intangible assets		-18,238	-17,919
Cash flow from investing activities		**-26,590**	**-21,036**
Cash flow from financing activities		**—**	**—**
Decrease/increase of cash and cash equivalents		**-154,414**	**- 91,013**
Exchange rate differences in cash and cash equivalents		17,522	7,333
Opening cash and cash equivalents		329,785	413,465
Closing cash and cash equivalents		**192,893**	**329,785**

Notes to the parent company statements

Note 1 Parent Company accounting principles

The most significant accounting policies applied in the preparation of these annual accounts are presented below. The policies have been applied consistently for all year presented, unless otherwise stated.

The annual accounts for the Parent Company have been prepared in accordance with RFR 2 Accounting for legal entities and the Swedish Annual Accounts Act. In the cases where the Parent Company applies other accounting policies than the Group, as described in Note 2 in the consolidated accounts, these are presented below.

The annual report was prepared in accordance with the cost method.

The preparation of annual accounts in accordance with RFR 2 requires that qualified estimates and assessments be used for accounting purposes. Furthermore, company management exercises its judgement in the application of the Parent Company's accounting policies. Areas that comprise a high level of assessments, that are complex, or areas where estimates and assessments are significant for the annual report are presented in Note 4 of the consolidated financial statements.

Through its operations, the Parent Company is exposed to a number of different financial risks: market risk (currency risk and interest rate risk), credit risk and liquidity risk. The general risk management policy of the Parent Company is focused on the unpredictability of the financial markets, and strives to minimize potential unfavorable effects on the Group's financial performance. See Note 3 in the consolidated financial statements for more information on financial risks.

The Parent Company applies other accounting policies than the Group in accordance with the following:

All amounts are stated in SEK thousand (KSEK) unless otherwise stated. Amounts in brackets refer to the comparative year.

Formats

The income statement and balance sheet are in accordance with the format of the Annual Accounts Act. Statement of changes in equity is in accordance with the Group's format, but should contain the columns stipulated in the Annual Accounts Act. Further, this entails differences in terms, mainly regarding financial income and costs and equity.

Participations in subsidiaries and associated companies

Participations in subsidiaries and associated companies are recognized at cost, adjusted for any impairment. In cost are included acquisition related costs and any additional purchase price.

Whenever there is an indication that participations in subsidiaries or associated companies has decreased in value, a calculation of the recoverable amount is performed. If this is lower than the carrying value, an impairment is made. Impairment of participations in subsidiaries are recognized in the item "Performance from participation in Group companies" and participations in associated companies are recognizes as a cost under Profit (loss) from financial items.

Financial instruments

IFRS 9 is not applied in the Parent Company. Instead, the Parent Company applies the points in RFR 2 (IFRS 9 Financial instruments, pages. 3–10). Financial instruments are valued at cost. In subsequent periods, financial assets acquired as short-term investments will be recognized in accordance in accordance with the principle of the lowest value, to the lowest of cost and market value.

At the calculation of the net sales value of receivables reported as current assets, the principles for impairment tests and provisions for bad debts in IFRS 9 should be applied. For an asset recognized at amortized cost at consolidated level, this implies that the provision for bad debts recognized in the consolidated financial statements should also be recognized in the Parent Company.

Operational leases

All leases are recognized as operational leases.

Note 2 Net sales

The Parent Company has recognized the following amounts, attributable to revenue, in the income statement:

	2022	2021
Hardware	83,034	133,123
Services	57,133	5,606
Royalty fees	15,182	—
Project according to Percentage of Completion	88,489	20,230
Total	**243,838**	**158,959**

Net sales per geographical market:	**2022**	2021
Sweden	2,694	1,374
Germany	92,176	107,579
UK	30,267	22,410
China	1,876	964
Netherlands	44,874	13,729
US	42,366	687
Other	29,585	12,216
Total	**243,838**	**158,959**

The Parent Company has for 2022 four external customers, which share of total revenues exceed 10% individually. Revenue for each customer is approximately KSEK 43,789, KSEK 42,958, KSEK 37,359 respective KSEK 25,694.

