ANNUAL AND SUSTAINABILITY REPORT 2023

PowerCell Group

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Main events 2023

February
We joined the Newborn project, part of EU's Clean Aviation Joint Undertaking initiative, which aims to develop environmentally sustainable aviation. The project will focus on developing an aviation-certified megawatt-class fuel cell system powered by hydrogen. PowerCell will bring our technical knowledge and state-of-the art fuel cell technology to the Newborn project with the aim of developing a new 300 kW product platform.

We announced that we are establishing a local presence in the USA to meet the strong demand from US customers. By being in situated close to our customers, we can better support them in their product development, innovation and business development.

March
We won an important order for deliveries to Norwegian ferries, valued at EUR 19.2m. This is the world's largest hydrogen project in the shipping industry to date. The agreement, which was signed with SEAM, who are responsible for the propulsion, control, and safety systems on the ferries. The deliveries include hydrogen solutions to two vessels that will operate on one of Norway's longest ferry routes. PowerCell will deliver multiples of its Marine System 200 which will enable the ferries to produce a total output of approximately 13 MW. The ferries will be powered by green hydrogen and are expected to reduce CO_2 emissions by 26,500 tons a year according to the route operator which is equivalent to emissions from around 13,000 diesel cars a year.

June
We signed an agreement with Robert Bosch GmbH for contract manufacturing of our S3 fuel cell stack. This increases our production capacity significantly allowing us to focus on continued innovation and development of next-generation fuel cell stacks. It also reduces the need for capital investments.

We also signed a five-year framework agreement for serial deliveries of fuel cell systems with UK company ColGar Energy, a subsidiary of the Vantastec group. Colgar Energy is based in the UK and converts light commercial vehicles to be able to transport hot or cold food, for example. The order value could potentially amount to a total of approximately SEK 200m. The agreement means that we are entering a new market segment.

July
We signed a follow-up order with H2FLY for deliveries of fuel cell systems for aircraft. The order value is approximately SEK 40m and is a follow-up to the first order signed with H2FLY in June 2022 with a value of SEK 45m. Deliveries will include megawatt-class fuel cell systems as well as development work and testing.

August
We expanded the management team to include Alison Arnold as Chief Marketing Officer and Victor Åkerlund as Chief Analytics & Sustainability Officer.

November
Hitachi Energy and PowerCell continued our collaboration to create a "plug and play" offering designed in a containerised solution for the integration of fuel cell systems for more sustainable operations. Together we will design, develop and validate a fuel cell power system.

December
Listed on Nasdaq Stockholm's main list.

"PowerCell is one of the leading player in the fast-growing hydrogen elecric market driven by the strong megatrends of electrification and the transition to zero emission energy."

Richard Berkling, CEO

PowerCell in brief

Vision

PowerCell is committed to becoming the hydrogen-electric industry's leading enabler of a zero-emissions society

Mission

With decades of experience, we use our expertise 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

- PowerCell has a local presence in Norway, Sweden, Germany and the USA.
- There are distributors in Australia, Japan, South Africa and South Korea.

PowerCell develops and produces fuel cell stacks and fuel cell systems with a uniquely high power density for customer applications in the Aviation, Marine, Power Generation, Off-road and On-road segments.

PowerCell's products are powered by clean or reformed hydrogen and generate electricity and heat without releasing any emissions other than water. Our technology combines high output with compact design and contributes to increased energy efficiency and significantly reduced emissions in applications compared to the use of fossil fuels.

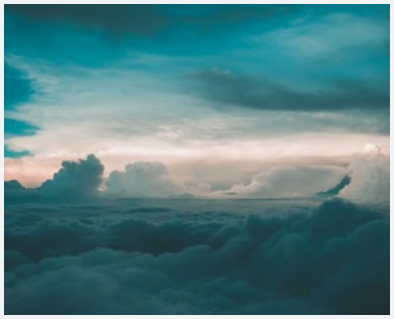
We have an extensive IP portfolio from over 25 years of innovation since the industrial spin out from the Volvo Group. PowerCell has 151 employees, headquarters in Gothenburg and operations in four countries. The vast majority of customers are based in Europe and North America.

We have signed the UN Global Compact and begun preparations to set a science-based emissions target under the SBTi (Science Based Target initiative). PowerCell is listed on Nasdaq Stockholm.

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

Attractive customer segments

Our customer segments are Aviation, Marine, Power Generation, Off-road and On-road. Our strategy for prioritising certain customer segments is related to the maturity of the segments and the characteristics of the products in use. In many cases, electrification using fuel cells has little impact on the customers' operational use of the products. This is because our hydrogen-electric solutions offer high output, the possibility of scalability and compact installations.



Aviation
It has so far been difficult to find solutions to decarbonize the aviation industry. Hydrogen-electric solutions can be the key to zero-emission aviation and PowerCell is a leader in the market segment.

Marine
PowerCell also has a leading position in the shipping industry where regulations limiting emissions are driving demand for hydrogen-electric solutions.

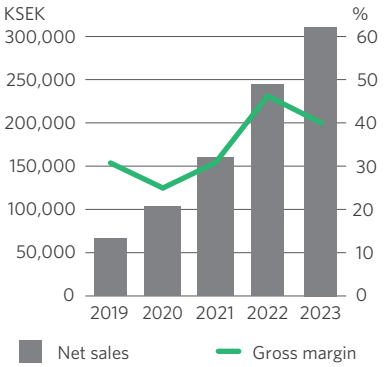
Power Generation
PowerCell offers scalable hydrogen-electric systems for power generation in energy-demanding solutions such as backup power plants for hospitals, offices and construction sites.

Off-road
Our hydrogen-electric solutions enable the electrification of commercial vehicles that consume large amounts of energy with minimal impact on the customer's operational processes.

On-road
The automotive industry can benefit from electrification with our fuel cells and offer refuelling times, driveability, range and payload capacity that are not significantly different from fossil fuel-powered vehicles. We reach this market segment through our licencing partner Robert Bosch GmbH.

Multi-annual summary

KSEK, unless stated otherwise	**2023**	2022	2021	2020	2019
Net sales	310,287	244,691	159,757	103,528	66,850
Gross profit	124,012	113,023	49,034	25,780	20,539
Gross margin (%)	40.0	46.2	30.7	24.9	30.7
Operating income before items affecting comparability	-66,518	-75,019	-80,475	-97,749	-79,898
Operating profit/loss	-72,575	-75,019	-81,731	-103,386	448,408
Operating cash flow	-95,687	-120,506	-66,338	-3,863	369,146
Equity/assets ratio (%)	64.8	70.2	73.6	81.0	82.7
Earnings per share (SEK)	-1.57	-1.09	-1.50	-2.19	8.38



Stable base for profitable growth

Development accelerated in 2023 with a sharp increase in commercial orders and rising volume production. Sales were at a record high and we signed several large orders with both new and existing customers. Our operational efficiency and leverage give us a stable base for profitable growth. We ended the year by switching to Nasdaq Stockholm's main list which is confirmation of PowerCell's maturity and well-founded expansion plans.

We operate in a very attractive market driven by the accelerating electrification of society and the transition to zero-emission energy. This is driving strong demand for our hydrogen-electric solutions and sales increased by 27 percent to a record high of SEK 310.3m (SEK 244.7m). The gross margin remained high at 40.0 percent (46.2 percent) and due to rising volumes and our operational leverage, operating profit/loss and cash flow improved.

The number of procurements for commercial OEM projects increased steadily in 2023. As our solutions are now being designed into commercial applications, the base for future serial deliveries is growing and, as a consequence, the number of product installations and thus the aftermarket is increasing.

World's largest marine project

Major contracts in 2023 include the order with SEAM for deliveries to Norwegian ferries. This is the world's largest hydrogen project in the shipping industry to date and means that our hydrogen-electric solutions will be installed on two ferries that will operate on one of Norway's longest ferry routes. This important contract is both a confirmation of PowerCell's leading position in the shipping industry and the increasing maturity of the hydrogen industry.

PowerCell has also established itself as the leading supplier to the aviation industry. In 2023, we received a follow-up order from the company H2FLY which develops a hydrogen-electric powertrain for various aviation applications. We signed the world's first contract with ZeroAvia for serial deliveries of fuel cell stacks to the aviation industry in 2022. In 2023, ZeroAvia conducted successful test flights as part of the aircraft certification. PowerCell has a total of around 20 customer projects in the aviation industry demonstrating that we are the market leader in the technically very demanding aviation segment.

New attractive applications

Further confirmation of our leading position in aviation is that in 2023 we joined the Newborn project, part of the EU's Clean Aviation Joint Undertaking initiative. Here we are contributing technology expertise and developing an aviation-certified megawatt-class propulsion system together with other companies. The ambition is to use innovative technology to reduce greenhouse gas emissions and aircraft noise. We will also be able to use this new, powerful product platform in other customer applications where there are high demands for sustainability and reliability.

In 2023, we also signed an exciting volume contract with UK-based ColGar Energy, a subsidiary of the Vantastec Group, for a new customer application. Our solutions will be used by the customer to enable light commercial vehicles to transport hot or cold food, for example. This shows that our hydrogen-electric solutions are well suited for vehicles that need power generation for cooling or heating systems, for example, without harmful CO_2 emissions.

Strong market growth

Our market is driven by the fact that hydrogen is currently seen as an important factor in society managing the transition to zero emission energy. This development is driven by supranational initiatives such as the US Inflation Reduction Act and the EU Green Deal. It was gratifying to see that several initiatives were taken at COP28 in Dubai to accelerate the hydrogen-electric market. For example, several countries launched a declaration of intent on the mutual recognition of certification schemes for renewable and low-carbon hydrogen to stimulate a global market. Such policy initiatives create strong incentives for increased investment in the hydrogen industry value chain and provide society with a necessary complement to existing energy supply infrastructure.

All over the world, companies are looking for solutions to phase out fossil fuels and reduce their climate impact in an efficient way. Their high specific energy and light weight make hydrogen-electric powertrains an efficient and scalable solution for many customer applications with water as the only emission. In many segments where it has previously been difficult to replace fossil fuels, such as in aviation and shipping, hydrogen-electric solutions are now one of the leading technologies. It is a sign of strength that PowerCell has managed to establish itself as the leading supplier in these large key market segments.

Contract manufacturing agreement with Bosch

To meet the increased demand in 2023, we signed an agreement with Robert Bosch GmbH for the contract manufacturing of our S3 fuel cell stack. This means that we have significantly increased our production capacity and at the end of the year we received the first deliveries from Bosch's European manufacturing plant. This cooperation allows us to focus on the assembly and delivery of fuel cell systems and to create value for our customers through innovation and development of the next generation of fuel cell stacks. The agreement also has a positive effect on our working capital. Bosch also continues to be an important partner as they have a licence to sell our fuel cell stack in the automotive industry. Demand in this market segment is also growing strongly and meant that our royalties from Bosch increased in 2023 and contributed to higher sales and improved profitability.

Listing on Nasdaq Stockholm

As a confirmation of our maturity and well-founded expansion plans, we chose to move from Nasdaq First North Growth Market to Nasdaq Stockholm at the end of 2023. The listing on Nasdaq Stockholm also contributes to building our stable base and increasing PowerCell's visibility to investors both in the Nordic region and internationally.

To further strengthen our customer work we have expanded our management team to include Alison Arnold, Chief Marketing Officer, and Victor Åkerlund, Chief Analytics & Sustainability Officer. One of our focus areas will be to continue preparations for PowerCell to set science-based emissions targets in line with the Paris Agreement. To meet the strong customer interest and the accelerated growth, we have expanded our organisation further by recruitment competent and motivated employees. I would like to thank all our employees for their dedicated and professional work in 2023.

Growth driven by strong megatrends

PowerCell operates in a rapidly growing market driven by the strong megatrends of electrification and the transition to zero emission energy. We are experiencing increased global interest from companies that see we have a commercially viable zero emission fuel cell technology that fits many different applications, especially in segments that previously have been hard to abate. As a result, we have established ourselves as the leading player in key market segments such as aviation and marine. This, together with our efficient and scalable organisation with operational leverage, gives us a stable base for profitable growth and long-term value creation.

Richard Berkling
CEO

The climate crisis drives the growing market

The global climate crisis is driving strong demand for sustainable power generation solutions. At the same time, demand is increasing globally, highlighting the need for a stable, predictable and sustainable energy supply. The transition to a zero-emissions society needs to be managed while global energy demand is growing rapidly driven by electrification, digitalisation and population growth. According to the International Energy Agency (IEA), global electricity demand is expected to almost triple from current levels to 60,000 TWh by 2050.

We are seeing a strong increase in commitment to climate issues and both supranational institutions, nations and companies have targets and strategies to reach net zero emissions. The USA has a target to reduce greenhouse gas emissions by 50 percent from 2005 levels by 2030 and reach net zero emissions by 2050. The EU has a target to reduce greenhouse gas emissions by at least 55 percent from 1990 levels by 2030 and reach net zero emissions by 2050.

Company climate commitments are also growing rapidly. The Science Based Targets initiative (SBTi), a voluntary initiative for companies to set and monitor emission targets in line with climate science, is seeing a strong increase in the number of applications. In 2015, just over 100 companies had set emission targets approved by the SBTi. In 2022, just over 2,000 companies had approved targets and another 2,000 companies announced that they will submit applications for emission targets in the near future. Overall, these companies account for around a third of the total market value of all listed companies globally according to SBTI monitoring report 2022.

Hydrogen and hydrogen-electric solutions play an important role in energy supply and the transition to a zero-emissions society. With many companies aiming to reach net zero emissions by 2030, they need to act now in order to adapt their operations. This is driving demand for hydrogen-electric solutions, which is why we are seeing the number of hydrogen-electric projects for commercial use accelerating. Since customer applications powered by fuel cells such as PowerCell's products only emit water and heat, emissions of NOx, SOx, Volatile Organic Compounds (VOC) and particulate emissions can also be greatly reduced.

Different ways to produce hydrogen

Emissions of CO_2 and other emissions from hydrogen depend largely on how the hydrogen is produced. One way to produce hydrogen is a method called electrolysis. This means that you split water molecules into oxygen and hydrogen with the help of electricity. Hydrogen produced by electrolysis powered by renewable electricity from, for example, wind, solar and hydropower is called green hydrogen and is considered nearly emission-free. Other types of hydrogen such as blue, pink and gray emit different types of emissions in production. Even with gray hydrogen produced from natural gas, emissions can be significantly lower compared to energy use from other fossil fuels. For example, the EU's hydrogen strategy estimates that a car powered by fuel cells and using grey hydrogen produces 45 percent less CO_2 emissions than an equivalent diesel car.

The IEA is working to establish a uniform terminology for the different production methods to facilitate the assessment of emissions for hydrogen solutions. During COP28 in Dubai, several countries launched a declaration of intent on the mutual recognition of certification schemes for renewable and low-carbon hydrogen to stimulate a global market.

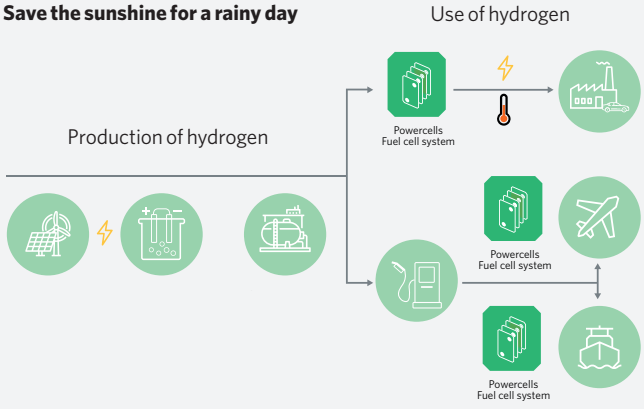
Green hydrogen through renewable energy

The use of renewable energy sources such as solar and wind power is accelerating, stimulating the growth of the hydrogen industry. By 2026, total electricity generation from renewable energy sources is expected to exceed 4,800 GW, which is more than the total capacity of all current nuclear and fossil fuel power plants.

Solar and wind power have a major weakness that hydrogen fuel cell technology can capitalise on. The disadvantages of these renewable energy sources are their volatility and unpredictable output due to weather and other factors. Production of hydrogen can be a solution to use the energy from renewable energy sources to produce green hydrogen using electrolysers. The energy can then be stored to produce zero-emission and sustainable power at a later date, locally or elsewhere.

Hydrogen can also be produced by reforming ammonia or methanol, which is easy and cost-effective to transport. This is an important option, for example in shipping, as ammonia or methanol is available in many of the world's harbours.

Save the sunshine for a rainy day



The number of projects in the hydrogen market is growing

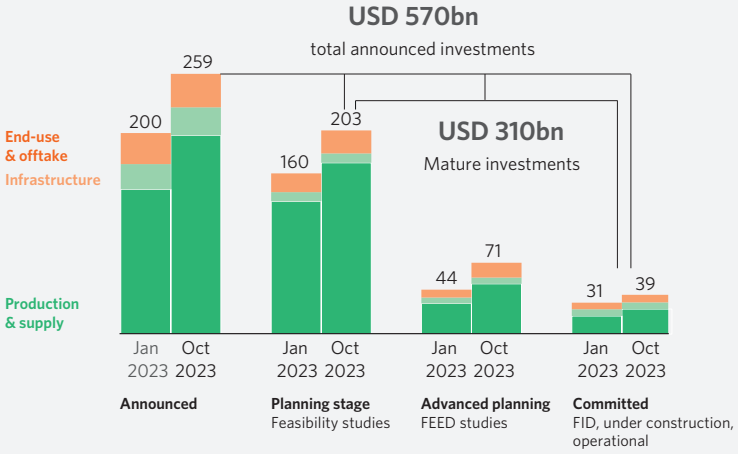
According to a report from the Hydrogen Council and McKinsey & Company "Hydrogen Insights December 2023", the number of hydrogen projects around the world is growing. Total announced investments in hydrogen projects up to 2030 have increased by 30 percent in 9 months – from about USD 435 billion to more than USD 570 billion. The increase is unevenly distributed across maturity stages for the projects with the strongest growth in advanced planning (FEED).

Growth in investment at the advanced planning stage was strongest in North America, followed by Europe and Oceania. The pipeline is maturing but remains tilted towards announced and planning stage.

The investment pipeline continues to lean toward clean hydrogen supply (about 75 percent), whereas investment in infrastructure and end use account only for about 10 percent and 15 percent respectively.

Announced investments by maturity

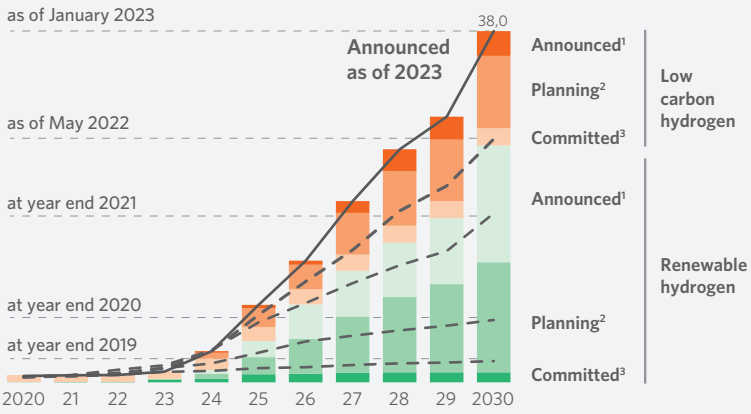
Direct hydrogen investments until 2030, USD billion.
As of October 2023.



According to the Hydrogen Insights report, companies have announced project proposals providing up to about 45 million tons of clean hydrogen capacity by 2030. More than 70 percent of the announced volumes until 2030 comprise renewable hydrogen, while the remaining projects consist of hydrogen with low carbon emissions.

Announced production volume of green hydrogen

Cumulative production capacity, million tons per year.
As of October 2023.



Source: "Hydrogen Insights December 2023" Hydrogen Council, McKinsey & Company.

State and supranational initiatives drive the hydrogen market

At both state and national level, legislation is being tightened to reduce the use of fossil fuels, while incentives are being introduced to accelerate new technologies. The US Inflation Reduction Act aims to promote the transition to green energy and places a strong focus on the hydrogen market. The Act contains provisions aimed at reducing the production costs of green hydrogen through a tax credit for the production of hydrogen with a low carbon footprint. This is expected to have a major positive impact on the development of green hydrogen, at the expense of grey hydrogen produced using natural gas. One of the United States' goals in the National Clean Hydrogen Strategy and Roadmap is to create 100,000 new jobs in green hydrogen industries by 2030.

The EU launched its green hydrogen strategy in 2020 which promotes investments in the industry. Hydrogen is seen as a prerequisite for achieving the EU's target of a 55 percent reduction in greenhouse gas emissions by 2030 and net zero emissions by 2050. To support its development, the EU has launched the European Green Deal, the Fit for 55 package, 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 and other sectors, and the distribution of hydrogen. The Alliance aims to promote investments and stimulate the deployment of clean hydrogen production and use.

The market is gaining pace

As the transition to a more sustainable world pushes ahead, we are seeing a rapid increase in demand for our products and solutions. In the past, our customers sought solutions for research and development projects but today we meet demand from large, established customers for commercial and industrial applications and OEM projects. This is an important development as it lays the foundation for serial deliveries and expands our installed base. This, in turn, allows us to start building an attractive aftermarket business.

Many companies have the goal of phasing out fossil technologies by 2030 which means that the transition to green technology is urgent. In several customer segments, we also see how companies make far-reaching commitments to reduce their emissions by 2030 which also accelerates the demand for our hydrogen-electric solutions.

For over 25 years, we have developed fuel cell stacks and systems for fuel cell technology that are among the leading. Thanks to our focus on modular solutions, we can offer scalable systems from a few kilowatts up to several megawatts. Scalability is a competitive advantage that allows us to meet customer needs in different segments and help customers contribute to a more sustainable planet.

Industrialised Innovation

We have called our offering Industrialised Innovation and demand in the market is high. Our view is that our technology is one of the leading in terms of energy density, robustness and reliability. Thanks to our investments in core components and technology platforms, which are used in all systems, we can offer both the economies of scale of industrialised solutions and clear specifications for crucial product characteristics such as performance, dimensions and weight. Added to this is our ability to quickly tailor solutions for customer-specific applications and requests in terms of both performance and integration. This combination strengthens our competitiveness and sets us apart from many competitors. It is our world-leading technology, combined with our creativity and innovation, that allows us to grow faster than the market.

Attractive to customers

Our hydrogen-electric solutions have several advantages for customers. In addition to being entirely emission-free, electrification using fuel cells has minimal impact on customers' operational use of the products. This is due to the combination of high output and compact size that hydrogen-electric solutions offer. For example, construction vehicles electrified with fuel cells and hydrogen will have similar drivability, range and payload capacity to that of equivalent diesel-powered vehicles. For our customers, fuel cell technology means reduced technical risk, reduced time to market and reduced need for investment.

Selected, attractive customer segments

Our customer segments are Aviation, Marine, Power Generation, Off-Road and On-Road. These customer segments are at different stages in the transition to hydrogen-electric solutions. Our strategy to prioritise certain customer segments is related to their maturity and the characteristics of the operational use of their products. For example, there are strong similarities between the Off-road and Power Generation customer segments, where use is characterised by high value creation in a geographically well-defined area. They also have the same requirements in terms of output and scalability and the option of compact installations.

We have a leading position in the Aviation customer segment and our successes in 2023 include a follow-up order with H2FLY that will includes deliveries of megawatt-class fuel cell systems as well as development work and tests. The work with our customer ZeroAvia continues at a fast pace and several important milestones, such as successful test flights, were achieved in 2023. This means that ZeroAvia is getting closer and closer to certification of its first hydrogen-electric powertrain.

In 2023, we signed an order with SEAM for deliveries to Norwegian ferries valued at EUR 19.2m, which is the world's largest hydrogen project in the shipping industry to date. The agreement covers deliveries of hydrogen solutions to two ferries that operate on one of Norway's longest ferry routes. The order represents further confirmation that we have a leading fuel cell technology that has been successfully industrialised for large and demanding applications.

In the Power Generation customer segment, in 2023 we signed a five-year framework agreement for serial deliveries of fuel cell systems with UK company ColGar Energy, a subsidiary of the Vantastec Group. The fuel cell solutions will be installed in the group's smaller refrigerated lorries and other specialised vehicles, mainly for the food market.

In the Off-Road segment, PowerCell's customer Fendt (AGCO) developed a prototype of a hydrogen-powered tractor, HELIOS, with fuel cells. The tractor has the potential to reduce emissions from agriculture, as agricultural machinery today is predominantly powered by fossil fuels such as diesel.

PowerCell also has customers in less mature industries where the technology is still mainly being tested and evaluated. We are an active partner working closely with them to develop new solutions and build new industries. We also see great potential with these customers in their endeavours to develop commercial applications.

Traditional OEMs follow new innovative players

We see a clear trend in the market where new, innovative and fast-moving companies are transformatively driving the changes and transition to zero-emission solutions. Some examples are our above-mentioned customers ZeroAvia and Vantastec. These companies have been early adopters of our new sustainable fuel cell technology and

can capture the market potential before traditional aircraft manufacturers and other OEM companies. We can now see that the traditional manufacturers are following the new innovative players by revising their plans and accelerating investments in zero-emission technologies. Consequently, it is important for PowerCell to also have close partnerships with the world's leading traditional companies in our customer segments in order to take advantage of the full market potential. These partnerships with traditional OEMs give us good geographical coverage and important market channels. By combining our products and expertise with those of our partners, we are able to offer complete solutions that make it easier for customers to switch to hydrogen-electric solutions as they transition to a sustainable offering.

In the On-Road segment, we are working with Robert Bosch GmbH, which has a licence for our S3 fuel cell stack. The agreement gives Bosch exclusivity in the On-Road segment, meaning that Bosch handles all sales and marketing for the S3 fuel cell stack. In 2023, we also signed an agreement with Bosch for contract manufacturing of the S3 fuel cell stack for PowerCell. This means that we have significantly increased our production capacity and can now focus on increasing production volumes and deliveries of fuel cell systems as well as the development of next-generation fuel cell stacks.

Our own sales force has a presence in Sweden, Norway, Germany and the USA. We also have distributors in Australia, Japan, South Africa and South Korea for our fuel cell technology.

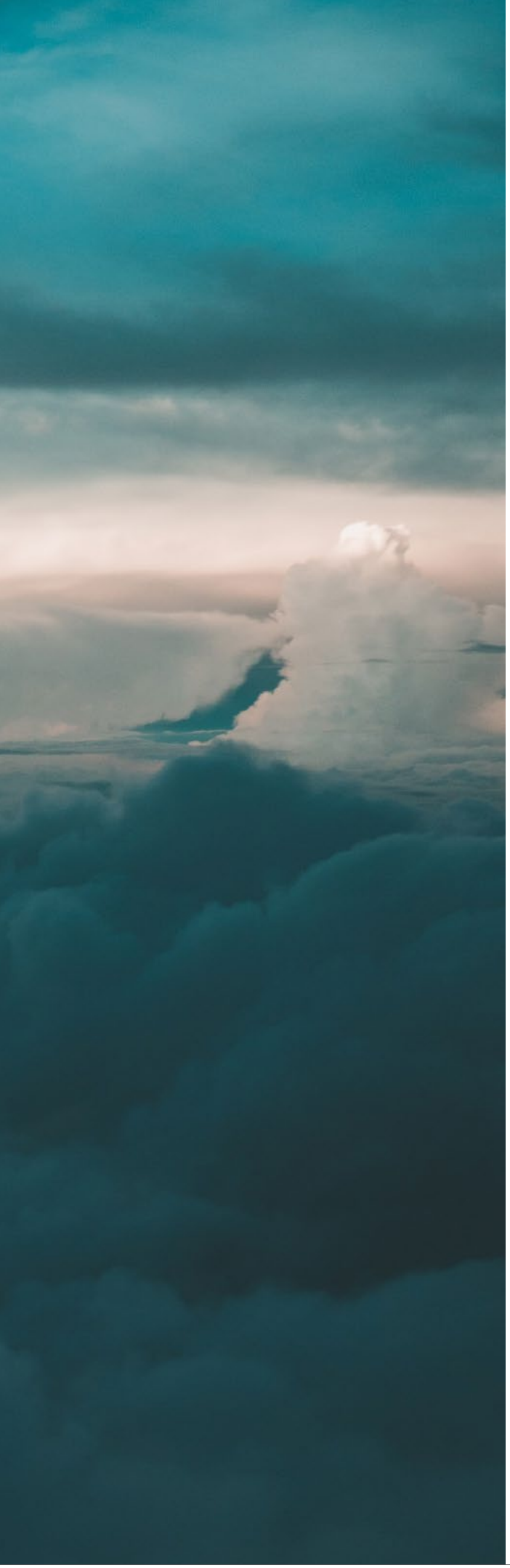
Transition Services supports customers in their transition

In Transition Services, we assist customers 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.

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 customisation 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.

Aviation

Increasing investment in sustainable aviation



We are seeing a great deal of interest from both traditional, established manufacturers and new, innovative companies in investing in fuel cell solutions for zero-emission aircraft. In 2023, our customer ZeroAvia conducted several successful flight tests and we signed a follow-up order with the company H2FLY. In total, we have around 20 customer projects at various stages confirming that we are leading the transition to zero-emission aviation.

Hydrogen-electric solutions are important for reducing the climate impact of the aviation industry. Unlike many other industries, such as renewable energy production and electric cars, it has been difficult for the aviation industry to date to find solutions that reduce CO_2 emissions without compromising customer value. PowerCell's hydrogen-powered fuel cells and systems are therefore important in the transition to zero-emission aviation.

The high specific energy of hydrogen-electric powertrains make them an efficient and scalable solution for the aviation industry. The aviation industry has very high demands in terms of reliability and performance in relation to weight and volume. PowerCell is currently working on some 20 projects in the aviation industry, covering everything from feasibility studies and lab tests to test flights and powertrain industrialisation.

The work with our customer ZeroAvia continues at a fast pace. In 2022, we signed a contract with ZeroAvia for the supply of fuel cell stacks with a potential value of up to SEK 1.51 billion. ZeroAvia aims to launch a powertrain for an aircraft with 19 seats and a range of approximately 550 kilometers (300 nautical miles) in a first stage and then develop powertrains for larger aircraft. PowerCell is working with ZeroAvia on the industrialisation of the powertrain. In July 2023, ZeroAvia announced the successful completion of the first phase of flight testing of the ZA600 system. In addition to achieving significant flight testing milestones, ZeroAvia has secured pre-orders for nearly 2,000 powertrains from several of the major global aircraft OEMs and is planning for certification of the system by late 2025. ZeroAvia has also signed partnerships with major aircraft manufacturers and global airlines such as British Airways, United Airlines and American Airlines.

EU's sustainable aircraft initiative

PowerCell has been involved in developing fuel cell solutions as part of the EU's Clean Aviation Joint Undertaking since 2023. This initiative is aiming to develop the next generation of sustainable aircraft. The project is called Newborn and the ambition is to reduce greenhouse gas emissions and reduce noise through innovative technology. PowerCell is the technical supplier of fuel cells and will work with other companies to develop an aviation grade megawatt-class propulsion system powered by hydrogen. PowerCell is contributing with its technical expertise and latest fuel cell technology to the project with the ambition to developing a new 300 kW product platform.

Follow-up order from H2FLY
During the year we signed a follow-up order with German company H2FLY that includes deliveries of megawatt-class fuel cell systems as well as development work and testing. The company is working to develop a hydrogen-electric powertrain for the aviation industry. H2FLY's liquid hydrogen-powered HY4 aircraft made several successful test flights in 2023, with the longest flight lasting over three hours. More information on the opposite page.

Market overview
The aviation industry accounts for around 2.5 percent of the world's CO_2 emissions according to Our World in Data, and a higher share of emissions if other non-CO_2 emissions that affect the climate are included. Its share will certainly increase over time as other sectors are predicted to reduce their greenhouse gas emissions faster than aviation and therefore new technologies such as hydrogen-electric solutions will be required.

According to the European Commission, direct emissions from aviation accounted for 3.8 percent of total CO_2 emissions in the EU in 2017. This makes the aviation sector the second largest source of greenhouse gas emissions from transport after road transport. Under the EU Green Deal, transport emissions must be reduced by 90 percent by 2050 (compared to 1990 levels) and the aviation sector must also contribute to achieving climate neutrality. Aircraft powered by fuel cells are therefore essential for the aviation industry to reduce its greenhouse gas emissions and climate impact.

According to McKinsey & Co, 33–40 percent of the global aviation fleet could be powered by hydrogen by 2050. This figure also includes synthetic fuels made from hydrogen that can be implemented in the existing aviation infrastructure. However, for short and regional distances, synthetic fuels are less cost-effective than fuel cells and have low availability of raw material to produce sufficient quantities of fuel. Fuel cells are therefore best suited for short-haul and regional flights with up to around 165 passengers. The development of hydrogen-electric aircraft requires investment in new hydrogen storage and refuelling infrastructure.

Several companies – both new and established players – see great potential in hydrogen-powered aviation. Among the major established companies investing in hydrogen-powered aviation are the aircraft manufacturers Airbus and Embraer and powertrain manufacturers GKN Aerospace and Rolls-Royce. New players include ZeroAvia, H2FLY, Universal Hydrogen and Cranfield. Airbus is aiming to develop commercial hydrogen-powered aircraft and its product development plan includes four different aircraft types with 100–200 passengers and a range of 1,000–2,000 nautical miles. ZeroAvia expects to have fuel cell powertrains for different aircraft sizes by 2027–2029.

The initiatives from both state operators and aircraft manufacturers demonstrate the rapid development of zero-emission aviation. PowerCell's significant contracts and development projects together with supranational institutions such as the EU show that we are the clear leader in hydrogen-electric solutions. This represents important recognition and strength as the aviation industry is technically demanding and has very high safety requirements.

Pioneering energy solutions for zero-emission aircraft

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

PS 100
Our product PS 100 is a fuel cell system with an electrical output of up to 100 kW that offers both flexible and reliable use. The system has been tested and developed according to the standards of the aviation segment. PS 100 is designed to enable a compact integration together with high power. The fuel cell stack with its steel bipolar plates ensures long-lasting and reliable operation under a wide range of conditions. Several systems can be connected in parallel to achieve higher power.

PS 100

H2FLY develops hydrogen-electric powertrain for aircraft

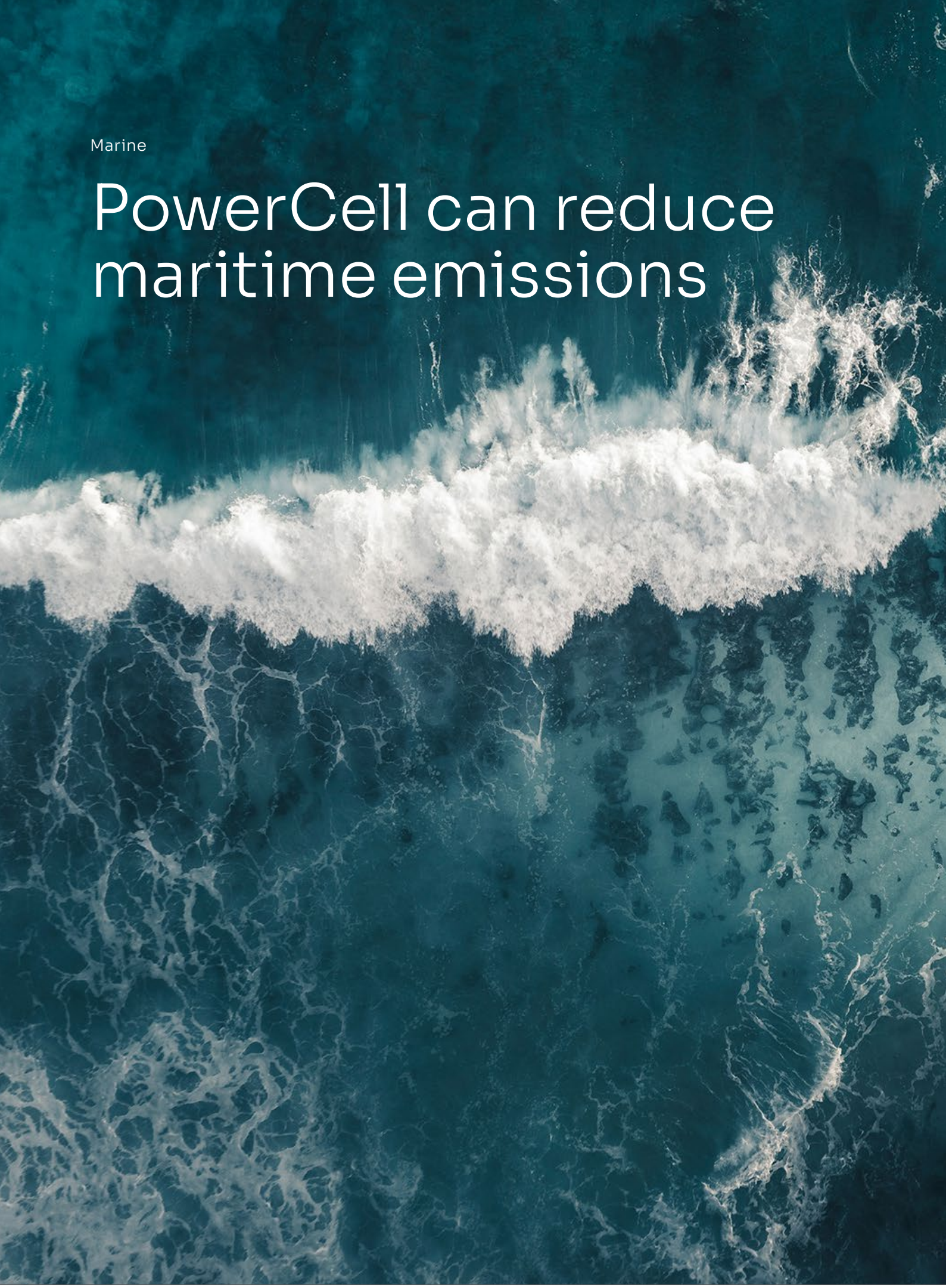
H2FLY and PowerCell signed a significant follow-up order in 2023 for deliveries of megawatt-class fuel cell systems as well as services and testing. H2FLY is working to develop a hydrogen-electric powertrain for the aviation industry. The company's liquid hydrogen-powered HY4 aircraft made several successful test flights in 2023, with the longest flight lasting over three hours.