The Parent Company has for 2021 two external customers, which share of total revenues exceed 10% individually. Revenue for each customer is approximately KSEK 67,971 respective KSEK 27,279.

Note 3 Costs by nature

	2022	2021
Raw materials and consumables	131,661	110,684
Other external costs	80,534	75,002
Personnel costs	96,234	65,212
Depreciation of tangible assets	10,301	8,246
Depreciation of intangible assets	1,762	615
Disposal fixed assets	—	273
Exchange-rate differences	1,281	-557
Write-down associated company	—	34
Write-down subsidiaries	944	5,385
Financial items	-236	-219
Total	**322,481**	**264,675**

Not 4 Other operating income

	2022	2021
Contributions attributable to the financing of projects and government grants	4,975	20,816
Exchange rate differences	16,410	5,176
Royalty fees	—	523
Other items	471	949
Total	**21,856**	**27,464**

From January 2022, royalty fees are reported as net sales instead of other operating income.

Note 5 Other operating costs

	2022	2021
Exchange rate differences	18,803	6,776
Losses disposal fixed assets	—	273
Total	**18,803**	**7,049**

Note 6 Auditors' fees

	2022	2021
PricewaterhouseCoopers AB		
Audit assignment	623	517
Audit activities in addition to the audit assignment	160	—
Other services	63	202
Total	**846**	**719**

Note 7 Employee benefits, etc

	2022	2021
Salaries and other remuneration	69,186	49,177
Share-based benefits	7,559	1,039
Social security contributions	21,408	14,199
Pension costs – defined contribution plans	10,269	8,450
Total employee benefits	**108,422**	**72,865**

Salaries and other remuneration and social security contributions

	2022		2021	
	Salaries and other remuneration (of which bonuses)	Social security contributions (of which pension costs)	Salaries and other remuneration (of which bonuses)	Social security contributions (of which pension costs)
Directors of the Board, presidents and other senior executives	25,552 (2,768)	12,727 (4,698)	14,126 (1,860)	7,910 (3,472)
Other employees	51,193 (2,464)	18,950 (5,571)	36,090 (2,635)	14,739 (4,978)
Parent Company total	**76,745**	**31,677**	**50,216**	**22,649**

Average number of employees

	2022		2021	
	Average number	Of which men	Average number	Of which men
Parent Company total	**94**	**71**	**68**	**50**

Gender breakdown in the Parent Company for Director of the Board and other senior executives

	2022		2021	
	Average number	Of which men	Average number	Of which men
Directors	7	4	7	5
CEO and other senior executives	10	8	7	6
Parent Company total	**17**	**12**	**14**	**11**

Remuneration to senior executives

Remuneration to senior executives is	**2022**	2021
Salaries and other current remuneration	25,552	14,126
Pension costs	4,698	3,472
Total remuneration to senior executives	**30,250**	**17,598**

For further information on director's fees and other remunerations for the board, CEO and other senior executives see note 9 in the consolidated financial statements.

Note 8 Items affecting comparability

	2022	2021
Costs related to new brand PowerCellution	—	-1,256
Total	**—**	**-1,256**

Note 9 Tax on profit (loss) for the year

Tax recognized in the income statement	**2022**	2021
Current tax		
Tax on profit for the year	—	—
Total current tax	**—**	**—**
Deferred tax		
Occurrence and reversal of temporary differences	93	93
Total deferred tax	**93**	**93**
Total income tax	**93**	**93**

Income tax on profit/loss before tax differs from the theoretical amount that would have appeared at the use of the tax rate for the Parent Company according to the following:

	2022	2021
Profit (loss) before tax	**-56,786**	**-78,252**
Income tax calculated according to the Swedish tax rate 20.6% (20.6%)	11,698	16,120
Tax effects from:		
Non-deductible costs	-466	-1,263
Losses carried-forward, for which no deferred tax asset is recognized	-11,232	-14,857
Changes in deferred tax	93	93
Income tax	**93**	**93**

Note 10 Participations in subsidiaries

	2022-12-31	2021-12-31
Opening cost	1,159	3,462
Formation of PowerCell Norway AS	31	—
Shareholder contribution PowerCell China LTD	—	3,082
Write-down of PowerCell China LTD	—	-5,385
Shareholder contribution PowerCell Deutschland GmbH	1,643	—
Write-down of PowerCell Deutschland GmbH	-943	—
Closing accumulated cost	**1,890**	**1,159**
Closing carrying value	**1,890**	**1,159**

Name	Corp. Id. No	Domicile and country of registration and operations	Number of shares	**Carrying amount Dec 31, 2022**	Carrying amount Dec 31, 2021
Powercell Deutschland GmbH	HBR 28770	Frankfurt am Main	—	934	234
Powercell Warrants One AB	559110-7437	Göteborg	50,000	50	50
PowerCell China LTD	91310115MA 1K4F2020	Shanghai	—	875	875
PowerCell Norway AS	928 054 470	Oslo	30,000	31	—

Note 11 Property, plant and equipment

	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Total
Financial year 2021			
Opening carrying value	24,623	2,323	26,946
Purchases	11,050	6,313	17,363
Disposal/sale	-179	-48	-227
Reclassifications	4,740	-4,820	-80
Depreciation	-7,088	-965	-8,053
Closing carrying value	**33,146**	**2,803**	**35,949**
At December 31, 2021			
Cost	100,483	6,418	106,901
Accumulated depreciation	-67,337	-3,615	-70,952
Carrying value	**33,146**	**2,803**	**35,949**
Financial year 2022			
Opening carrying value	33,146	2,803	35,949
Purchases	6,902	2,264	9,166
Depreciation	-8,982	-1,319	-10,301
Closing carrying value	**31,066**	**3,748**	**34,814**
At December 31, 2022			
Cost	107,385	8,682	116,067
Accumulated depreciation	-76,319	-4,934	-81,253
Carrying value	**31,066**	**3,748**	**34,814**

Depreciation of KSEK 10,301 (KSEK 8,246) is allocated between research and development costs and selling and administrative costs in the Parent company's income statement.

Note 12 Intangible assets

	Software	Total
Financial year 2021		
Opening carrying value	1,083	1,083
Purchase	555	555
Disposal/sale	-668	-668
Reclassifications	80	80
Depreciation	-186	-186
Closing carrying value	**864**	**864**
At December 31, 2021		
Cost	2,476	2,476
Accumulated depreciation	-1,612	-1,612
Carrying value	**864**	**864**
Financial year 2022		
Opening carrying value	864	864
Purchase	9,071	9,071
Depreciation	-1,762	-1,762
Closing carrying value	**8,173**	**8,173**
At December 31, 2022		
Cost	11,547	11,547
Accumulated depreciation	-3,374	-3,374
Carrying value	**8,173**	**8,173**

Depreciation of KSEK 1,762 (KSEK 615) is allocated between research and development costs and selling and administrative costs in the Parent company's income statement.

Note 13 Deferred tax

Reported deferred tax assets consist of future deductions for pension payments. Deferred tax assets are recognized for taxable carry-forwards or other deductions to the extent that it is probable that they can be offset against future taxable profits. No deferred tax asset concerning losses carried-forward is recognized, as the Parent Company is not deemed to meet the criteria to recognize deferred tax in accordance with IAS 12. Unutilized losses carried-forward in Parent Company for which no deferred tax asset has been recognized amount to KSEK 375,013 on December 31, 2022 (December 31, 2021: KSEK 320,488). The losses carried-forward do not fall due at any point in time.

Note 14 Liquid assets

In the balance sheet and the statement of cash flows, the following items are included in the item Liquid assets.