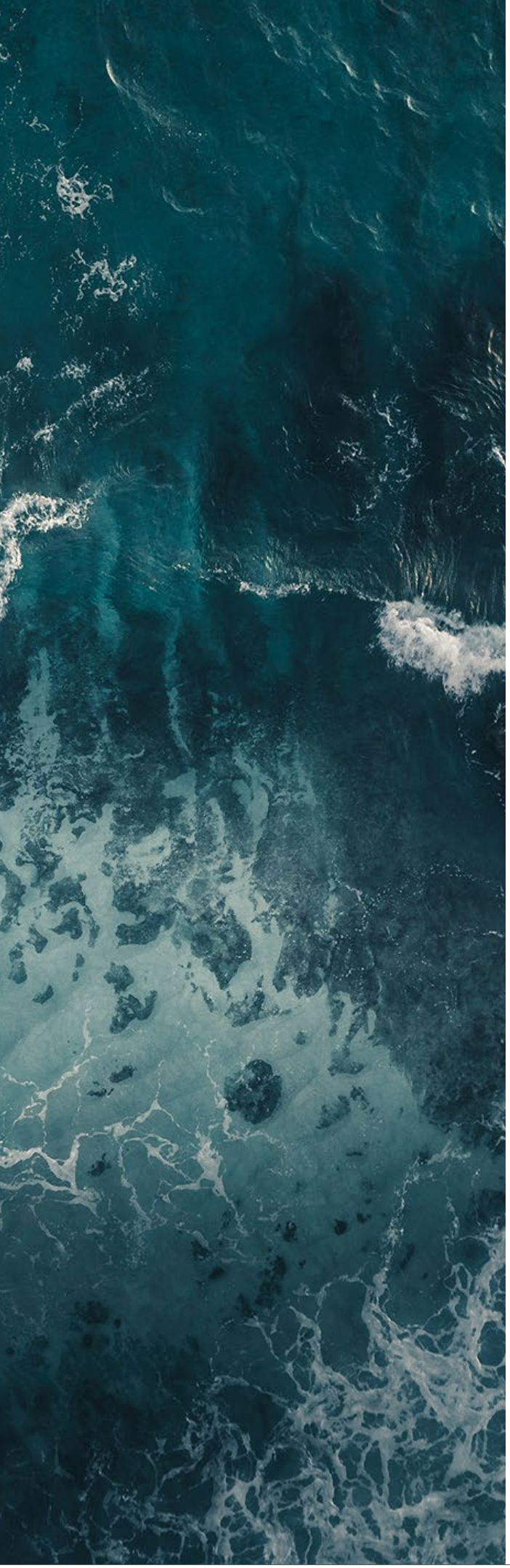
"The potential for hydrogen-powered aircraft is enormous. By the end of this decade, our first commercial systems will be certified and in operation worldwide. In the early 2030s, our scaled-up system will make it possible to reduce carbon dioxide emissions for at least half of global air traffic."

Josef Kallo, co-founder and CEO of H2FLY.

Marine

PowerCell can reduce maritime emissions





In the marine segment, we are seeing increased demand for hydrogen-electric solutions. This trend is driven by both voluntary commitments from companies and regulations for reduced emissions in shipping. In 2023, PowerCell signed an order with SEAM for deliveries of hydrogen-electric solutions to two Norwegian ferries. This is the world's largest hydrogen project in the shipping industry to date.

Global shipping has been facing stricter emission requirements for some time now. These requirements come from both national governments and supranational authorities. The International Maritime Organisation (IMO) adopted a revised strategy for reducing greenhouse gas emissions in 2023, for example, and the EU has decided to include shipping in the European Emissions Trading Scheme.

At PowerCell, we see that our technology in hydrogen-electric solutions can enable zero-emission shipping. Hydrogen-electric solutions are an efficient solution since the energy density of hydrogen is high and fuel cell systems, together with hydrogen tanks, can be packaged in a way that provides high power output in a relatively small space. The customer's powertrain in the vessel can also be supplemented with battery-electric installations for limited manoeuvres during brief use, referred to as hybridisation. Hybrid installations, in combination with fuel cells, can provide enough power for a fully zero-emission run even on longer routes.

Groundbreaking contract

In 2023, PowerCell signed an order with SEAM valued at EUR 19.2m, which is the world's largest hydrogen project in the shipping industry to date. The agreement includes deliveries of hydrogen solutions to two ferries that will operate on one of Norway's longest ferry routes. It is the Norwegian transport group Torghatten Nord that will deliver the ferries, as when they are completed each will have a capacity of 599 passengers, 120 cars and twelve trucks. PowerCell will deliver its Marine System 200 which will enable the ferries to produce a total output of approximately 13 MW. The ferries will be powered by green hydrogen and are expected to reduce CO_2 emissions by 26,500 tons a year according to the route operator, which is equivalent to emissions from around 13,000 diesel cars a year.

Different technological solutions for customers
We work with a number of customers in the shipping industry, such as US company Maritime Partners. The company's fleet consists of over 1,800 vessels and tugboats that transport goods central to the US economy, including agricultural products, chemicals and ballast. Due to the tugboats' size, space and weight limitations, as well as the availability of and ability to store hydrogen, reducing their CO_2 emissions is challenging. Maritime Partners succeeded in launching the M/V Hydrogen One in 2023, which already meets the IMO's requirements for stricter emissions by 2030. The tugboat is powered by fuel cells with hydrogen produced by reforming methanol on board and provides continuous propulsion of the tugboat for longer periods. Methanol is used in shipping and 88 of the world's 100 largest ports offer the fuel.

Other customers include US company Amogy, which is working to convert ammonia into hydrogen to ensure a continuous power supply to tugboats for extended periods.

Market overview
Shipping is an important part of the global economy but is also a significant source of greenhouse gas emissions. According to the European Commission's report 'Reducing emissions from the shipping sector', shipping accounts for around 2.9 percent of global greenhouse gas emissions globally and between 3–4 percent of greenhouse gas emissions in the EU.

In July 2023, IMO Member States adopted a strategy to reduce greenhouse gas emissions from ships and tightened targets to address environmentally harmful emissions. The revised strategy includes a shared ambition to achieve net zero greenhouse gas emissions from international shipping by 2050. According to the IMO, this means that carbon dioxide emissions from international shipping must be reduced by at least 40 percent by 2030 compared to 2008. The IMO identifies the use of new technologies and fuels with zero or near-zero greenhouse gas emissions and hydrogen as a possible source of zero-emission shipping.

Other examples from the long list of initiatives to reduce emissions from shipping include the EU's decision to include shipping in the European Emissions Trading Scheme. This can further drive the demand for zero-emission powertrains for ships and other vessels within the shipping industry.

These global initiatives contribute to the rapid development of alternative, zero-emission propulsion systems in shipping. This is also the reason why we are prioritising the development of efficient hydrogen-electric solutions for the shipping industry.

Specially designed for marine applications

PowerCell's marine systems are based on industrialised and modular components that can be easily connected to meet the power supply needs of many different customers. The Marine System 200 can offer power outputs of up to several megawatts thanks to its modularity. The system has received full installation approval (DOD) from Lloyds Register for a major project.

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

Megawatt-class marine 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 operational efficiency and improved control - as well as being quiet and odourless. Our megawatt-class marine solutions are developed to meet the strictest maritime rules and regulations.

Marine System 200

Hydrogen-electric solutions for Norwegian ferries

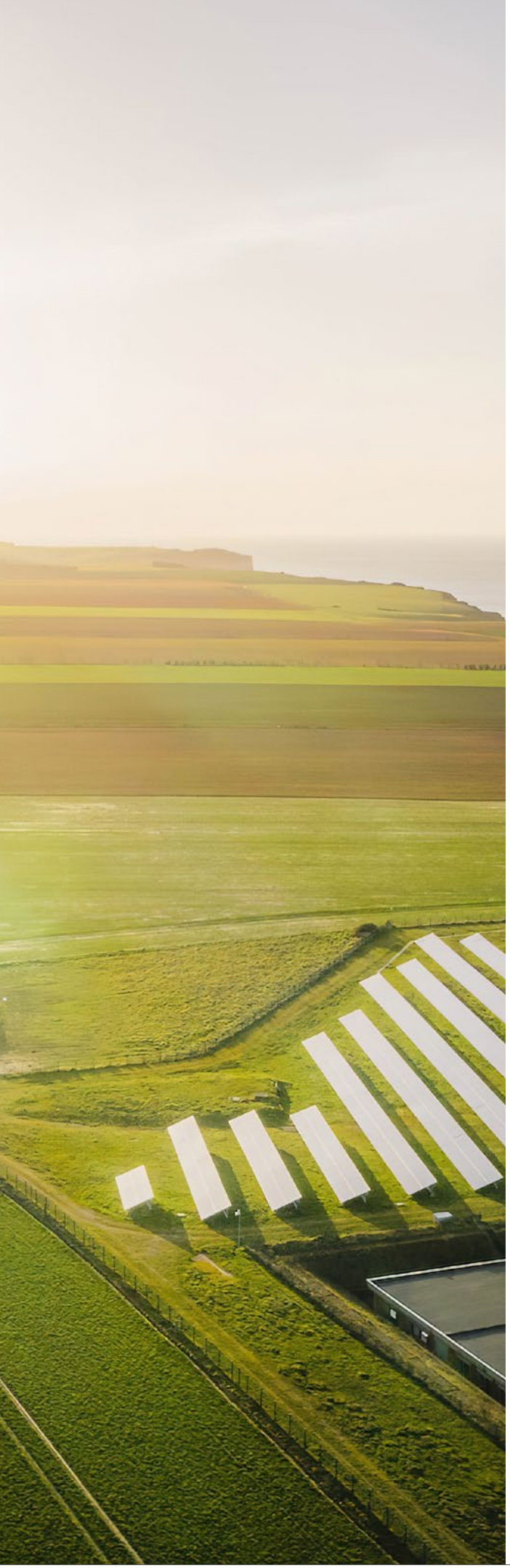
Norwegian integrator SEAM and PowerCell have signed a groundbreaking agreement to supply hydrogen solutions to two vessels that will operate on one of Norway's longest ferry routes. With a value of EUR 19.2m, this is the world's largest hydrogen project in the shipping industry to date. The Norwegian government has stipulated that new ferries across the Vestfjord in Lofoten must be zero-emission. The ferries will have a capacity of 599 passengers, 120 cars and 12 trucks. They will also be powered by hydrogen to cope with the long and demanding journeys of up to four hours. PowerCell will deliver its Marine System 200, which will enable the ferries to produce a total output of approximately 13 MW. The ferries will be powered by green hydrogen and are expected to reduce CO_2 emissions by approximately 26,500 tons a year according to the route operator. This is equivalent to the CO_2 emissions of approximately 13,000 diesel cars a year.

"This groundbreaking hydrogen project is an important step towards ensuring zero emissions in the Norwegian ferry fleet, and we are very pleased to have PowerCell onboard. Our collaboration with PowerCell is a strategically important and long-term partnership. We have great confidence in their solutions and are looking forward to working with them on both current and future projects."

Gunvald Mortvedt, CEO of SEAM.

Power generation

Sustainable stationary and mobile power generation



PowerCell's hydrogen-electric power generation solutions can replace fossil fuels in energy-intensive functions and as backup power in many buildings and other applications. Our hydrogen-electric solutions make energy systems climate-friendly, sustainable and can also reduce the overall cost for customers. In 2023, an important order was signed with the Vantastec Group for power generation in light commercial vehicles.

We have seen an increase in market activity in the Power Generation segment. Many companies and authorities have realised that they need a safe and reliable power generation system that is also sustainable. Data, telecoms and property companies, for example, are interested in reliable, zero-emission backup power systems. The increased demand in fossil-free construction sites has also resulted in a growing interest in our mobile power generation systems.

Other applications are, for example, temporary events such as exhibitions, concerts and film productions where our products can help and supply the event with sustainably produced electricity.

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

PowerCell has an ongoing collaboration with Hitachi Energy and in 2023 we worked on creating a ready-to-go "plug and play" offering designed in a containerised solution for the integration of fuel cell systems for more sustainable operations, see page 23.

Important agreement with Vantastec Group

During the year, PowerCell signed a five-year framework agreement for serial deliveries of fuel cell systems with UK company ColGar Energy, a subsidiary of the Vantastec group. The company is located in the UK and converts light commercial vehicles to be able to transport hot and cold food, for example. The agreement means that PowerCell is entering a new market segment as our hydrogen-electric solutions are well suited for vehicles that need auxiliary power to drive cooling or heating systems, for example.

Attractive product solutions for power generation
We offer attractive solutions for fuel cell-based power generation in several different configurations up to several megawatts. These are cost-effective, sustainable and independent power solutions that are suitable for a wide range of applications.

Together with Bosch, we are developing other customer applications with our S3 fuel cell. For example, as part of this collaboration, we have started developing a scaled-down fuel cell system for chillers.

Market overview
The number of application areas for fuel cell-based power generation is increasing, not only from mobile and stationary power generation, but also in other applications such as power generation in heavy goods vehicles.

Mobile power generation and off-grid backup power are applications that have become increasingly important, not least as a result of increasing digitalisation where power outages can be costly. Traditionally, backup power has been provided using diesel-fuelled power generators that emit greenhouse gas emissions such as CO_2. Applications include construction sites and other temporary facilities that require a lot of energy over a period of time. Fuel cell backup power systems provide electricity on demand, which means that, thanks to a fuel cell-based hydrogen-electric solution, the customer has the reserve energy it needs but with zero emissions.

In stationary power applications, the fuel cell system can power energy-intensive equipment, such as a data centre, either on a stand-alone basis or in combination with a connection to the mains electricity supply. This type of installation is attractive for customers who need energy in places where there is no electricity supply or who want to reduce their dependence on the existing transmission network. It is also an attractive solution for customers who, based on their own energy needs, cannot afford to invest in an expansion of the transmission network.

Hydrogen-electric solutions can also be used in industry, for example, to ensure that customers have all the energy they need at high power consumption, regardless of the current electricity network load. In such cases, the fuel cell system can work either independently or in combination with other energy sources such as batteries or the mains electricity supply. It can also be used to reduce energy costs during periods of high demand. For example, a property owner or a factory can create its own power supply to become more resilient, lower electricity bills and reduce environmental impacts.

Lower total cost of ownership
As the production of green hydrogen increases and price trends are expected to go down, combined with higher costs for CO_2 emissions, cost of ownership simulations for many power generation customers show that the use of hydrogen-electric solutions over a ten-year period can reduce the total cost. For our customers, it is also important that they can access an independent, easy-to-use and zero-emission energy solution. Often, a hydrogen-electric solution can also reduce energy production noise compared to a fossil fuel-powered solution.

Our Power Generation products

Attractive portfolio of hydrogen-electric solutions for stationary energy-intensive applications with power outputs from 5 kW up to several megawatts.

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

Power Generation System 200
The Power Generation System 200 is a powerful and compact fuel cell system with a net power output of 200 kW. It is designed for stationary applications and can be connected in parallel for megawatt-class solutions. The Power Generation System 200 offers high system efficiency and delivers quiet and zero-emission electricity in sensitive environments.


Power Generation System 5

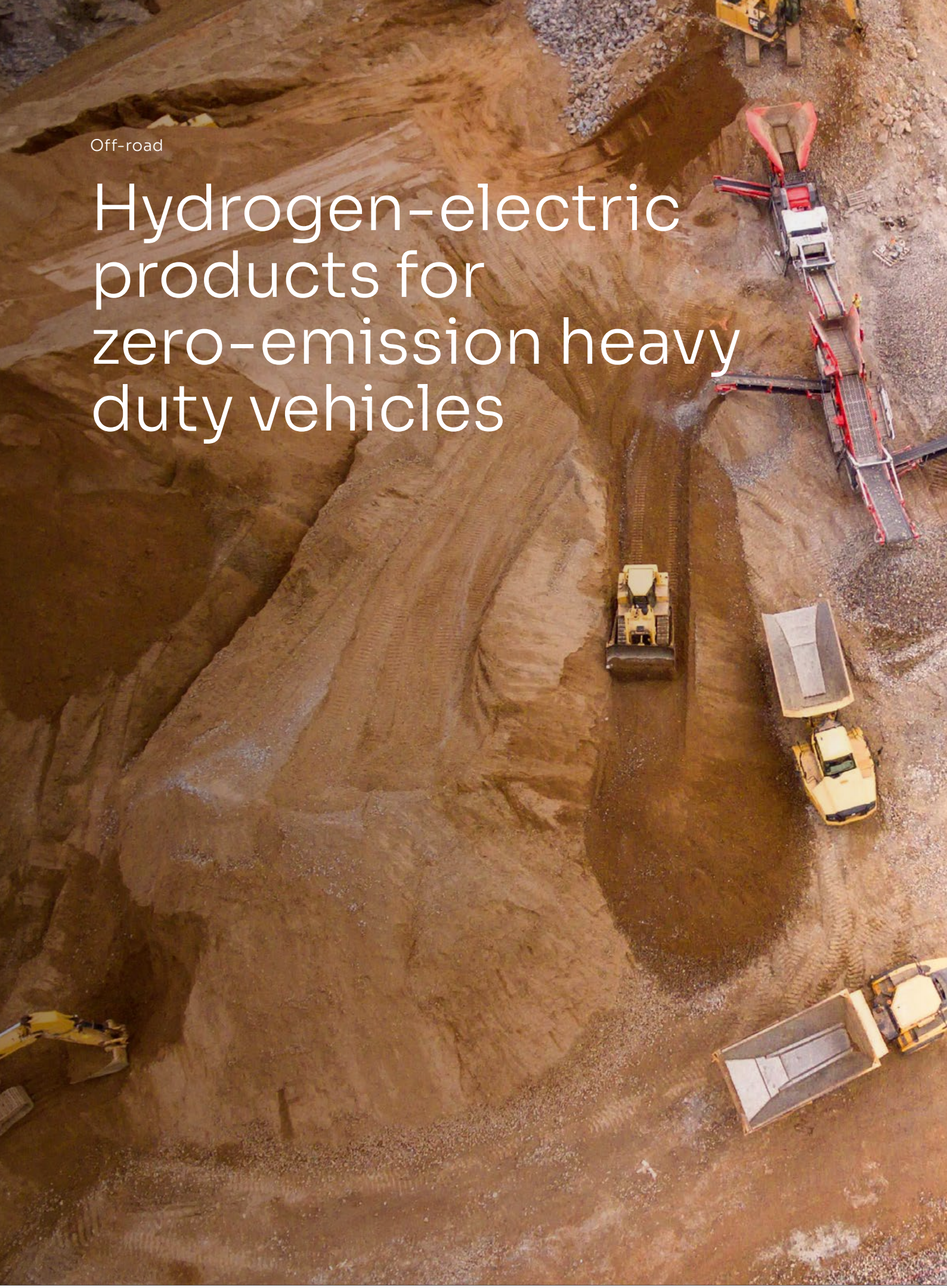

Power Generation System 200

Zero-emission power generation with Hitachi Energy

PowerCell has an ongoing collaboration with Hitachi Energy and in 2023 we worked on creating a ready-to-go "plug and play" offering designed in a containerised solution for the integration of fuel cell systems for more sustainable operations. Together we will design, develop and validate a fuel cell power system. This collaboration will be able to help customers achieve zero emissions in key market segments such as industry, construction sites and, for example hydrogen powered off-grid charging of electric vehicles.

"The challenge of achieving net zero emissions is bigger than one company, one team and one individual. This is a great example of the importance of collaboration and diversity of knowledge to meet the huge amount of innovation needed for the ongoing energy transition. We thank PowerCell for an inspiring and valuable contribution to this project and look forward to a fruitful collaboration going forward."

Tobias Hansson, CEO of Hitachi Energy in Sweden



Off-road

Hydrogen-electric products for zero-emission heavy duty vehicles

To reach the net zero emission targets that many companies have set, there is great potential in converting heavy duty vehicles to hydrogen-electric solutions. For these vehicles, hydrogen-electric powertrains enable electrification with minimal impact on the customer's operational processes. Driving time, range, payload capacity, availability and refuelling time are essentially the same as for diesel-powered vehicles.