	Dec 31, 2022	Dec 31, 2021
Bank deposits	192,893	329,785
Total	**192,893**	**329,785**

Note 15 Trade receivables

	Dec 31, 2022	Dec 31, 2021
Trade receivables	66,695	37,232
Trade receivables – net	**66,695**	**37,232**

Recognized amounts, per currency, for the Parent Company's trade receivables and other receivables are:

	Dec 31, 2022	Dec 31, 2021
SEK	212	1,210
EUR	60,245	34,176
GBP	2,408	1,846
USD	3,830	—
Total	**66,695**	**37,232**

The maximum exposure to credit risk at the balance sheet date for trade receivables and other current receivables is the carrying value according to the above.

The fair value of the trade receivables correspond to its carrying value, as the discount effect is insignificant.

No trade receivables have been pledged as assets for any liability.

Note 16 Inventories

	Dec 31, 2022	Dec 31, 2021
Raw materials and consumables	54,489	30,297
Products in progress	20,233	6,997
Inventories of finished goods	763	605
Total	**75,485**	**37,899**

The cost of inventories recognized is included in the item Cost of goods sold in the income statement and amounts to KSEK 131,661 (KSEK 110,684).

Note 17 Other current receivables

	Dec 31, 2022	Dec 31, 2021
Tax account	22	2,770
Prepayment suppliers	3,960	3,213
VAT receivable	2,610	3,284
Other	504	1,920
Total	**7,096**	**11,187**

Note 18 Prepaid costs and accrued income

	Dec 31, 2022	Dec 31, 2021
Prepaid rent	1,885	1,694
Accrued income, on-going grant projects	5,510	10,440
Other prepaid costs	2,843	2,195
Other accrued income	8,981	1,380
Total	**19,219**	**15,709**

Note 19 Borrowings

See note 27 in the Group for more information regarding the parent company's long term debt.

Note 20 Contractual assets and contractual liabilities

	Dec 31, 2022	Dec 31, 2021
Contractual assets	23,030	8,228
Contractual liabilities	-15,222	-11,064
Total	**7,808**	**-2,836**

Contractual assets refer to projects that are reported in accordance with the principles for Percentage of Completion, see Note 2.

Remaining unfulfilled agreements

The total amount of the transaction price allocated to agreements that are unfulfilled or partly unfulfilled as of December 31, 2022 is KSEK 50,557. Of these, management makes the assessment that 97% will be fulfilled during the next year. Of the contractual liabilities at December 31, 2021 has 100% been fulfilled during 2022.

Note 21 Accrued expenses and deferred income

	Dec 31, 2022	Dec 31, 2021
Accrued vacation pay liability	6,731	5,732
Accrued social costs	6,101	3,731
Accrued salaries	8,880	7,210
Accrued pensions	718	617
Other prepaid income	6,463	5,996
Other items	5,495	5,969
Total	**34,388**	**29,255**

Note 22 Operational leases

Obligations regarding operational leases
The Parent Company rents, in all significant aspects, in accordance with non-cancellable operational leasing agreements. Lease terms vary between 3 and 10 years, and most leasing agreements can be extended at a fee corresponding to a market fee.

Lease costs amounting to KSEK 8,853 (KSEK 8,394) regarding the lease of machinery, cars and rented premises is included in the income statement for the financial year 2022.

Future total minimum leasing fees for non-cancellable operational leases are according to the following:

	2022	2021
Within 1 year	7,325	7,899
Between 1 and 5 years	20,214	20,592
Later than 5 years	3,857	8,645
Total	**31,396**	**37,136**

Note 23 Provisions

	Dec 31, 2022	Dec 31, 2021
Warranty provisions	3,146	2,037
Total short term provisions	**3,146**	**2,037**

The warranty provision includes the estimated costs related to repairing any defective products within the warranty period. The warranty period is one year.

Note 24 Share-based payments

See Note 9 in the consolidated financial statements for information about the Parent Company's share-based payments.

Note 25 Share capital

See Note 25 in the consolidated financial statements for information about the Parent Company's share capital.

Note 26 Related party transactions

Since December 19, 2014, PowerCell Sweden AB (publ) is listed on Nasdaq First North Stockholm. Principal shareholder at December 31, 2022 is Robert Bosch GmbH whose participating interest is 11,2%.

During last quarter 2021 a long term incentive program including management and key employees have been implemented, see Note 9 for the Group.

The following related party transactions have been performed:

	2022	2021
(a) Sales of goods / services		
PowerCell China LTD	1,926	1,672
Total	**1,926**	**1,672**
(b) Purchase of goods / services		
PowerCell Norway AS	1,345	—
PowerCell Deutschland GmbH	2,242	2,083
Total	**3,587**	**2,083**

Receivables at year-end resulting from ales and purchases of goods and services

	Dec 31, 2022	Dec 31, 2021
Receivables from related parties:		
PowerCell Warrants One AB	438	438
PowerCell Norway AS	265	—
PowerCell China LTD	3,606	1,776
PowerCell Deutschland GmbH	—	872
Total	**4,309**	**3,086**

	Dec 31, 2022	Dec 31, 2021
Liabilities to related parties:		
PowerCell Norway AS	235	—
PowerCell Deutschland GmbH	185	167
Total	**420**	**167**

Note 27 Changes in liabilities attributable to financing activities

	Jan 1, 2021	Cash inflow	Cash outflow	Non-cash items	Dec 31, 2021
The Swedish Energy Agency	30,000	—	—	—	30,000
Total	**30,000**	**—**	**—**	**—**	**30,000**

	Jan 1, 2022	Cash inflow	Cash outflow	Non-cash items	**Dec 31, 2022**
The Swedish Energy Agency	30,000	—	—	—	30,000
Total	**30,000**	**—**	**—**	**—**	**30,000**

Note 28 Adjustments for non-cash items

	Dec 31, 2022	Dec 31, 2021
Depreciation	12,063	8,861
Warranty provision	1,109	1,533
Allocation of grant-aided projects	5,398	2,498
Share-based benefits	7,559	1,039
Inventory obsolescence	4,020	9,175
Other	—	395
Total	**30,149**	**23,501**

Note 29 Events after the end of the reporting period

See Note 36 in the consolidated financial statements for information on Events after the end of the reporting period.

Note 30 Proposed allocation of earnings

Earnings at the disposal of the AGM:

Share premium reserve	555,506,677
Retained earnings	-166,877,900
Profit (loss) for the year	-56,693,130
SEK	**331,935,647**

The Board proposes that the profit is allocated to be carried forward	331,935,647
SEK	**331,935,647**

Note 31 Contingent liabilities and pledged collateral

The company has no contingent liabilities.

	Dec 31, 2022	Dec 31, 2021
Pledged collateral		
Blocked bank funds	—	1,359
Total	**—**	**1,359**

The Group's income statements and balance sheets will be presented to the AGM on 19 April, 2023 for adoption.

The Board of Directors and the CEO hereby certify that the that the consolidated financial statements are prepared in accordance with the international accounting standards IFRS, as endorsed by the EU and give a true and fair view of the Group's financial position and results. The annual accounts have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and give a give a true and fair view of the Parent Company's financial position and results.

The Administration Report for the Group and Parent Company gives a give a give a true and fair view of the Group's and the Parent Company's operations, and present significant risk and uncertainties that the Group faces.