Heavy duty vehicles include a wide range of commercial vehicles such as construction machinery, for example excavators, shovel loaders, haulers, wheeled loaders, as well as agricultural and mining machinery, terminal vehicles and forklifts. What these vehicles have in common is that they consume large amounts of energy and are used in well-defined areas where they add great value. Today, off-road vehicles are almost exclusively powered by diesel and greenhouse gas emissions are high.

Hydrogen has a high energy density which makes hydrogen-electric solutions extremely suitable for powering vehicles with heavy payloads and long operating times where a high energy source is required. Because they are used in confined areas, the supporting infrastructure – such as hydrogen distribution and storage, support and maintenance – can be kept at a low level.

Hydrogen-electric powertrains have minimal impact on customers' operational processes, i.e. the commercial use and value creation of products. An excavator powered by fuel cells and green hydrogen has similar performance, service life and refuelling times as a diesel excavator but with zero-emissions.

Volvo Construction Equipment is committed to achieving net zero emissions in its value chain by 2040. Part of this goal is the development of the HX04 hydrogen-electric hauler. It is powered by green hydrogen and the only emission is water vapour. Haulers are most often used in areas without electricity infrastructure, such as road construction and mining. This gives fuel cells great advantages as they have a much longer operating time than batteries, for example. A battery-powered hauler would require large and heavy batteries to provide the necessary power. A hauler with fuel cells is lighter, allowing the vehicle to carry more cargo instead. Other examples of off-road vehicles include agricultural machinery such as forestry machines and harvesters. With fuel cells, the lower weight compared to battery power would have a positive impact and reduce the impact on nature and land.

Market overview

According to the IEA 2020, it is crucial that the transport sector reduces its CO_2 emissions as it accounts for a large part of global emissions from fuel consumption. Most of the emissions come from cars, but off-road vehicles also need to contribute to the reduction.

Today, off-road vehicles are almost exclusively diesel-powered, resulting in high greenhouse gas emissions. The Swedish Energy Agency states that machinery such as tractors, excavators, haulers and trucks account for around six percent of Sweden's climate impact and their emissions have increased in recent decades.

A growing market for fuel cell systems is rail transport as the high energy of fuel cells is well suited to locomotives. In North America, much of the rail traffic is diesel-powered. In Europe, the majority of rail traffic is electric, but about 20 percent of traffic is still powered by diesel locomotives. According to the Hydrogen Council, fuel cell trains are best suited from an environmental perspective for long distances where high utilisation is required. Several fuel cell trains are already in operation around the world and the market potential is significant as they can be used for passenger and freight traffic as well as working locomotives in railway yards.

We see great opportunities for our hydrogen-electric solutions in several different segments of the off-road market where PowerCell's products and solutions could significantly reduce harmful greenhouse gas emissions.

A complete offering for commercial vehicles

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

Heavy Duty System 100

The Heavy Duty System 100 is a very powerful fuel cell system with an electrical output of up to 100 kW, offering both flexibility and reliability. The system has been tested and developed according to the standards for heavy duty applications. The Heavy Duty System 100 is specially designed to enable compact integration together with high power output. The system has a robust design for fast, dynamic and stable load operations. The fuel cell stack with its bipolar steel plates ensures durable and reliable operation under a wide range of conditions. Several systems can be connected in parallel to achieve a higher power output.

Heavy Duty System 100

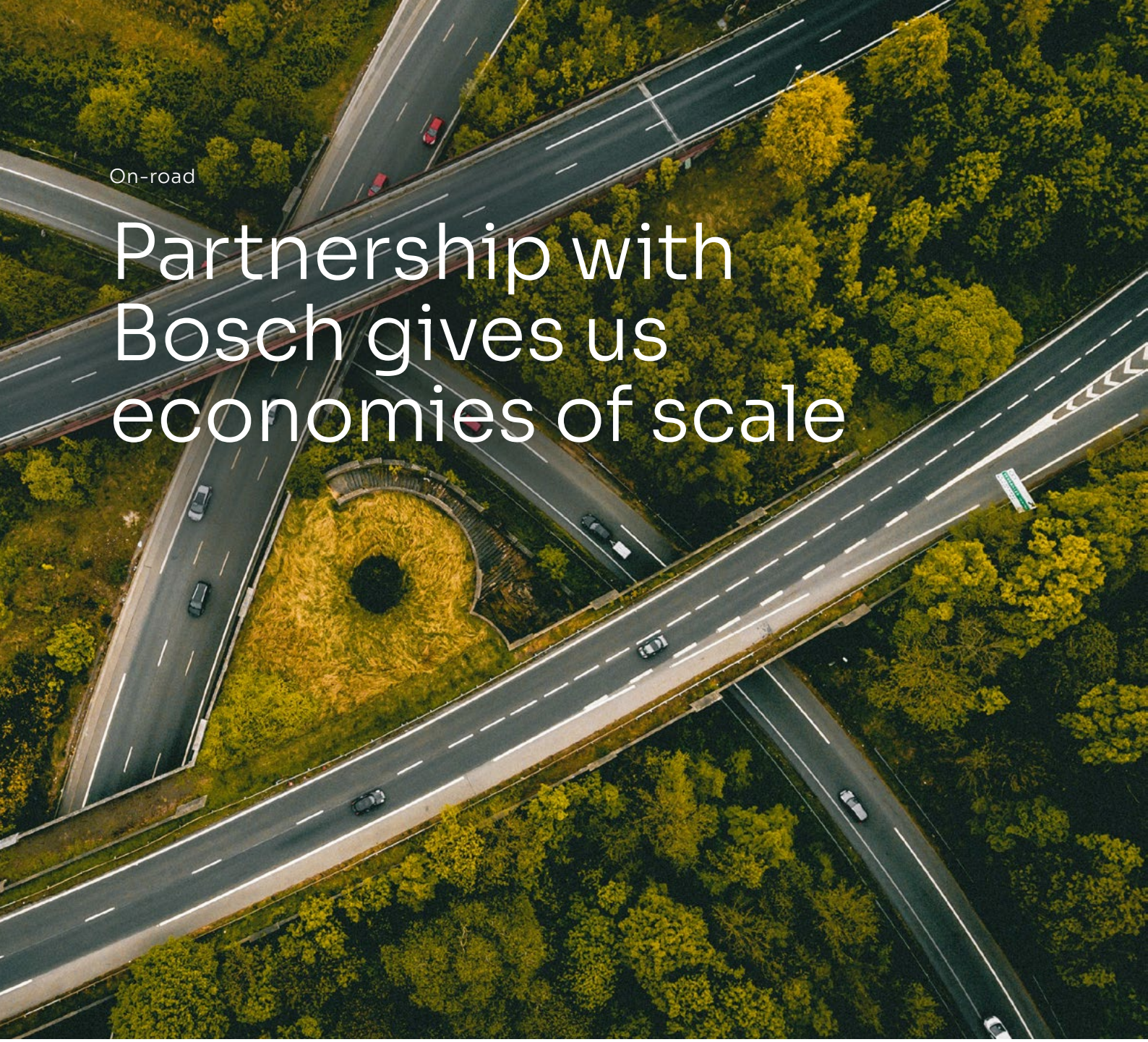
Fuel cells for future agriculture

Agriculture accounts for a significant portion of global greenhouse gas emissions, and currently, agricultural machinery is predominantly powered by fossil fuels such as diesel. Therefore, there is great potential to reduce emissions from agriculture by finding sustainable propulsion systems. In Germany, the award-winning research project H2Agar is exploring the possibilities of expanding a hydrogen infrastructure for agriculture. Green hydrogen is produced using renewable energy from a nearby wind farm. Within the project, the company Fendt (AGCO) has developed a prototype of a hydrogen-powered tractor, named HELIOS, equipped with fuel cells from PowerCell Group with a 100 kW capacity. Fendt delivered the first two prototypes of the hydrogen-powered tractor to farms in Haren, Lower Saxony, in February 2024, where they will be utilized. Information from these tests will serve as the basis for further research to reduce carbon dioxide emissions from agricultural vehicles.

The tractor was also showcased at the German Hydrogen Summit and at the Agritechnica 2023 exhibition in Hanover, Germany, which is the largest agricultural trade fair worldwide and a major event for presenting cutting-edge alternative propulsion systems for agricultural machinery.

”Fuel cell technology has many advantages in agriculture, as its high efficiency and relatively low weight are well-suited for future farm machinery. I am very pleased with the collaboration with PowerCell in the development of this cutting-edge tractor. Fendt wants to offer machines which reduce the CO_2 emissions of farms, thereby reducing the environmental impact of agricultural machinery and contributing to a more sustainable agriculture.”

Walter Wagner, Vice President & Managing Director Research and Development Fendt



On-road

Partnership with Bosch gives us economies of scale

The electrification of vehicles with hydrogen-electric solutions began more than a decade ago. Today, there are several vehicle manufacturers in the world offering hydrogen-electric cars, buses and heavy goods vehicles. We reach this market segment through our licencing partner Robert Bosch GmbH. Bosch licences our S3 fuel cell stack and sells it to the automotive industry. Since 2023, Bosch is also our contract manufacturer of fuel cell stacks.

Fuel cell-based solutions for vehicles offer refuelling times, drivability, range and payload capacity that are not significantly different from fossil-fuelled vehicles. With their high power density and compact size, PowerCell's fuel cell stacks are well suited for vehicles and in particular for heavy duty vehicles such as trucks and buses where high energy is required.

PowerCell has made the strategic decision to address the automotive market in collaboration with Robert Bosch GmbH, one of the world's leading suppliers to the automotive industry. For over a century, Bosch has built up its technical capacity and market presence in the automotive market. Bosch has been licencing and manufacturing our S3 fuel cell stack for the automotive industry since 2019.

As the demand for hydrogen-electric solutions for vehicles increases, so is our royalty income.

We signed a strategically important agreement with Bosch during the year to contract manufacture the S3 fuel cell stack for PowerCell. This significantly increases our production capacity and enables us to meet the growing demand in the markets that we address directly ourselves, such as aviation, shipping, power generation and heavy duty vehicles. We can now focus on the assembly and delivery of fuel cell systems to our customers as well as continued innovation and development of next-generation fuel cell stacks. Contract manufacturing also has a positive impact on our working capital and reduces the need for capital investment. In addition, it creates economies of scale as higher volumes result in lower costs per unit produced.

We received the first deliveries from Bosch's European unit at the end of 2023. Bosch has manufacturing plants on other continents and we expect to eventually benefit from their global capacity for volume production.

Through a subsidiary, Bosch has been PowerCell's single largest shareholder since 2019 with an approximately 11 percent holding.

Automotive industry is an early adopter

The automotive industry was one of the first industries to explore hydrogen-electric solutions. Manufacturers have been offering electric powertrains with batteries for more than a decade and customers in this industry are used to electric solutions. In addition to being a zero-emission solution, there are other benefits of fuel cell technology, such as lower noise levels compared to a diesel bus, which contributes to improved comfort. After several years of testing, some manufacturers are now offering hydrogen-electric cars, buses and trucks and more vehicles are on the way. Asian car manufacturers were the first to launch hydrogen-powered cars for the private market. We are now also seeing European manufacturers launching their own fuel cell cars.

Growing number of refuelling stations

The availability of refuelling stations for hydrogen-powered vehicles has been a bottleneck for the market. The number of stations is now increasing rapidly, but from low volumes. According to the Global Hydrogen Review 2023 published by the International Energy Agency (IEA), in 2022 there were a total of 1,070 refuelling stations in the world for hydrogen, of which 650 were in Asia, just under 300 in Europe and just over 100 in the United States. The EU's alternative fuels infrastructure regulation (AFIR) aims to establish hydrogen refuelling stations every 200 kilometres along major roads and in cities by 2030, mainly to serve the growing fleet of heavy goods vehicles. In the USA, the Nikola company, among others, has received government grants to establish hydrogen refuelling stations for heavy goods vehicles according to the report from IEA.

Next generation fuel cells on the way

Alongside its collaboration with Bosch, PowerCell is also developing the next generation of technology for fuel cell stacks for the automotive industry. The development work is taking place under the umbrella of the German Autostack Industrie (ASI), a partly state-funded German project totalling EUR 60m, involving several major car manufacturers, including Audi, BMW, Daimler, Ford and Volkswagen. The aim of the project is to develop a fuel cell stack that can be mass produced for the German automotive industry. We have been a partner in ASI since 2017 and are responsible for the design and development of the stack itself and for developing the associated production methodology.

Strong product solution for the automotive industry

PowerCell has developed the PowerCell S3 fuel cell stack which is licenced to Bosch and is industrially and commercially ready for mass production.

P Stack (S3)

The P Stack is a powerful fuel cell stack with up to 125 kW of power and is licenced to Bosch. The technology has undergone extensive testing and validation with major manufacturers, well-known research institutes and leading automotive suppliers. Moreover, it is designed for high volume production at low manufacturing cost.

V Stack (S2)

The V Stack is a robust fuel cell stack with up to 35 kW of power. The V Stack has robust metallic bipolar plates that are made to withstand tough conditions in all types of applications. The V Stack is a tried and tested product that has been in production for several years.

Strong services offering to support our customers' transition

We offer a wide range of services to support our customers in a smooth and efficient transition to hydrogen-electric solutions. Our success is due to our ability to create value for our customers by, among other things, ensuring the rapid and safe implementation of hydrogen-electric solutions in their applications.

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

Consulting services
Through our consulting services, we help customers find the right product or solution for their needs. In order to provide our customers with a more complete solution and avoid them having 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. In major projects such as ZeroAvia in the Aviation segment, we work with customers to develop the best hydrogen-electric solution for their powertrain.

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 remotely and on site.

Modification
Some of our customers can use our industrialised standard products as they are. However, in many cases, some hardware and control interface modifications and some repackaging or replacement of individual components is required in order to fit the product into the available space in the customer's application. One example is Vantastec, where, together with the customer, we modified our hydrogen-electric solutions to fit their light commercial vehicles.

Industrialised product customisation
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 industrialised 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. Another solution is mobile power generation in a container, where we can offer the customer a complete energy solution for their needs.

Fuel cell technology

PowerCell develops and sells Proton Exchange Membrane fuel cell stacks and fuel cell systems. A fuel cell converts chemical energy into electrical energy, to power an electric engine in an aircraft, for example. 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.

PowerCell is one of the leading companies developing and selling Proton Exchange Membrane (PEM) fuel cell stacks and fuel cell systems. A PEM fuel cell converts chemical energy from hydrogen and oxygen into electricity to power an electric engine with no other emissions than heat and water. PEM fuel cells have a rapid start-up and response time, high power density and are significantly smaller and lighter than other fuel cell types. Fuel cells can be used in a variety of applications and are sold to customers all over the world.

A fuel cell generates electrical energy via an electrochemical reaction. The process is similar to that of a battery, except that a battery discharges its electrodes as it produces electricity and therefore has to 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 an internal combustion engine, water and heat are the only emissions generated by a fuel cell.

The key components of a 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 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 kinds.

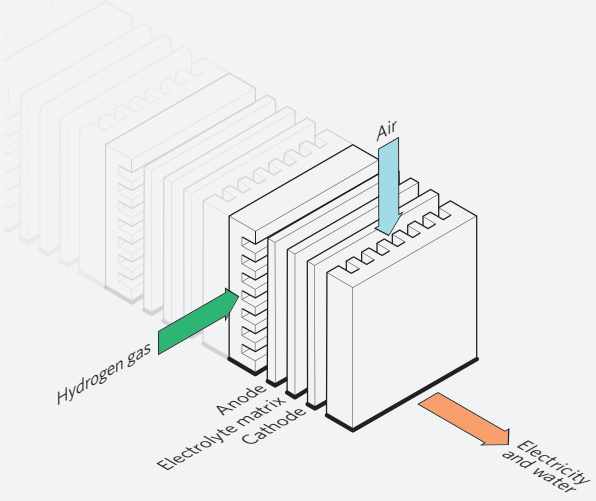
Robust design with no moving parts

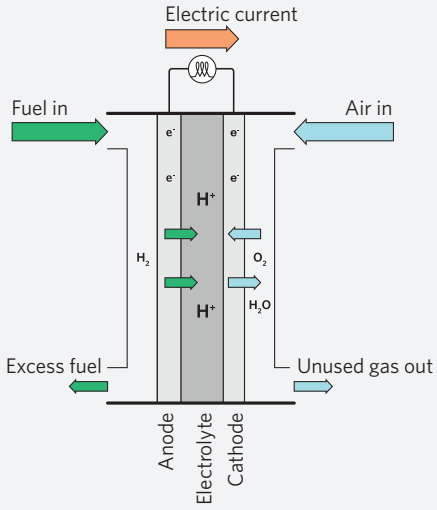
A fuel cell stack is created by combining individual fuel cells. The voltage and output of the stack can be varied by increasing or reducing the number of cells in the stack.

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 oxidised 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, for example, to heat buildings or vehicles.

The fuel cell





Sustainability report

We help accelerate the transition to fossil-free energy systems

Sustainability and the transition to fossil-free energy systems are the basis for our existence as a company. Our solutions are important contributors to a zero-emissions world that is less dependent on fossil fuels.

Climate research clearly shows the urgency of phasing out fossil fuels. Yet we see a widening of the gap between the world's carbon emissions and the emissions pathways that climate science believes are necessary to ensure long-term, sustainable living conditions on our planet. At PowerCell, our focus is on closing this gap by enabling industries that are traditionally considered "hard to abate sectors", such as aviation, shipping and heavy goods vehicles, to shift to truly zero-emission technologies.

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 a high standard of ethics. As our business grows, so does our impact on people, society and the environment. Therefore, sustainability is an integral part of our strategy and operations. Through our sustainability work, we lay the foundation for a larger and successful PowerCell in the long term that makes a significant contribution to meeting today's needs without compromising on the needs of future generations.

UN Global Compact signatory

In 2023, we took several important steps in the execution of our sustainability strategy. For the first time, we measured our complete carbon footprint for Scopes 1, 2 and 3. The 2023 climate measurement will form the basis for short-term and long-term climate goals that we intend to formulate in line with climate science. To support our work on responsible sourcing, we have produced a Supplier Code of Conduct and developed ways of working to assess and follow up on existing and new suppliers in more detail based on sustainability factors. During the year, we expanded the management team by adding a new role with responsibility for sustainability and analysis. For 2023, we are also reporting in accordance with the Global Reporting Initiative (GRI) for the first time.

Prioritised sustainability areas

Our four prioritised sustainability areas are:
- Reducing emissions from PowerCell's operations
- Robust and reliable products
- Safe, stimulating workplaces
- Responsible sourcing

Welcome to reading more about our journey towards an even more sustainable PowerCell.

Reducing emissions from PowerCell's operations

Our business concept is based on contributing to a zero-emissions society and combating climate change. As an important enabler for a zero-emissions society, we also strive to reduce our own emissions.

Our contribution to the UN Sustainable Development Goals

7.2 Increase the share of renewable energy in the world
7.3 Double the rate of improvement in energy efficiency
12.5 Substantially reduce waste generation
12.6 Encourage companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle

Reporting with reference to GRI standards:
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 crucial to the transformation of society's energy supply and the ability to achieve the goals of the Paris Agreement. The role of hydrogen in the climate transition was highlighted, among other things, in the outcomes of COP28, where the world's countries agreed to work on the "transition away from fossil fuels" and where an acceleration of the production of climate-smart hydrogen was highlighted as an important enabler. PowerCell's solutions are therefore of central importance for our customers and, ultimately, for countries to be able to achieve their climate goals.

As PowerCell grows, our short-term greenhouse gas emissions are likely to increase in absolute terms as our growth rate will be higher than the rate at which emissions in our value chain decrease. Nevertheless, we see that the climate benefits of our growth are positive based among other things on the Hydrogen Council's and our own life cycle analyses. These analyses show that internal combustion engines that are replaced by fuel cells powered by climate-smart hydrogen can reduce carbon dioxide emissions over the life cycle by 60–90 percent, depending on the application and the method used to produce the hydrogen. The Hydrogen Council has also calculated that hydrogen produced from natural gas without carbon capture can reduce life cycle emissions ("well-to-wheel") by around 40 percent compared to diesel and petrol-powered powertrains. PowerCell's view is therefore that so-called grey hydrogen is a step towards lower emissions while the availability of hydrogen produced with zero or low emissions increases.

In order to reduce the intensity of our own emissions, we are constantly working to make our energy consumption more efficient. The electricity we use must be eco-labelled, and for several years now, 100 percent of our electricity has come from renewable sources. We are constantly working to increase the proportion of electric vehicles among our company cars. In 2023, we also focused on increasing the efficiency and flow in our manufacturing and testing processes to get quality-assured products to the market faster and with more efficient use of resources. When possible, the surplus energy from our test labs is fed back into the grid. Energy consumption per sales and FTE has decreased from the previous year, which we see as a positive sign of operating leverage and impact from our efficiency improvement efforts.

Caring for the environment

We apply the precautionary principle, we always comply with laws and regulations relating to the environment and strive to constantly improve our use of resources. We have permission to handle flammable substances and use no chemicals that require a handling permit.

All withdrawn water comes from the local supplier in the Gothenburg region and the water is not sourced from water stressed areas (according to the WRI Water Risk Atlas). Water consumption comes from office use and cooling during the testing of fuel cell stacks and systems. All water is returned to the municipality and all of it is clean. Some water is discharged through the municipal sewage system and the water we use to cool our fuel cell stacks and systems while in testing is reused in the facility's heating system and subsequently fed back to the district heating system. 15–20 litres of water are required per system for cooling. Our total water consumption in 2023 was 1,844 m^3 (1,655 m^3).

To reduce our environmental impact, we prioritise increasing the amount of recycled waste material. Our recycling rate was up slightly from 2022 to 2023, while the sharp increase in production volumes during the year led to the amount of waste almost doubling from 2022 to 2023.

Since its establishment in 2008, PowerCell has never received any fines or incurred any losses in connection with violations of environmental legislation or regulations. PowerCell has no operations in or near areas with protected or sensitive biosystems.

Refrigerants used in PowerCell's operations have an ODP value (Ozone Depleting Potential) of 0 according to the Swedish Environmental Protection Agency's list of refrigerants. In 2023, no ozone-depleting chemicals were used in our operations. To the best of our knowledge, PowerCell has no significant air emissions of nitrogen oxide (NOx), sulphur oxide (SOx), persistent organic pollutants, volatile organic compounds (VOC), environmentally hazardous airpollutants (HAP) or airborne particles (PM). In contrast, PowerCell's products help our customers to radically reduce air pollution, as the only emissions from hydrogen fuel cells are water and heat, unlike internal combustion engines, which are a major contributor to both carbon dioxide emissions and air pollution.

PowerCell's emissions according to the GHG protocol

We strive for full insight and transparency in our value chain's climate emissions. We have measured all our Scope 1–2 emissions and some of our Scope 3 emissions since 2021. In 2023, we extended our Scope 3 measurements to include all significant emissions in accordance with the GHG protocol. Our ambition is to use the 2023 climate measurement as a base year for setting emissions reduction targets, which will also be included in the management team's incentive scheme.

One Scope 3 category that we measured for the first time in 2023 is emissions from the use of products sold. Carbon emissions from hydrogen fuel cells are zero during the use phase, but for maximum transparency of emissions across the entire value chain, we have chosen to also include emissions from the production of the hydrogen that is expected to be used during the operational life of the fuel cells. In 2023, this item accounted for 86 percent of our total carbon footprint. How hydrogen is produced is crucial in terms of the amount of emission reduction that can be achieved with hydrogen, where blue or green hydrogen has an emission value close to zero from production to use, while grey hydrogen produces emissions during the production phase. In cases where customers have used reformed methanol as a fuel source for our fuel cells, we have calculated the direct emissions during use. Scope 3 accounts for 99.9 percent of PowerCell's total climate footprint.

A basis for setting science-based climate targets

As we expanded our Scope 3 calculation in 2023, no fair comparison can be made with previous years in terms of our full carbon footprint. We have increased the number of Scope 3 categories to include everything that is considered relevant in order to get a fair picture of our full climate footprint. For our calculations of the Scope 3 categories business trips and upstream and downstream logistics, we also managed to collect a more complete set of data, which, in the company's opinion, is the main reason for the higher emissions for these items. Another reason for higher emissions from business trips is more travel to customers and suppliers compared to 2022, which was still characterised by reduced travel due to coronavirus.

The increase in CO_2 emissions per FTE and sales for Scopes 1 and 2 compared to 2022 is primarily due to the filling of refrigerant in the building's cooling system on account of a detected leak.

The consolidation method applied in the climate calculations is operational control and a market-based method for Scope 2. The GWP values are applied in accordance with the IPCC's Fifth Evaluation Report, 2014 (AR5). The emissions included in the calculations are the greenhouse gases stated in the Kyoto Protocol, i.e. CO_2, CH_4, N_2O, HFC, PFC, SF_6 and NF_3.

Climate impact*

Tons of CO_2	**2023**	2022	2021
Scope 1	**14.5**	**2.1**	**1.4**
Vehicles	*1.7*	*2.1*	*1.4*
Refrigerants	*8.3*	*0*	*0*
Other emissions	*4.5*	*N/A*	*N/A*
Scope 2	**42.5**	**36.4**	**35.0**
Electricity	*2.1*	*1.6*	*1.6*
District heating	*40.3*	*34.8*	*33.4*
Scope 3	**50,003.8**	**394.8**	**156,9**
Waste	*0.7*	*0.3*	*0.3*
Fuel and energy related activities (not included in Scope 1 or 2)	*21.4*	*28.2*	*27.5*
Business trips	*282.4*	*83.2*	*98.0*
Upstream and downstream logistics	*466*	*283.1*	*31.1*
Purchased goods and services	*6,088.7*	*N/A*	*N/A*
Capital goods	*238*	*N/A*	*N/A*
Employee commuting	*8.9*	*N/A*	*N/A*
Use of sold goods	*42,892*	*N/A*	*N/A*
– Indirect emissions for production and fuel distribution	*40,098.4*	*N/A*	*N/A*
*– Direct emissions during use***	*2,793.6*	*N/A*	*N/A*
Treatment of sold products at the end of their operational life	*5.8*	*N/A*	*N/A*
Total CO_2 emissions	**50,060.8**	**433.3**	**193.3**

* As we expanded our Scope 3 calculation in 2023, no fair comparison can be made with previous years in terms of our full carbon footprint.

** See Sustainability note 1 on page 100.

Scope 1–3 emissions

Tons of CO_2	**2023**	2022	2021
Scope 1	14.5	2.1	1.4
Scope 2	42.5	36.4	35.0
Total Scope 1–2	57	38.5	36.4
Scope 3	50,003.8	394.8	156.9
Total Scope 1–3	**50,060.8**	**433.3**	**193.3**

Greenhouse gas emissions intensity

	2023	2022	2021
Scope 1–2			
Climate impact per employee including non-employed workers (tons of CO_2/FTE)	0.34	0.30	0.35
Climate impact/net sales (tons of CO_2/SEK million)	0.18	0.16	0.23
Scope 3			
Climate impact per employee including non-employed workers (tons of CO_2/FTE)	303.1	3.06	1.49
Climate impact/net sales (tons of CO_2/SEK million)	161.1	1.61	0.98
Total Scope 1–3			
Climate impact per employee including non-employed workers (tons of CO_2/FTE)	303.4	3.36	1.84
Climate impact/net sales (tons of CO_2/SEK million)	161.3	1.77	1.21

Material usage for fuel cell stacks and systems

kg	2023	% of total	2022	% of total
Steel and iron	10,250	74	9,440	59
Aluminium	388	3	680	4
Copper	562	4	400	2
Composite plastics	597	5	470	3
Mixed electronics	597	4	2,520	16
Wood packaging material*	1,260	9	2,430	15
Paper packaging material*	139	1	125	1
Total	**13,867**	**100**	**16,065**	**100**

Calculations are based on the number of stacks and systems sold. Quantities of materials per system and stack have been estimated by the engineering department. The change between 2022 and 2023 is due to other sold product mix and adjusted assumptions. Work is underway to obtain more precise data on material usage in the years ahead. All materials were purchased from external suppliers.

* indicates renewable material.

Waste

kg	2023	2022	2021
Mixed	17,475	9,465	6,859
Paper	4,255	2,306	1,915
Wood	3,540	—	—
Glass	235	—	—
Metals	3,516	2,544	3,034
Electronics	310	477	1,176
Plastic	661	350	—
Non-hazardous waste	12	236	270
Total	**30,004**	**15,378**	**13,254**

In 2023, 12,337 kg (6,247) or 41.1 percent (40.6) was recycled and 17,627 kg (9,141) or 58.7 percent (58.8) was used for energy recovery. All figures come from our recycling contractor's statistical database.

End of waste management

kg	2023	2022	2021
Hazardous waste:	**322**	**1,352**	**1,965**
– Energy recovery	12	136	184
– Without energy recovery	0	90	4
– Recycled	310	1,126	1,777
Non-hazardous waste:	**29,682**	**14,026**	**11,289**
– Energy recovery	17,615	8,905	6,775
– Without energy recovery	40	0	53
– Recycled	12,027	5,121	4,461
Total	**30,004**	**15,378**	**13,254**

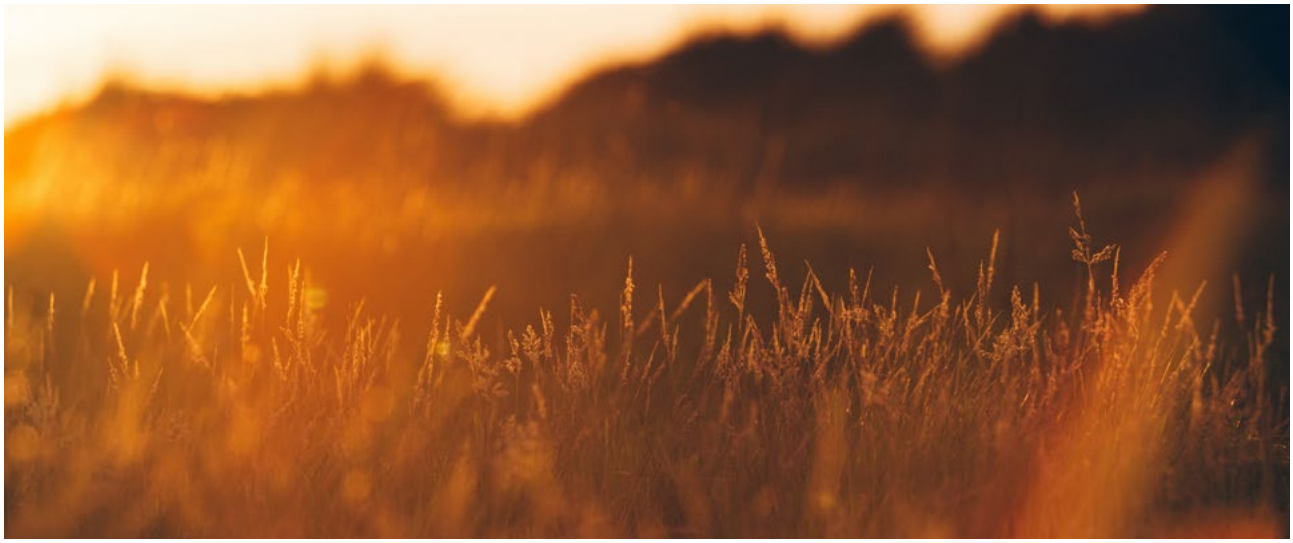
Water consumption (water withdrawal minus water discharge)

	2023	2022	2021
Total water consumption from all areas in megalitres	0	0	N/A
Total water consumption from all water stressed areas, megalitres	0	0	N/A
Water consumption/net sales (l/SEK million)	0	0	N/A
Water withdrawal, megalitres	1.84	1.66	N/A
Water withdrawal/net sales (l/SEK million)	5,943	6,763	N/A

Energy consumption within the organisation

kWh	2023	2022	2021
Electricity	1,105,533	1,075,053	1,059,315
– of which renewable	*1,105,533*	*1,075,053*	*1,059,315*
District heating	675,720	627,196	606,850
Petrol	1,307	5,666	3,924
Diesel	0	1,263	1,721
Hydrogen	455,867	370,000	N/A
Total	**2,238,426**	**2,079,178**	**1,671,811**
Energy consumption/net sales	7,214	8,497	10,462
Energy consumption per FTE including non-employed workers	13,566	16,118	15,922

See Sustainability note 2 on page 100.



Fuel cells from a life cycle perspective

A life cycle analysis was performed on PowerCell's PS 100 fuel cell system in 2022 in order to understand the climate impact of the system compared to a diesel genset with a 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 the macro trend of promoting and using green hydrogen in society. As the price of green hydrogen is expected to fall in the future and supply is expected to increase, this macro trend will have a positive effect on the climate impact of our product.

The analysis also outlined the areas for the greatest climate improvements for the system as a whole. Apart from the energy source used to generate the hydrogen gas, the major hotspots for the fuel cell system are the transport of hydrogen to the fuel cell, metal components and the amount of platinum used in the fuel cell stacks. The analysis also concluded that applications where water, heat and oxygen from the fuel cell are also recovered can significantly improve the climate impact of the fuel cell system over a life cycle.

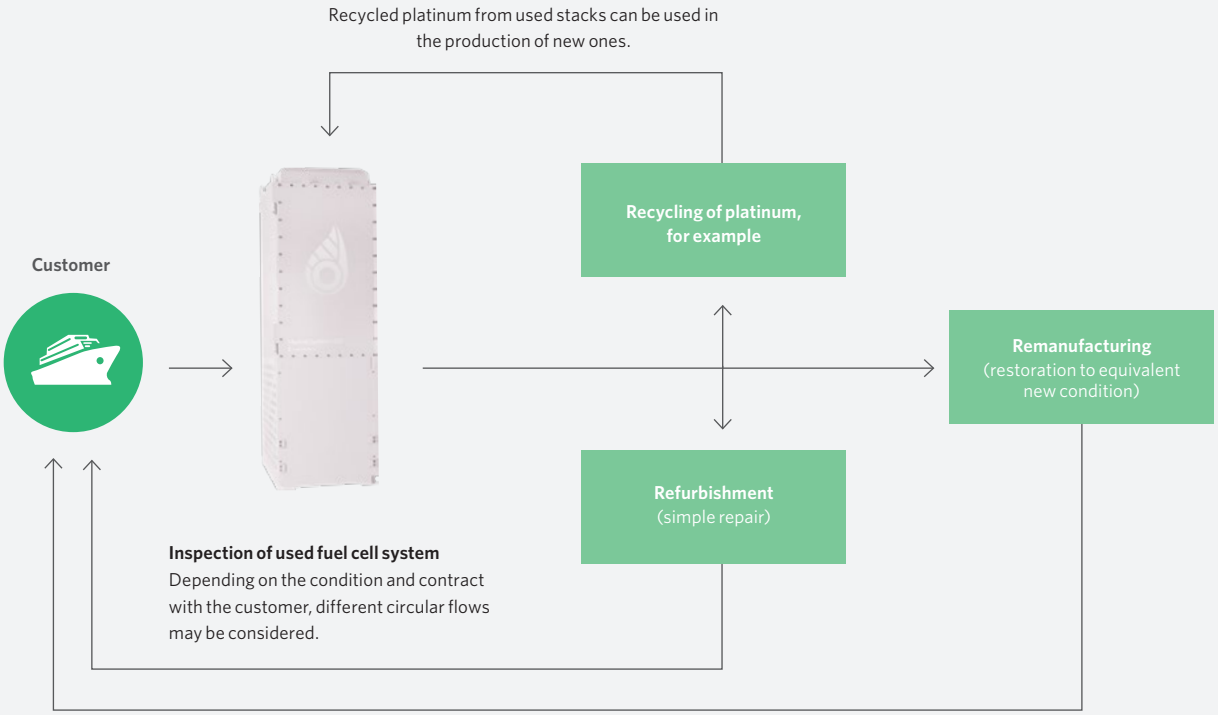
In 2024, we intend to develop our work with life cycle analyses to gain a deeper understanding of climate and environmental impact in different application fields and to be able to give our customers a more precise understanding of how much carbon dioxide can be saved by phasing out fossil fuels by transitioning to hydrogen.

PowerCell is also exploring how the degree of circularity can be increased in our business models. In 2023, a decision was made to launch a project together with our collaboration partners Bosch and Dana to begin in 2024 to investigate how our fuel cell stacks age and explore the opportunities for circular business models such as refurbishment and recycling of used fuel stacks. The project will examine how used fuel cell stacks can be disassembled and inspected for any defects that need to be addressed, and how defective components can be replaced in order to create more resource-efficient ways to offer customers zero-emission solutions. The project will also investigate how platinum recycling can be ensured. Bosch has shown that up to 95 percent of the platinum in the fuel cell stacks can be recycled, which can reduce the carbon dioxide emissions associated with platinum by up to 95 percent.

Increased system efficiency

With regard to reducing the energy requirements of our products, PowerCell's fuel cell stacks have market-leading power density. The efficiency of a fuel cell stack is strongly linked to operating conditions. In 2023, we focused on tuning the system efficiency of our P stack platform. We are also developing next-generation fuel cell stacks for aircraft, for example, where energy efficiency and power density are key factors for a competitive product. In aviation, for example, we are working on increasing the operating temperature, which means less need for cooling and a more energy-efficient overall system.

Possible future circular material flow for fuel cell systems



Robust and reliable products

Our products are based on fuel cell technology and are designed to be used in demanding applications. Highest product safety and product quality are prerequisites for creating a strong brand and for the company's ability to create value.

Our contribution to the UN Sustainable Development Goals

9.4 Upgrade all industries and infrastructure to make them more sustainable
11.6 Reduce the environmental impact of cities
13.3 Build knowledge and capacity to manage climate change
14.1 Reduce marine pollution
14.a Increase scientific knowledge, research and technology for improved ocean health

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

Our products are important for society and for our customers' ability to reduce their emissions. They make a significant contribution to reducing emissions in segments traditionally considered hard to abate and transition to zero-emission energy systems. We know that there are many possible applications for our solutions which will have a major impact on society's energy transition. PowerCell's ability to provide robust and reliable products is an important enabler for an accelerated transition.

Demanding customer segments
Product safety is one of the cornerstones of PowerCell's business and a prerequisite for the success of our business concept and the company continuing to create value. For that reason product safety is always included in all internal processes that relate to products and solutions. Today, we direct our offering 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 manufacturers and their suppliers to, among other things, guarantee 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 procedures and follow-ups.

We also offer permanent installations that can be used for independent energy supply in properties or charging stations for electric vehicles, for example. To be successful in this area, the products must be easy to use, able to be used independently of existing energy supply infrastructure and, of course, safe. Ease of use and safety are therefore integral parts of our entire development process.

Safety in focus
As the fuel cell and hydrogen industry is young, we have a responsibility to support 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 integral part of our offering. Today, most of the training courses for customers and integrators 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 relevant industries. As proof of our efforts and commitment in this area, 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 that we comply with laws and guidelines regarding marketing, packaging, product information, etc. Since its establishment, PowerCell has never received any notice, fine or penalty as a result of non-compliance in relation to the health and safety impacts of products and services or information, labelling or marketing communications.