March 14, 2023

Richard Berkling
CEO

Magnus Jonsson
Chairman of the Board

Dirk De Boever
Board member

Helen Fasth Gillstedt
Board member

Uwe Hillmann
Board member

Riku-Pekka Hägg
Board member

Kajsa Ryttberg-Wallgren
Board member

Annette Malm Justad
Board member

Our Auditor's Report was submitted March 14, 2023
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorized Public Accountant

Auditor's report

Unofficial translation

To the general meeting of the shareholders of Powercell Sweden AB (publ), corporate identity number 556759-8353

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Powercell Sweden AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 52–86 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and can be found on pages 1-51 and 89-93. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director is responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Powercell Sweden AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's websitewww.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Gothenburg, March 14, 2023

Fredrik Göransson
Authorized Public Accountant

GRI content index

Statement of use	PowerCell Sweden AB has reported with reference to the GRI Standards for the period 1 January 2022 – 31 December 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	N/A

General disclosures

GRI STANDARD	LOCATION Page reference	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 2: General Disclosures 2021				
2-1 Organizational details	39			
2-2 Entities included in the organization's sustainability reporting	39			
2-3 Reporting period, frequency and contact point	39			
2-4 Restatements of information	39			
2-5 External assurance	39			
2-6 Activities, value chain and other business relationships	36			
2-7 Employees	30			
2-8 Workers who are not employees	30			
2-9 Governance structure and composition	35, 46–49			
2-10 Nomination and selection of the highest governance body	46–47			
2-11 Chair of the highest governance body	48			
2-12 Role of the highest governance body in overseeing the management of impacts	35			
2-13 Delegation of responsibility for managing impacts	35			
2-14 Role of the highest governance body in sustainability reporting	35, 37			
2-15 Conflicts of interest	46–47			
2-16 Communication of critical concerns	35, 46–47			
2-17 Collective knowledge of the highest governance body	35			
2-18 Evaluation of the performance of the highest governance body	35, 46–47			
2-19 Remuneration policies	47, 65–66			
2-20 Process to determine remuneration	46–47			
2-21 Annual total compensation ratio	80			
2-22 Statement on sustainable development strategy	4–5, 23–24			
2-23 Policy commitments	35			
2-24 Embedding policy commitments	35			
2-25 Processes to remediate negative impacts	35			
2-26 Mechanisms for seeking advice and raising concerns	35			
2-27 Compliance with laws and regulations	37			
2-28 Membership associations	33			
2-29 Approach to stakeholder engagement	38			
2-30 Collective bargaining agreements	28–30			

Material topics

GRI STANDARD	LOCATION Page reference	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 3: Material Topics 2021				
3-1 Process to determine material topics	37			
3-2 List of material topics	37			
Robust and reliable products				
GRI 3: Material Topics 2021				
3-3 Management of material topics	27			

GRI STANDARD	LOCATION Page reference	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 416: Customer Health and Safety 2016				
416-1 Assessment of the health and safety impacts of product and service categories	27			
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	27			
GRI 417: Marketing and Labeling 2016				
417-1 Requirements for product and service information and labeling	27, 31			
417-2 Incidents of non-compliance concerning product and service information and labeling	27			
417-3 Incidents of non-compliance concerning marketing communications	27			
Lower emissions from PowerCell's operations				
GRI 3: Material Topics 2021				
3-3 Management of material topics	24–26			
GRI 301: Materials 2016				
301-1 Materials used by weight or volume	26			
301-2 Recycled input materials used		Part i, ii	Information unavailable/ incomplete	No available data. We are identifying how we can get accurate data and increase the amount of recycled input material.
301-3 Reclaimed products and their packaging materials		Part a, b	Not applicable	Not a significant disclosure 2022.
GRI 302: Energy 2016				
302-1 Energy consumption within the organization	26			
302-2 Energy consumption outside of the organization		Part a, b, c	Information unavailable/ incomplete	Energy consumption outside the organization has not been calculated, Activities outside of the organization have been used as input for scope 2–3 emissions.
302-3 Energy intensity	26			
302-4 Reduction of energy consumption	26			
302-5 Reductions in energy requirements of products and services	26			
GRI 303: Water and Effluents 2018				
303-1 Interactions with water as a shared resource	24			
303-2 Management of water discharge-related impacts	24			
303-3 Water withdrawal	26			
303-4 Water discharge	26			
303-5 Water consumption	26			
GRI 305: Emissions 2016				
305-1 Direct (Scope 1) GHG emissions	25			
305-2 Energy indirect (Scope 2) GHG emissions	25			
305-3 Other indirect (Scope 3) GHG emissions	25			
305-4 GHG emissions intensity	25			
305-5 Reduction of GHG emissions	25			
305-6 Emissions of ozone-depleting substances (ODS)	25			
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	25			