Management systems and certifications
Management systems are a way of ensuring the quality of our processes and procedures. In many cases, they are also a requirement from our customers in order for us to be able to cooperate. We closely follow the development of new standards and the amendment of existing standards relevant to our industry. In 2023, we committed to achieving the aviation standard AS9100 which is a quality management system for the aviation industry.

Management systems and certifications

ISO 9001	Quality management system
ISO 14001	Environmental management system

Safe, stimulating workplaces

To be the 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 Sustainable Development Goals

5.5 Ensure women's full participation in leadership and decision-making
8.8 Protect rights and promote safe and secure working environments for all workers

Reporting with reference to GRI standards:
401 Employment 2016
403 Occupational Health and Safety 2018
404 Training and Education 2016
405 Diversity and Equal Opportunity 2016
406 Non-discrimination

We have a strong culture that is characterised by innovation and based on PowerCell's mission to use our expertise 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 our HR processes were key to our success. Our goal is to maintain our strong innovative strength while creating efficient, future-proof processes.

Our leaders contribute greatly to being the upholders of our culture and ensure that policies, ways of working and processes are implemented and followed. We expect our leaders to be role models and contribute to a positive and stimulating working environment.

Individual development plans

An important part of creating motivated employees is to stimulate skills development, and we encourage all employees to pursue excellence in their profession by participating in training programmes. All our employees are entitled to an individual performance and development plan with skills targets and actions together with short- and long-term development activities. Ahead of target and performance reviews, each team leader is responsible for carrying out a skills assessment and planning for the team in order to ensure that we develop the right skills for the future. The skills plan provides the basis for individual performance and development plans. To ensure this, managers need to be aware of the performance and development process for every individual in the organisation. PowerCell applies an agreed structure with one formal dialogue per year, which is fine-tuned and reviewed at each pay review.

Safe working environment

We assemble our products at our facility in Gothenburg. To us, it is of the utmost importance that we never compromise on employee safety. Laws and guidelines on how work should be carried out are our minimum requirements. We comply with the Swedish Work Environment Act with health and safety officers and all employees must receive relevant safety training for the tasks they perform. Incidents must always be reported to line managers, HR and reported internally via the quality management system. Greater focus on this area together with increased production and a doubling of employees in production has led to more reported incidents during the year. In 2023, we began measuring and regularly following up on LTAs (Lost Time Accidents). Measures must always be taken to minimise risks and the measures taken must be followed up and evaluated.

For us at PowerCell, it is important to have a good work-life balance. Stress-related issues must always be discussed in our employee dialogues and managers have a responsibility to follow up and monitor each employee's work situation in order to prevent stress. We regularly monitor absence due to illness in order to be able to identify and take action if we see multiple and/or longer absences due to illness. In 2023, absence due to illness was 2.6 percent (2.0).

All employees are offered personal health insurance and, where required, external 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 facility with sports equipment. All employees are also offered regular medical examinations.

Increase the proportion of women

Teams with equal gender distribution perform better than single-sex teams. It is therefore of great importance to us to ensure a more even gender distribution. At the end of 2023, 26 percent (26) of our employees were women. In order to improve this figure, female applicants are given preference in cases of equal merit and experience. Line managers are responsible for appointments. The challenge for us is that we recruit in areas with more male than female candidates. Our ability to increase the proportion of women also depends on employee turnover and the pace at which we grow.

Fair pay and working conditions

At PowerCell, we believe that we attract, retain and motivate employees through correct and fair pay and benefits. We apply a national pay scale in accordance with our commitments to equality, diversity and inclusion and in accordance with labour law and collective agreements. Every year, we perform a gender gap analysis in order to prevent and put right any unfair conditions. Pay and bonuses are reviewed in April each year following the first performance review process in March. Increases can be made where needed for employees who were new to

the company and not eligible in the first review, are in a role where the market has moved significantly or who have taken on more responsibility or changed roles since the last review. Employees, who are not members 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 scheme.

Diversity and non-discrimination

At PowerCell, we value diversity and inclusion. Employees from varied backgrounds enrich our culture and support our commercial success. We are proud to have a workforce representing 27 different nationalities. We provide equal opportunities and do 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 their day-to-day work to ensure compliance with these commitments. In 2023, one case of age discrimination was reported via PowerCell's employee survey. Following investigation and meetings with the parties involved, the case was closed by HR as no discrimination could be identified. The case can be reopened if new information comes to light.

A culture of openness

A working environment characterised by openness and dialogue between employees and employers stimulates innovation and efficient ways of working. We promote openness and employees should feel comfortable expressing their views and opinions without risking negative consequences. A basic rule is that no one should be punished, discriminated against or harassed for expressing dissatisfaction or reporting errors. If employees wish to report non-compliance, in the first instance they must contact their line manager or HR. They can also contact their manager's manager or 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.

We regularly measure employee engagement as we see it as a key factor in our success in continuing to create value and exceed customer expectations. The employee engagement score has been stable in recent years.

Employee data

Work-related injuries for all employees

	2023	2022	2021
Number of high-consequence work-related injuries	0	0	0
Number of recordable work-related accidents	5	3	3
Percentage of recordable work-related accidents, based on 200,000 hours worked	3.2	2.6	3.7
Number of fatal accidents	0	0	0
Total hours worked	314,080	232,960	162,240

No employees have been excluded from this disclosure. Accidents relate mainly to minor cuts and bruises and electric shocks. High-consequence injuries are injuries from which the employee cannot recover or cannot be expected to recover fully within six months. Total hours worked have been calculated by multiplying the number of employees (FTE) at the end of the year by 2,080 hours worked.

Work-related injuries for workers who are not employees

	2023	2022	2021
Number of high-consequence work-related injuries	0	0	0
Number of recordable work-related accidents	1	0	0
Number of fatal accidents	0	0	0
Total hours worked	N/A	N/A	N/A

Workers who are not employees are those who perform work for the organisation and whose work is controlled by the organisation, but they are not in an employment relationship with the organisation. Accidents refer to minor cuts and bruises.

Work-related ill health

Employees	**2023**	2022	2021
Number of fatalities as a result of work-related ill health	0	0	0
Number of cases of recordable work-related ill health	0	2	2
Workers who are not employees			
Number of fatalities as a result of work-related ill health	0	0	0
Number of cases of recordable work-related ill health	0	0	0

The recordable cases are due to stress-related illnesses such as burnout.

Absence due to illness

	2023	2022	2021
Absence due to illness (number of sick days in relation to total working hours)	2.6%	2.0%	1.0%
Number of sick days	817	515	209
Number of sick days per employee	5.4	4.6	2.5

Employees are measured as full-time equivalents (FTEs).

Performance and career development reviews

Percentage of employees with development reviews recorded during the year, %	**2023**	2022	2021
Women/Men	84/85	91/85	78/67

Ratio of basic pay and allowances of women to men

Women/Men, %	**2023**	2022	2021
Engineers	52/48	50/50	51/49
Middle managers	48/52	47/53	51/49
Group management	52/48	54/46	55/45

Number of employees by gender and terms of employment

Women/Men	**2023**	2022	2021
Total	**39/112**	**31/81**	**20/58**
Permanent employees	31/106	26/74	15/49
Temporary employees	6/8	3/9	N/A
Employees with non-guaranteed hours	1/1	4/3	3/3
Full-time employees	37/111	31/81	20/58
Part-time employees	2/3	1/1	0/1

Calculated as at 31 December of the respective year.
Permanent, temporary and full-time employees are measured as full-time equivalents (FTEs).
Employees with non-guaranteed hours and part-time employees are measured as headcount.

Number of employees by region and terms of employment

As at 31 December 2023, number in brackets as at 31 December 2022	Sweden	Rest of Europe	China**	**Total**
Number of employees:	147 (107)	2 (3)	2 (2)	**151 (112)**
Number of permanent employees	133 (95)	2 (3)	2 (2)	**137 (100)**
Number of temporary employees	14 (12)	0 (0)	0 (0)	**14 (12)**
Number of employees with non-guaranteed hours*	2 (7)	0 (0)	0 (0)	**0 (7)**
Full-time employees	147 (107)	2 (3)	2 (2)	**151 (112)**
Number of part-time employees*	5 (2)	0 (0)	0 (0)	**0 (2)**

*Permanent, temporary and full-time employees are measured as full-time equivalents (FTEs). Employees with non-guaranteed hours and part-time employees are measured as headcount. The rest of Europe consists of Germany and Norway.
**The China office closed in early 2024.

Distribution of Board members and employees by gender and age group

Women/Men, %	**2023**	2022	2021
Board of Directors	**43/57**	**43/57**	**29/71**
Under 30 years old	0/0	0/0	0/0
30–50 years old	14/14	14/14	0/14
Over 50 years old	29/43	29/43	29/57
Employees	**26/74**	**26/75**	**26/74**
Under 30 years old	8/18	7/17	4/14
30–50 years old	13/42	12/41	13/44
Over 50 years old	5/14	7/16	9/17

Calculated as at 31 December of the respective year.
In some cases the total is over 100% due to rounding.

Number of new employees by region, gender and age

Women/Men, FTE	Sweden	Rest of Europe	China	**Total**
Under 30 years old	4/15 (2/5)	0/0 (0/0)	0/0 (0/0)	**4/15 (2/5)**
30–50 years old	5/13 (3/9)	0/0 (0/1)	0/0 (0/0)	**5/13 (3/10)**
Over 50 years old	1/2 (1/4)	0/0 (0/0)	0/0 (0/0)	**1/2 (1/4)**

Calculated as at 31 December 2023, number in brackets as 31 December 2022.

Employee turnover by region and age group

Women/Men, FTE	Sweden	Rest of Europe	China*	**Total**
Under 30 years old	2/1 (0/1)	0/0 (0/0)	0/0 (1/0)	**2/1 (1/1)**
30–50 years old	1/5 (3/4)	0/0 (0/0)	0/0 (0/0)	**1/5 (3/4)**
Over 50 years old	1/2 (1/1)	0/0 (0/0)	0/0 (0/0)	**1/2 (1/1)**
Total	**4/8 (4/6)**	**0/0 (0/0)**	**0/0 (1/0)**	

Calculated as at 31 December 2023, number in brackets as at 31 December 2022.
*China office closed at the beginning of 2024.

Workers who are not employees

Calculated as the average number of FTEs during the year	**2023**	2022	2021
Number of full time equivalents	14	17	27

Consultants are hired mainly in IT, manufacturing, technical design, purchasing, technology and marketing. The number of consultants has been relatively stable over the year.

Employees covered by collective bargaining agreements

Calculated as at 31 December of the respective year	**2023**	2022	2021
Percentage of employees covered by collective bargaining agreements	97%	95%	95%

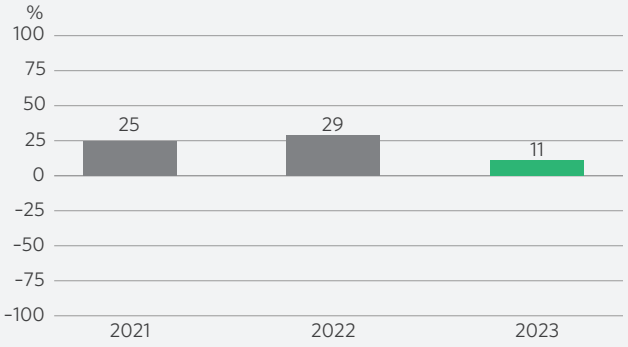
Measured as a percentage of the total number of full time equivalents (FTEs).

Parental leave

Women/Men	**2023**	2022	2021
Number of employees entitled to parental leave*	39/112	39/91	39/91
Number of employees taking parental leave*	8/19	4/6	4/6
Number of employees returning after parental leave*	6/19	4/6	4/6
Number of employees who returned after parental leave and were still employed twelve months after returning*	6/18	3/6	3/6
Percentage of employees who took parental leave and returned to work %	75/100	100/100	100/100
Percentage of employees who returned after parental leave and were still employed twelve months after returning, %	75/95	75/100	75/100

*Measured as the number of people.

Employee engagement



Employee engagement is measured according to the Employee Net Promotor Score (eNPS). The scale ranges from -100 to +100. Values between 10–30 are considered good and values above this are considered excellent.

Responsible sourcing

When we source goods, we always strive to consider the sustainability aspects to ensure that we contribute to reducing greenhouse gas emissions and do not negatively impact the environment, human rights or business ethics.

Our contribution to the UN Sustainable Development Goals

16.5 Substantially reduce corruption and bribery in all their forms

Reporting with reference to GRI standards:
204 Procurement Practices 2016
205 Anti-corruption 2016
308 Supplier Environmental Assessment 2016
407 Freedom of Association and Collective Bargaining 2016
408 Child Labor 2016
409 Forced or Compulsory Labor 2016

We rely on our suppliers and their ability to deliver on time and with high quality. For us, it goes without saying that they must meet the same standards as we do in terms of the environment, business ethics and human rights. In 2023, PowerCell developed its work on sourcing and supplier assessments. We began implementing a new way of working in which suppliers are assessed based on factors such as price, quality and sustainability. Based on their sourcing value and strategic importance, our suppliers were placed into three categories – basic suppliers, preferred suppliers and strategic suppliers. In order to clarify PowerCell's requirements and expectations of our suppliers, they all need to agree to our Supplier Code of Conduct, which is an extension of our own Code of Conduct with a specific focus on the supply chain.

We also developed an ESG form in which suppliers are asked to fill in information about the governance and scope of their work relating to the environment, health, safety and human rights, among other things. All suppliers must meet a number of minimum requirements or at least present a credible action plan for remedying any identified deviations. In 2023, for example, we required key suppliers to develop an action plan for ISO 14001 certification. For preferred and strategic suppliers, we raised expectations linked to sustainability. The ESG form now represents the basis for follow-up and evaluation during site visits, for example. During the year, we conducted site visits to existing key suppliers and potential new suppliers to see for ourselves the conditions for their employees and to ensure that they live up to PowerCell's expectations in terms of quality and sustainability. Our ambition is to prepare in good time for the upcoming implementation of the Corporate Sustainability Due Diligence Directive (CSDDD) which we see as having an impact on us primarily in terms of increased demand for insight into the value chain from our major customers.

To reduce the environmental impact of our products and systems, we strive to consider the full life cycle, from input materials, transportation and assembly through to customer use and ultimate decommissioning. As a consequence of this, our ambition is to select input materials with the lowest possible environmental impact in terms of emissions, water, minerals, etc. We buy almost all incoming materials from European suppliers. The most important suppliers are well-known, large companies with – from what we can judge today – processes for monitoring issues in the areas of the environment, business ethics and human rights. In our supplier work, we strive to gain a deeper insight into the value chain in order to obtain a good understanding of the supply chain as far upstream as possible. More information about our suppliers can be found in the section on our value chain on page 47.

Research and development is a key part of our business

In recent years, we have gone from being a development company to a leading player in hydrogen-electric solutions with a broad portfolio of commercial products. Innovation is, and will continue to be, an important part for us as we need to stay at the forefront of technological developments in order to further sharpen our competitiveness and future-proof our offering for global emerging markets.

As part of continuing to develop our technical know-how and to reach global growth markets, we work closely with strategic partners, universities and research institutes. One example is the EU's Newborn project to develop an aviation grade megawatt fuel cell propulsion system that uses hydrogen as its energy source. Newborn is part of the EU's Clean Aviation Joint Undertaking. Another example is the project under the umbrella of the German Autostack Industrie (ASI), a partly state-funded German project totalling EUR 60m. The project involves major car manufacturers such as Audi, BMW, Daimler, Ford and Volkswagen. The aim of the project is to develop a fuel cell stack that can be mass produced for the automotive industry. The development phase was completed in October 2023 and the project is now ready to enter an industrialisation and commercialisation phase.

PowerCell is involved in a number of projects, many of which are funded by the EU or government bodies. Our own costs for research and development in 2023 were SEK -114,5m (-92.3) or 34.0 percent (37.7) of sales.

A company with good business ethics to make a positive contribution to society

We aspire to making a positive contribution to the communities in which we operate. We create opportunities for local development and want to grow by engaging in an active and constructive dialogue with authorities, decision-makers and representatives of local communities.

Our contribution to the UN Sustainable Development Goals

16.5 Substantially reduce corruption and bribery in all their forms

Our Code of Conduct provides guidance on how we should behave in our daily dealings with key stakeholders. The Code of Conduct has been communicated to all employees and the whole Board of Directors. On 31 December 2023, 95 percent of all employees, including the management team and 100 percent of the Board, had read and accepted the Code of Conduct. At the beginning of 2024, all employees had read and accepted it. One of the cornerstones of our Code of Conduct is zero tolerance for all forms of corruption, bribery, backhanders, kick-backs, money laundering or fraud. We apply this zero tolerance approach throughout our value chain and in 2023 we developed a Supplier Code of Conduct based on PowerCell's Code of Conduct, which contains more streamlined expectations and requirements for our supply chain.

Our employees must not give or offer gifts, meals or entertainment that could be perceived as being offered in exchange for something, such as the award of a new contract. This includes providing or offering benefits in order for the recipient to influence a decision-maker exercising public authority or deciding on public procurement. We do not make contributions to politicians or political parties.

Knowledge sharing

The transition to fossil-free energy systems requires new skills and new solutions. As a leading supplier of hydrogen-electric solutions, PowerCell has unique expertise that is of value to us, our value chain and the communities in which we operate. We regularly share our applied knowledge, including through lectures at universities such as Chalmers, KTH and Luleå University of Technology. We also attend centres of excellence such as the Swedish Electromobility Center, TechForH2 and the Competence Centre for Catalysis (KCK). Every year, we offer a number of paid work experience placements to young people who have recently completed their secondary education and want to try out the engineering profession. Work placements are offered through Teknikspråget, a programme run by the Royal Swedish Academy of Engineering Sciences (IVA) with the aim of securing Sweden's future skills supply by attracting more young people into higher technical education.

Sponsorships

We may offer various sponsorships and donations to the community and other stakeholders, including commercial sponsors for the purpose of promoting our brand, charitable donations, or provide grants to support activities that benefit our company. The purpose of all sponsorships and donations must be consistent with our core values and the Code of Conduct and must be approved by authorised managers. We are also part of "Jobbspråget", an initiative to help foreign talent with an academic degree assimilate into the community through work placements.

Our tax policy

PowerCell's tax policy is approved annually by the Board of Directors. Today, we create the greatest value for local communities through the jobs we create. Our growth plans mean that eventually we will also pay corporation tax. 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 we pay our taxes on time. As we grow and gain a foothold in more markets, the complexity of our business transactions will increase. We have therefore started work on developing internal pricing to ensure Group-wide transparency regarding internal pricing that is in line with our tax policy.

High level of IT security

Nowadays, 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 appropriate systems in place to guard against 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 privacy issues. We have not identified any substantiated complaints concerning breaches of customer privacy or loss of personal data, or received complaints from regulatory bodies in 2023.

Good business ethics

Since its establishment in 2008, PowerCell has never received any fines or incurred any losses related to corruption or fraud. Neither has the company had any public cases of corruption brought against the organisation or its employees. PowerCell has also not confirmed any cases of corruption or dismissed or disciplined any employees in relation to corruption. The company has not experienced any incidents where contracts with business partners were terminated or not renewed due to violations related to corruption. Neither has the Company been the subject of any legal action related to anti-competitive behaviour, anti-trust or monopoly practices.

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 in 2023	Direct value created in 2022	Indirect value created
151 employees (FTE) Commercial portfolio Leading technology Over 25 years' experience	Customers	Sales	SEK 310.3m	SEK 244.7m	We create added value for our customers by offering leading zero-emission solutions which help them achieve their climate goals. Our zero-emission products also contribute to improved local air quality as well as less noise and vibration compared with internal combustion engines.
	Employees	Pay, allowances and pensions	SEK 101.0m	SEK 83.5m	We offer meaningful and developed workplaces with fair terms and safe working conditions.
	Suppliers	Purchase of services, materials and products	SEK 186.3m	SEK 131.7m	We offer long-term partnerships in a rapidly growing market.
	Society	Social security contributions	SEK 25.3m	SEK 22.0m	We are a key enabler in the transition to a zero-emissions society. In this transition, we also create value by offering new job opportunities and making use of suppliers in local areas. Our zero-emission products also contribute to improved local air quality as well as less noise and vibration compared with internal combustion engines.
	Investors	Total return	-61.6%	-35.7%	We offer the opportunity to invest in a leading commercial portfolio of hydrogen-electric solutions targeting strong growth segments. Shares on Nasdaq Stockholm were up 16.9 percent in 2023, measured by the OMXSCAPGI index. PowerCell's share has increased 552 percent since its listing on the Nasdaq First North Growth Market in 2014. During the same period, OMXSCAPGI increased 148 percent.

Organisations we are part of

We are part of several selected organisations working to accelerate the transition to a fossil-free society.

Hydrogen Sweden
Hydrogen Sweden represents over 150 Swedish companies and organisations from the hydrogen value chain. The organisation heads up several projects focusing on hydrogen to drive technology development, develop new business models and create new expertise. The projects are supported by the EU and the Swedish government, among others.

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

Hydrogen Europe
Hydrogen Europe is a European association representing over 500 members, including 25 EU regions and over 30 national associations. The association promotes hydrogen as an enabler for a zero-emissions society.

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

Mission Innovation
The Mission Innovation Hydrogen Fuel Cell Off-Road Equipment and Vehicles Working Group is supported by the Department of Hydrogen and Fuel Cell Technology (HFTO) of the US Department of Energy. PowerCell is a member of the stakeholder group for fuel cells and powertrains.

Clean Aviation
The Clean Aviation Joint Undertaking is the EU's leading research and innovation programme for transforming aviation towards a sustainable and climate-neutral future. The Clean Aviation Joint Undertaking operates at the core of a broad and diverse ecosystem of players across Europe ranging from the aviation industry, pioneering SMEs, research institutions and academia.

ZESTAs
ZESTAs' objective is to promote the rapid and large-scale uptake of Zero Emissions Ship Technology. This is done by informing regulators, decision-makers and the shipping industry about available zero-emission ship technologies and advocating legislation requiring the uptake of zero-emission technologies. ZESTAs is an advisory body to the International Maritime Organisation (IMO).

EU taxonomy

PowerCell is currently not covered by the EU taxonomy as the company falls below the threshold for the number of employees. However, we have chosen to start reporting in accordance with the taxonomy. In a first step, we have calculated how much of our business that is taxonomy-eligible in terms of turnover, capital expenditure (capex) and operating expenses (opex).

To calculate the proportion of PowerCell's economic activities that are taxonomy-aligned, a more in-depth analysis is required of how the company's financial activities relate to the technical screening criteria of contributing significantly to any of the environmental objectives and not causing significant harm to any of the other environmental objectives. We also need to evaluate whether we meet the requirements for compliance with the minimum safeguards for responsible business at company level. This work has started and the results will be reported in the coming year.

PowerCell's understanding of eligible and non-eligible activities

With the help of external consultants, PowerCell has analysed the proportion of its economic activities that are taxonomy eligible. PowerCell considers that its operations align with the following economic activities listed in the taxonomy's Climate Delegated Act for the mitigation of climate change (EU) 2021/2139): 3.2 "Manufacture of equipment for the production and use of hydrogen", 9.1 "Close to market research, development and innovation" and 9.3 "Professional services related to energy performance of buildings". All of these activities are categorised as enabling activities in accordance with the taxonomy definition.

Based on the results of this analysis, it has been noted that the proportion of PowerCell's taxonomy-eligible turnover, capital expenditure and operating expenses is as shown in the figure below.

PowerCell's contribution to mitigate climate change

Our strategy means that the company's main activities contribute directly to the EU taxonomy's objective of mitigating climate change. PowerCell's commitment to innovation and sustainability is clearly reflected in the high proportion of the company's taxonomy-eligible earnings, costs and investments.

Turnover

99 percent of PowerCell's sales are attributable to our core business, the manufacture of equipment for using hydrogen, and are therefore classed as taxonomy-eligible. 1 percent of sales is attributable mainly to preliminary studies and enquiries to PowerCell's customers as to whether the customers' operations are suitable for PowerCell's products, systems and services. PowerCell considers that sales related to consulting services are not eligible with the EU taxonomy, hence these have been classed as "non-taxonomy-eligible".

Operating expenses

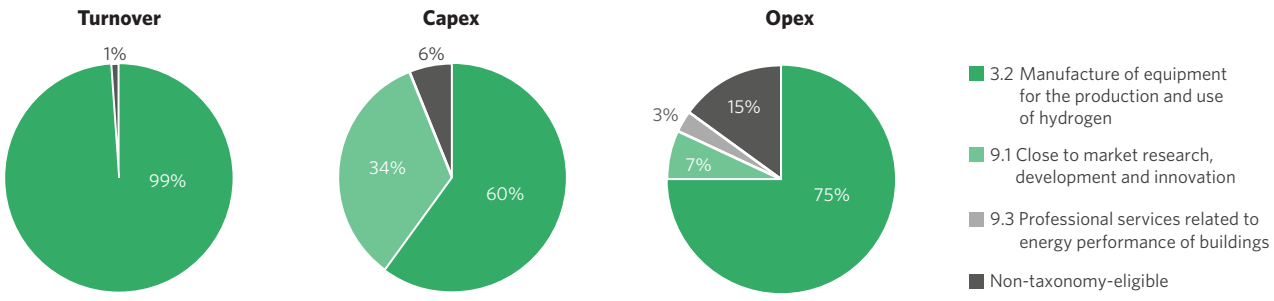
85 percent of PowerCell's operating expenses are expenses that directly contribute to the company's core business and have been classed as eligible. Operating expenses deemed to be eligible include expenses for projects that are at TRL 6 or higher, or projects directly attributable to the energy performance of buildings. Non-eligible operating expenses primarily include project expenses which, at the time of assessment, were not at TRL 6. As the projects progress, they will be developed to TRL 6 and higher and will therefore be able to be classed as eligible in the future. PowerCell notes that there is variation in how operating expenses can be defined and applied and that standardisation of interpretation and practice is still under development.

Capital expenditure

94 percent of PowerCell's capital expenditure is considered to be taxonomy-eligible. Investments relate primarily to investments in production, but also to minor modifications to property to increase its functionality. The remaining six percent that has been classed as non-taxonomy-eligible relates to investments that are not directly attributable to our production but are support for the business as a whole, for example, HR systems and software for tagging the annual report.

Future-oriented work

PowerCell will actively strive for full alignment with the taxonomy for our eligible activities. As our business develops, we see potential for the alignment of other activities such as those linked to the circular economy.



Calculated proportion of eligible activities. The figures have been prepared by PowerCell to the best of its ability with the support of external consultants and has not been audited. As the figures have not been reviewed by a third party and as the taxonomy is still developing with regard to content and interpretation, we reserve the right to make any future changes regarding the company's taxonomy eligibility and alignment.

Governance in the area of sustainability

PowerCell is a Swedish public company listed on Nasdaq Stockholm. PowerCell's governance is based on the company's guidelines, the principles of the UN Global Compact, the Articles of Association, relevant laws and the Nasdaq Main Market (Stockholm) 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 company's Chief Analytics & Sustainability Officer has operational responsibility for sustainability.

The Board of Directors has sustainability as a standing item on Board meeting agendas, with the Chief Analytics & Sustainability Officer as presenter. Sustainability is also a standing item on the agenda of Audit Committee meetings. Critical issues relating to sustainability are reported to the Board via ordinary Board meetings, the Audit Committee or the whistleblower service. No critical sustainability issues were reported to the Board in 2023 regarding actual or potential negative impacts from sustainability aspects. Group management discusses sustainability regularly as the topic is an integral part of PowerCell's strategy and business model. Work in the area of sustainability is monitored through internal reporting and follow-up. The identification of risks and opportunities in the area of sustainability and management of the risks are integrated into the established business planning process. In 2022, a thorough risk analysis and identification of the opportunities based on sustainability aspects was carried out by the deputy CEO together with the rest of Group management. The Board of Directors studied and approved the analysis and action plan for sustainability work which formed the basis for the work in 2023.

PowerCell's risk process focuses on preventive measures. The purpose is to identify, analyse and take measures to manage the risks in the business or to be able to create new business and value from new opportunities. Incidents or risks relating to the environment, employee safety, human rights or business ethics, for example, must be addressed immediately. Measures must be followed up to ensure that the risk is minimised or eliminated at root cause level. Measures are often implemented in collaboration with the relevant stakeholders, such as trade unions, employees, health and safety officers, representatives of local communities or suppliers.

In connection with PowerCell's change of marketplace from Nasdaq First North Growth Market to Nasdaq Stockholm in 2023, the company's processes with regard to governance and risk management were reviewed in detail by external lawyers and auditors to ensure compliance with all applicable requirements.

Supranational regulations

In January 2023, PowerCell joined the UN Global Compact thereby committing to actively working with the UN Global Compact's ten principles for sustainable development in the areas of human rights, working conditions, the environment and anti-corruption. The principles of the UN Global Compact form the basis for the governance of PowerCell, along with the International Bill of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the UN Declaration 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. At the beginning of 2024, the previous environmental policy was replaced by a sustainability policy clarifying PowerCell's ambition and work on sustainability. In the area of sustainability, the Board has adopted the following policies:

- Code of Conduct
- Sustainability policy
- HR policy
- Privacy policy
- IT policy
- Information security policy
- Risk management policy
- Tax policy
- Whistleblower policy

The policies are available to all employees on the company's intranet. To make it easy for employees to find the policies that are relevant to them, they are available per individual in PowerCell's HR system. The Code of Conduct, Supplier Code of Conduct, sustainability, tax, whistleblower and privacy policies are available in their entirety on the company's website (powercellgroup.com/sustainability). Managers are responsible for ensuring that the policies are implemented and followed. Compliance with the policies is reviewed through PowerCell's internal control framework, where checks are carried out through a self-assessment, which is then reported to the company's management, Audit Committee, Board of Directors and the company's auditors.

New employees must be informed of the Code of Conduct and the whistleblower service on their first working day at the latest. This also includes temporary employees. In 2023, PowerCell established a process whereby employees, temporary employees and Board members must confirm that they have received and read the Code of Conduct by signing it. Suppliers are covered by a specially developed Supplier Code of Conduct, which is based on our Code of Conduct but contains more specific details linked to our expectations and requirements for the supply chain.

Whistleblower service

PowerCell has an external, independent whistleblower service offering guaranteed anonymity. The service is available to all stakeholders in Swedish and English via our website (powercellgroup.com/sustainability). The whistleblower service can be used to report suspected violations of PowerCell's Code of Conduct.

Statement on corporate governance

In addition to the Sustainability Report, PowerCell issues an annual statement on corporate governance as part of the Annual Report. Among other things, this statement describes the work and composition of the Board of Directors and the internal controls. The statement on corporate governance is on pages 58–62.

Our value chain

PowerCell's business concept is to develop and manufacture fuel cell stacks and fuel cell systems with a uniquely high power density. According to the Sustainable Industry Classification System (SICS), PowerCell operates in the Renewable Resources & Alternative Energy sector and in the Fuel Cells & Industrial Batteries industry. As the company grows, so will our impact in the value chain. For PowerCell, sustainability is an integral part of our strategy and we work actively to manage sustainability aspects throughout our value chain.

Product development

Product development is central to strengthening PowerCell's competitiveness and accelerating the transition to a more sustainable energy system. PowerCell's offering is now industrialised, but a high level of customisation is still required in order to meet specific customer requirements. Customer feedback and expectations are an important parameter in the development work. How we design our products affects sustainability factors in the rest of the value chain, including choice of material, life cycle emissions and circular resource flows.

Sourcing

In a rapidly developing industry, PowerCell sees close and long-term cooperation with suppliers as critical. In 2023, PowerCell worked to clarify the requirements and expectations for our supply chain through a new Supplier Code of Conduct and ESG-based supplier evaluation. Of purchased materials, 98 percent of the purchase value originates from European suppliers and 21 percent from Swedish suppliers. Purchased services represent 98 percent of the purchase value from European suppliers and 87 percent from Swedish suppliers. Of the total purchase value, 98 percent originates from European suppliers and the rest from North America and Asia.

See Sustainability note 3 on page 100.

Sales and marketing

PowerCell reaches its customers through several different sales channels. Customer contacts are established at trade fairs and various industry events, through outreach meetings, telephone contact and references. PowerCell's products or services are not prohibited in certain markets or the subject of stakeholder concern or public debate. Creating awareness and helping customers with the transition to sustainable energy systems and maintaining a high level of business ethics are important sustainability parameters.

Production

Through a partnership with Robert Bosch GmbH, Bosch is licenced to market, manufacture and supply PowerCell's S3 stack to the automotive industry. In 2023, a supplier agreement was also concluded with Bosch, where they became supplier of the S3 fuel cell stack for PowerCell. The agreement entails a significantly increased production capacity for PowerCell and enables a focus on increasing deliveries of fuel cell systems and the development of next-generation fuel cell stacks. System assembly and customisation take place in Gothenburg, including stack assembly on a smaller scale.

Service and integration

Integration, installation and engineering services are key elements of 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 product life cycle with a long operational life of our products.

Customers

It is by enabling customers to phase out fossil fuels and install zero-emission solutions that we have the greatest opportunity to create a positive impact in terms of both climate and local air quality. PowerCell targets B2B customers primarily in the Aviation, Marine, Off-road and Power Generation segments. PowerCell sells primarily to Europe and North America. Of total sales in 2023, 81 percent (71) went to Europe, 12 percent (23) to North America and 6 percent (5) to other markets.

Figures in brackets show comparative values from 2022.

Materiality analysis

In the spring of 2022, PowerCell carried out a materiality analysis in which all employees participated. The analysis was carried out in a number of seminars led by members of Group management. The analysis was presented to and approved by the Board of Directors. The same materiality analysis forms the basis for reporting in 2023.

The analysis was based on feedback from dialogues with stakeholders and the risks and opportunities identified in the business. When assessing risks and opportunities, we used the UN's 17 Sustainable Development Goals as our starting point. We identified 19 relevant areas related to the following UN Sustainable Development 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, employees divided the areas into four categories based on their significance for stakeholders and PowerCell's opportunity to influence. The prioritised categories that 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 Responsible sourcing category. Numbers 14–18 were combined into the category Safe, stimulating workplaces. Number 12 was not considered relevant because the area is not prioritised by stakeholders and the company currently has little opportunity to influence the area.

The area Recycling of PowerCell's products will be managed going forward and the company will monitor and follow up developments in this area in both the industry and the wider world. 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 heat and water generated by PowerCell's products.

Initial list of sustainability areas:

Financial sustainability

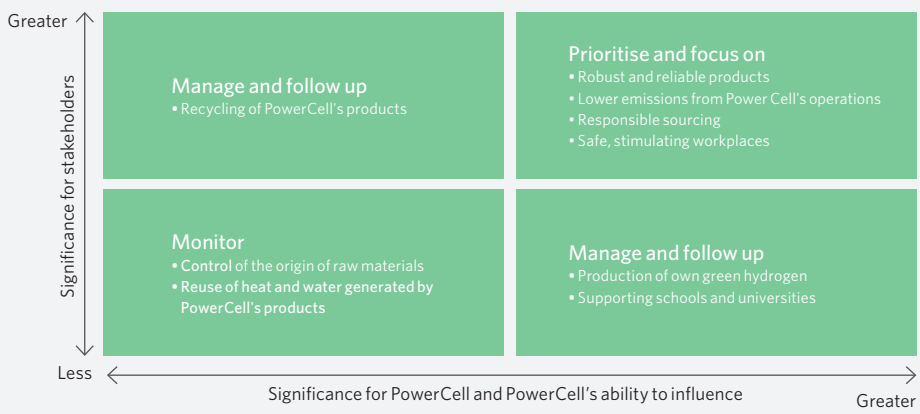
1. Product quality
2. Ease-of-use
3. Recycling of PowerCell's products
4. Provide distributed hydrogen-based energy solutions that operate independently from grids and large-scale infrastructures
5. Provide fully independent and self-sufficient energy solutions by combining PowerCell's technology with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

Environmental sustainability

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

Social sustainability

13. Responsible sourcing
14. Offering career opportunities
15. Work-life balance
16. Encourage diversity
17. Promote equal opportunities
18. Safe workplaces
19. Building the next generation of qualified employees by supporting schools and universities: offering visits, work placements, master's theses



Stakeholder dialogues

Every day, PowerCell conducts a large number of dialogues with various stakeholders. These 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 over whom the Group has the greatest influence. The report covers the impact, the purpose of the dialogue, dialogue opportunities during the year, the issues raised by the stakeholders and how PowerCell handles these.

Stakeholder	Impact in the area of sustainability	Purpose of dialogue	Dialogue opportunities	Prioritised sustainability issues	Management
Customers	Customers influence our financial development and growth through their plans to implement our solutions. We influence through our ability to support them in reducing their emissions.	In close cooperation, develop sustainable, value-adding hydrogen-electric applications.	Business meetings, tenders, negotiations. Trade fairs and customer events. Seminars and other training targeting customers.	Technology roadmap, product quality and operational life. Services offering. PowerCell's financial resilience and ability to ramp up volumes.	Plans for continued commercialisation 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 a high level of motivation among employees, a high degree of knowledge sharing while maintaining the entrepreneurial spirit.	Regular, individual employee appraisals and all-staff meetings. Employee surveys. Intranet. Internal training courses. Trade union cooperation.	Fair and equal working conditions. Opportunities for advancement. Work-life balance. Onboarding of new employees. Safe workplaces.	HR strategy with the aim of creating a high level of motivation among employees 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 shared success impacts society's transition to zero emissions.	To continue the development and commercialisation of hydrogen-electric applications.	Business meetings, joint tenders, negotiations. Joint seminars and training for customers, potential customers and employees.	Technology roadmap, product quality and operational life. Joint services offering. PowerCell's financial resilience and plans to ramp up volumes.	Joint plans and strategies for continued cooperation.
Suppliers	Suppliers influence us through their commercial plans and ability to meet our quality, delivery and sustainability requirements. We influence them through our high standards in terms of quality, delivery reliability and sustainability, among other things.	To create the conditions for long-term collaboration and ensure the suppliers' ability to increase volumes while maintaining quality and delivery reliability.	Business meetings and suppliers' customer surveys. Tenders, negotiations. Seminars, industry events.	PowerCell's Supplier Code of Conduct and suppliers' control of sustainability issues in their value chain. Logistics and the suppliers' ability to ramp up volumes.	Implementation of the Supplier Code of Conduct. Close cooperation with major suppliers.
Investors and potential investors	They affect us by making demands in terms of transparency in 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 influences us through supranational requirements to reduce emissions and increased demands on companies to report their emissions. We influence by offering leading zero-emission hydrogen-electric solutions for key industries such as aviation, shipping, machinery and gensets.	To highlight PowerCell's role in reducing global 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 tax where value is created.	Meetings with authorities and national authorities as well as local representatives. Permit applications and follow-up. Employee volunteering.	Technology roadmap and commercial progress. PowerCell's financial resilience and plans to ramp up volumes.	Plans for continued commercialisation and product development. Focus on financial development and position. Tax policy which means that PowerCell pays tax where value is created.