GRI STANDARD	LOCATION Page reference	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
Responsible sourcing				
GRI 204: Procurement Practices 2016				
204-1 Proportion of spending on local suppliers	36			
Safe, stimulating workplaces				
GRI 3: Material Topics 2021				
3-3 Management of material topics	28–29			
GRI 401: Employment 2016				
401-1 New employee hires and employee turnover	30			
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	29			
401-3 Parental leave	30			
GRI 403: Occupational Health and Safety 2018				
403-1 Occupational health and safety management system	28, 41			
403-2 Hazard identification, risk assessment, and incident investigation	28, 35, 41			
403-3 Occupational health services	28			
403-4 Worker participation, consultation, and communication on occupational health and safety	28–29			
403-5 Worker training on occupational health and safety	28–29			
403-6 Promotion of worker health	28–29			
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	28–29			
403-8 Workers covered by an occupational health and safety management system	28			
403-9 Work-related injuries	29			
403-10 Work-related ill health	29			
GRI 405: Diversity and Equal Opportunity 2016				
405-1 Diversity of governance bodies and employees	30, 48–49, 65			
405-2 Ratio of basic salary and remuneration of women to men	30			
GRI 406: Non-discrimination 2016				
406-1 Incidents of discrimination and corrective actions taken	29			

GRI Disclosures reported but not part of PowerCell's material topics

GRI STANDARD	LOCATION	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 201: Economic Performance 2016				
201-1 Direct economic value generated and distributed	34			
GRI 205: Anti-corruption 2016				
205-3 Confirmed incidents of corruption and actions taken	32			
GRI 206: Anti-competitive Behavior 2016				
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	32			
GRI 207: Tax 2019				
207-1 Approach to tax 207-2 Tax governance, control, and risk management	32, tax policy available on website			
207-3 Stakeholder engagement and management of concerns related to tax	32			
GRI 304: Biodiversity 2016				
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	41			

GRI STANDARD	LOCATION	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 306: Waste 2020				
306-1 Waste generation and significant waste-related impacts	24, 36			
306-2 Management of significant waste-related impacts	41			
306-3 Waste generated	26			
306-4 Waste diverted from disposal	26			
306-5 Waste directed to disposal	26			
GRI 402: Labor/Management Relations 2016				
404-3 Percentage of employees receiving regular performance and career development reviews	29			
GRI 407: Freedom of Association and Collective Bargaining 2016				
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	31, 42			
GRI 408: Child Labor 2016				
408-1 Operations and suppliers at significant risk for incidents of child labor	31, 42			
GRI 409: Forced or Compulsory Labor 2016				
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	31, 42			
GRI 413: Local Communities 2016				
413-1 Operations with local community engagement, impact assessments, and development programs	32			
413-2 Operations with significant actual and potential negative impacts on local communities	42			
GRI 415: Public Policy 2016				
415-1 Political contributions	**32**			
GRI 418: Customer Privacy 2016				
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	27			

Financial calendar

19 April 2023	Annual General Meeting
26 April 2023	Interim report first quarter
14 July 2023	Interim report second quarter
19 October 2023	Interim report third quarter
8 February 2024	Interim report fourth quarter and full year 2023

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Shareholder information

Information about PowerCell including interim and annual reports is available on the company's website powercellgroup.com. Printed reports can be ordered by e-mail to ir@powercellgroup.com.

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