Policies within the area of sustainability

	Environmental and climate impact	Social, labour and human rights	Anti-corruption
Policy	• Code of Conduct • Sustainability policy • Whistleblower policy	• Code of Conduct • Tax policy • Whistleblower policy • Corporate governance policy • Sustainability policy • Privacy policy	• Code of Conduct • Whistleblower policy • Sustainability policy
Key themes	• Environmental care • Commitment to the precautionary principle • Reduction of emissions • Prevent and avoid environmental damage • Systematic reduction of PowerCell's environmental impact	• Priority given to quality and safety • Prevent and avoid injuries • Freedom of association • Equal opportunities • No discrimination accepted • Fair competition • Annual performance reviews • Conflicts of interest • Sponsorships and donations • Community engagement and stakeholder relations • Taxes • Quality management system in place • Data privacy	• Zero tolerance for corruption

About the Sustainability Report

The Sustainability Report covers 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 Nasdaq Stockholm. Its headquarters are in Gothenburg. In the report, the company name is abbreviated to PowerCell.

The Sustainability Report covers the period 1 January 2023 to 31 December 2023. The Sustainability Report contains information on objectives, results, governance, policies, risks, risk management and opportunities that are relevant to material environmental, social and governance-related aspects and impacts of PowerCell's operations. PowerCell's business offering, financial performance and technology are described on pages 1–27 and in the Board of Directors' report. The contact person for the Sustainability Report is Chief Analytics & Sustainability Officer Victor Åkerlund (email ir@powercellgroup.com).

Accounting policies and reporting framework

The Sustainability Report has been prepared in accordance with GRI Standards GRI 1: Foundation 2021 (Global Reporting Initiative Standards). 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 a three-year comparison period where possible. In the case of Scope 3 greenhouse gas emissions, 2023 is the first year that a full measurement has been made across all the relevant categories and hence there are no relevant comparison years for Scope 3. Furthermore, a recalculation has been made for Scope 1 in 2021 with regard to refrigerants, and Scope 3 in 2022 with regard to logistics, as calculation errors have been corrected. With regard to energy consumption for 2023 and 2022, own consumption of hydrogen gas has been added as an energy source. This was not previously reported.

PowerCell signed the UN Global Compact in January 2023 and will submit its Communication on Progress covering the 2023 calendar year in 2024.

CSRD and EU taxonomy

PowerCell is not currently covered by the CSRD or the EU taxonomy because the company has fewer than 500 employees, which is the limit for reporting requirements as at 1 January 2024. As the reporting requirements under the CSRD will be introduced gradually, the requirements will change in the years ahead. As at 1 January 2025, companies with more than 250 employees, turnover of EUR 40m and total assets of EUR 20m will be included. In 2026 and beyond, the reporting requirements will be extended to also include small and medium-sized listed companies. If PowerCell continues to grow at a good pace, the company will be covered by the CSRD and the EU taxonomy in the future.

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 47. PowerCell's risk process is described in the section Governance in the area of sustainability on page 46.

Sustainability risks in the value chain

PowerCell conducts its main operations in Sweden, where 97 percent of its employees worked in 2023. Of the other employees, 1.5 percent were based in the rest of Europe (Germany and Norway) and 1.5 percent in China in 2023. The China office was closed at the beginning of 2024 with an intention to focusing on establishment in the United States. Sales are mostly to Europe and North America, 81 percent and 12 percent respectively, where the customers are players in industries regulated through certifications and licences, such as aviation and shipping. 98 percent of total purchases come from Europe. PowerCell has not yet fully mapped its major suppliers' subcontractors, and the company cannot currently rule out that there may be sustainability risks associated with the supply chain in terms of the environment and human rights, for example. PowerCell assesses that the sustainability risks related to customers are limited.

The business model's resilience to sustainability risks

PowerCell's business model means that the company conducts its main operations in Sweden and directs its sales efforts towards customers in Europe, North America and China. PowerCell offers products that are crucial for the customers' ability to reduce their greenhouse gas emissions. PowerCell believes that the company's offering is of central importance in enabling the EU and the USA's intentions to reduce emissions. PowerCell therefore assesses 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 risk analysis. The materiality analysis is described on page 48 and PowerCell's strategies for managing the prioritised sustainability areas are described on pages 34–43.

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 higher costs at 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 higher water levels, may affect transport options and costs. This may affect PowerCell's costs and financial performance. Climate change is a strong driver of 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 higher costs in the short to long term at supplier level through agreements that provide the option 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 is driving demand for PowerCell's products and the entire business model is based on society moving towards zero emissions.
Climate change adaptation		
PowerCell has not yet done a climate change analysis and acquired a picture of what a changed climate means for its suppliers and customers in the form of production adjustments, adaptations to higher temperatures and increased climatic pressure, as well as changed weather conditions, etc.	PowerCell intends to perform a climate change 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 its 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. In the short to long term, there is a risk that suppliers will fail to reduce energy consumption and increase energy efficiency, which could lead to higher costs for PowerCell.	PowerCell works continuously to lower its energy consumption and increase energy efficiency. In 2021, PowerCell began mapping its Scope 1–3 emissions, which gives the company a tool for following up and reporting its energy consumption and energy efficiency at least annually. PowerCell works closely with its suppliers and monitors their cost trends related to energy consumption and their emissions.	The sharply increased need in Europe and North America among companies and organisations to reduce energy consumption, increase energy efficiency and increase the share of renewable energy is a strong driver of demand for PowerCell's offering.
Recycling and circular business models		
In the short term, there is a risk that PowerCell or its suppliers will not succeed in establishing procedures for recycling and circular business models. The risk is assessed as having a low impact on the financial performance. In the medium to long term, the risk is assessed as low.	PowerCell is exploring opportunities for increased recycling and reuse of its products. In the industry, the goal is to recycle as much as possible and to explore circular business models together with suppliers and customers. In 2023, PowerCell decided to participate in a project starting in 2024 for increased circularity of fuel cell stacks with Bosch and Dana.	Circular business models may be a competitive advantage in future business both in terms of cost and generated customer value.
Use of water and marine resources		
PowerCell assesses that there is a low risk of negative impact on water and marine resources.	PowerCell started mapping its water consumption in 2022 and an in-depth risk assessment will be carried out in conjunction with PowerCell's calculation of alignment with the EU taxonomy.	PowerCell sees an increasing demand for its products from the shipping industry driven by its need to reduce harmful emissions.
Biodiversity, ecosystems and red-listed species		
PowerCell has no operations in or near protected areas.	An in-depth risk assessment will be carried out in conjunction with PowerCell's calculation of alignment with the EU taxonomy.	
Pollution and handling of harmful substances as well as hazardous waste		
The risk of PowerCell violating laws or regulations on emissions or handling is assessed as low in the short to long term. PowerCell noted in 2023 that both the EU and the United States look set to move towards stricter regulation of PFAS, which are found in our fuel cell stacks, among other things. It is currently uncertain how and when these regulations will be implemented. PowerCell is of the opinion that for applications important to society – such as zero-emission energy – sufficient time will be allowed to switch to PFAS-free materials if this becomes relevant.	PowerCell's policy is to always comply with laws and guidelines. The company has procedures and processes in place in the form of management systems, among other things, to ensure compliance with laws and guidelines relating to the environment. As far as PFAS are concerned, we are closely monitoring industry developments and discussions concerning upcoming regulations. We have analysed the constituent components to detect and understand PFAS content, and we evaluate PFAS-free substitute materials internally and in dialogue with our suppliers and academics.	
Working environment, health and workplace safety		
Workplace accidents and safety		
In the short to long term, there is a risk that PowerCell's employees, temporary employees or non-employed workers may be injured in the workplace, which could damage PowerCell's employer brand.	PowerCell's policy is to always comply with laws and guidelines. The company has procedures and processes in place in the form of processes, among other things, to ensure compliance with laws and guidelines relating to working environment, health and safety. The company has several health and safety officers at its facility in Gothenburg and conducts regular health and safety surveys, audits and inspections. PowerCell's goal is to offer healthy working environments with a good work-life balance. Stress-related issues also form part of the systematic health and safety efforts with analyses and action plans.	Providing safe workplaces and work-life balance are important elements of PowerCell's employer brand.

Risk	Risk management	Opportunity
Terms of employment		
PowerCell assesses the risk of the company not offering fair pay and reasonable terms of employment as low in the short to long term. Should the risk occur, it would present a high risk of damage to the company's employer brand and thus financial performance.	PowerCell's policy is to offer fair pay and reasonable terms of employment.	Offering fair pay and reasonable terms of employment are important elements of PowerCell's employer brand
Skills development		
PowerCell assesses the risk of the company not being able to offer skills development as low in the short to long term. Should the risk occur, it would entail a certain risk of damage to the company's ability to develop its offering and provide value-added customised solutions.	Skills development through internal collaboration, exchange of experience and customer projects are key elements of PowerCell's ambition to constantly provide employees with opportunities for skills development.	PowerCell believes that skills development is important in order to motivate employees and that motivated employees are one of the most important competitive advantages.
Human rights		
Gender distribution		
PowerCell assesses the risk of not being able to establish an even gender distribution among employees in the medium to long term as low. Should the risk occur, PowerCell's employer brand may be damaged.	PowerCell has an equality and equal treatment policy. PowerCell's view is that teams with an even gender distribution perform better than teams with an uneven gender distribution. PowerCell's goal is therefore to achieve an even gender distribution within the organisation. This must be taken into account when recruiting new employees and replacements. In 2023, PowerCell clarified our requirements and expectations for our supply chain through the Supplier Code of Conduct, which expressly prohibits gender discrimination.	An even gender distribution among employees and managers helps build a strong employer brand
Discrimination		
The risk of PowerCell discriminating against any employee is assessed as low in the short to long term. Should the risk occur, it would mean damage to the company's employer brand.	PowerCell's equality and equal treatment policy stipulates that no employee or temporary employee may be discriminated against. Anyone who feels discriminated against or who has witnessed acts of discrimination can report this internally or via the external, anonymous and independent whistleblower service. In 2023, PowerCell clarified our requirements and expectations for our supply chain through the Supplier Code of Conduct, which explicitly requires measures to prevent discrimination.	Providing non-discriminatory workplaces is a central element of PowerCell's employer brand.
Freedom of association		
The risk of PowerCell not respecting employees' freedom of association is assessed as low in the short to long term. Should the risk occur, it would mean damage to the company's employer brand.	PowerCell's policy is to respect every employee's right to freedom of association. In 2023, PowerCell clarified our requirements and expectations for our supply chain through the Supplier Code of Conduct, which explicitly requires the right to freedom of association.	Respecting freedom of association is a basic requirement for a strong employer brand.
Child labour, forced labour and modern slavery		
PowerCell assesses the risk of child labour, forced labour or modern slavery in its own operations as very low in the short to long term. Should the risk 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 procedures and complies with laws and guidelines on personnel and recruitment matters in Sweden and other countries where the company operates. In 2023, PowerCell clarified our requirements and expectations for our supply chain through the Supplier Code of Conduct, which explicitly prohibits child labour, forced labour and modern slavery.	
Negative effects on local communities		
The risk of PowerCell's operations having negative effects on the local community is assessed to be low in the short to long term. If the risk were to occur, it would affect the company's brand, which could lead to a negative financial impact.	PowerCell's policy is to comply with laws, regulations and guidelines, including local ones. The company also strives to provide information about and implement major changes in dialogue with local community representatives.	

Risk	Risk management	Opportunity
Crimes against indigenous people		
PowerCell assesses the risk of crimes against indigenous people in its own operations as very low in the short to long term. Should the risk 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.	
Corruption, money laundering and taxes		
Corruption and money laundering		
PowerCell assesses the risk of corruption or money laundering in its own operations as very low in the short and long term. Should the risk occur, it would cause very serious damage to PowerCell's brand and have an immediate significant negative financial impact.	PowerCell has zero tolerance for corruption, money laundering and fraud. The company has processes in place for checking payment transactions, money transfers, etc. to minimise 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 and in 2023 clarified the requirements for suppliers in terms of corruption and money laundering through our Supplier Code of Conduct.	
Cartels		
PowerCell assesses the risk of the company participating in cartels as very low in the short to long term. Should the risk occur, it would seriously damage the company's brand and lead to a negative financial impact.	PowerCell's policy is that business must be conducted on equal and fair terms. PowerCell does not engage in lobbying, take political stances or make contributions to political parties, political representatives or officials. In 2023, PowerCell clarified the requirements for suppliers in terms of ethical business conduct and fair competition through our Supplier Code of Conduct.	
Taxes		
The risk of PowerCell withholding or not paying tax is assessed as very low in the short to 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. Our tax policy stipulates that we shall not engage in aggressive or artificial transactions the sole or main purpose of which is to create a tax advantage.	
Product safety, customer privacy and data security		
Product safety		
PowerCell has developed products and solutions based on new technology. Throughout the development chain, product safety has always been paramount 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 seriously impact the company's brand and have an immediate significant negative financial impact on the company.	Product safety is one of the cornerstones of PowerCell's business and a prerequisite for the success of the business concept and the company continuing to create value. For that reason 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 for 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 standards as low in the short to long term. Should the risk occur, it would damage PowerCell's brand and have a negative financial impact.	PowerCell's policy is to comply with all laws, regulations and directives, including local ones, regarding marketing and product information. Any irregularities are reported and followed up.	Correct and transparent marketing and product information build credibility and customer loyalty.
Customer privacy and data security		
PowerCell assesses that there is a risk in the short to 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 may have a significant negative impact on the brand, customer relationships and financial performance.	PowerCell has a daily focus on IT security and aims to have relevant and up-to-date systems in place. The company has procedures 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 cyber attacks, for example.	

Listing on Nasdaq Stockholm

During 2023, PowerCell's shares were listed on Nasdaq Stockholm's main list. The listing is an important part of our strategy to build a stable base for profitable growth. On the last trading day of the year, the closing price was SEK 46.27, which gives a market capitalization of SEK 2.4 billion.

In 2023 a total of 66 million shares were traded. The share price decreased by 61.6 percent during 2023 while OMXS PI increased by 15.5 percent during the same period. The highest closing price of SEK 166 was paid on February 9 and the lowest of SEK 40.11 was paid on December 13. On December 31, 2023, the market capitalization was SEK 2,413 million (6,208).

During the year, the average stock turnover per trading day was 263,390 shares (291,535). As per December 31, 2023, PowerCell had 42,206 (43,098) shareholders. Of the shareholders, 10.9 percent were financial and institutional investors, 26.0 percent were private individuals and 2.3 percent were state and municipality. The remaining shareholders cannot be classified. All 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 per December, 31 2023. 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.

Shareholders as of December 31, 2023

	Owner	Number of shares and votes	Share of capital and votes, %
1	Robert Bosch Group	5,848,531	11.22%
2	Avanza Pension	1,646,244	3.16%
3	Norges Bank	1,202,147	2.31%
4	Green Benefit AG	976,977	1.87%
5	Legal & General	729,949	1.40%
6	Swedbank Robur Fonder	481,130	0.92%
7	Invesco	386,687	0.74%
8	Global X Management Company LLC	376,449	0.72%
9	Nordnet Pensionsförsäkring	315,543	0.61%
10	VanEck	293,095	0.56%
Total ten largest owners		**12,256,752**	**23.51%**
Others		39,885,682	76.49%
Total		**52,142,434**	**100%**

Key figures PowerCell share

Number of shares at year end, thousands	52,142,434
Market capitalization year end, SEK millions	2,413
Number of shareholders	42,206
Share price year end, SEK	46.27
Earnings per share, SEK	-1.57
Change in share price during the year, %	-61.6%
Proportion of shares in Sweden, %	28.6%
Proportion of shares held by 10 largest shareholders, %	23.5%

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

Development in the share capital

Since its founding in 2008 through December 31, 2023, 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 2023

PowerCell's corporate governance

PowerCell values sound corporate governance as an important basis for achieving its long-term strategic goals and achieving a relationship of trust with shareholders and other important parties. A high standard of openness, reliability and ethical values are guiding principles for PowerCell's operations.

Corporate governance model

The shareholders exercise their influence by voting at general meetings of PowerCell Sweden AB (publ), which is the parent company of the PowerCell Group. Resolutions are passed at annual general meetings on the composition of the Board of Directors of PowerCell Sweden AB (publ) and the election of auditors. A Nomination Committee appointed by the Annual General Meeting (AGM) submits proposals to annual general meetings regarding, among other things, the election of Board members and Chair of the Board, and resolutions on fees paid to the Board. The Nomination Committee also submits proposals to annual general meetings on the election of external auditors and proposals for resolutions on remuneration for the Auditor. The Board of Directors is ultimately responsible for PowerCell's organisation and the management of its operations. The Board of Directors also appoints the CEO of PowerCell Sweden AB (publ). The CEO manages the Group's day-to-day operations in accordance with the Board's guidelines.

Swedish Corporate Governance Code

PowerCell Sweden AB's (publ) shares are listed on the Nasdaq Stockholm stock exchange. As a listed company, PowerCell applies the Swedish Corporate Governance Code (available at: www.bolagsstyrning.se). This corporate governance statement has been prepared in accordance with the Swedish Annual Accounts Act and the Corporate Governance Code, separately from the Annual Report. The statement has been reviewed by PowerCell's auditors and an opinion from the auditors attached.

1. Shareholders

PowerCell Sweden AB's share register is kept by Euroclear Sweden AB. As at 31 December 2023, PowerCell had 42,206 shareholders according to the share register and the total number of shares was 52,142,434. More information about PowerCell's share and its shareholders can be found in the Share section of the Annual Report.

2. Annual General Meeting

Shareholders exercise their influence in the company at the Annual General Meeting, or, where applicable, at an Extraordinary General Meeting. The AGM is PowerCell's highest decision-making body. The Annual General Meeting must be held within six months of the end of the financial year. At the AGM, resolutions are passed regarding the election of the Board of Directors and Chair of the Board of Directors, election of the auditor, the adoption of income statements and balance sheets, appropriation of the company's profits and discharge from liability for the members of the Board of Directors and the CEO, the Nomination Committee and its work, and guidelines for the remuneration of senior executives. Information about the company's previous AGMs can be found on PowerCell's website. Information is also available about the right of shareholders to have matters discussed at the AGM and when shareholder requests for such matters should be received by PowerCell. The 2023 Annual General Meeting was held on 19 April 2023.

PowerCell's 2024 Annual General Meeting will be held on Tuesday 25 April 2024 in Konserthuset, Gothenburg. For more information about the 2024 Annual General Meeting, see PowerCell's website (www.powercellgroup.com).

3. Nomination Committee

The Nomination Committee is appointed by the Annual General Meeting. The Nomination Committee must carry out the duties for which it is responsible in accordance with its instructions from the Annual General Meeting and the rules laid down in the Corporate Governance Code. Its main duty is to prepare and submit proposals on behalf of the shareholders to the Annual General Meeting regarding the election of the Board, the election of the Chair of the Board and Board fees, as well as, when this is the case, proposals regarding the election of an auditor and remuneration to the auditor. In addition, the Nomination Committee presents proposals for members to be included in the following year's Nomination Committee, in accordance with the current instructions for PowerCell's Nomination Committee.

In accordance with the current instructions for PowerCell's Nomination Committee, the Annual General Meeting had the right to appoint one member to the Nomination Committee for each of the three largest shareholders in the company by voting rights as at 30 July 2023. None of these three people may be a member of the company's Board of Directors. In addition, the Nomination Committee must consist of a Board member appointed by the Board, who in turn will be the convening member of the Nomination Committee. The Nomination Committee for the 2023 Annual General Meeting included:

- Achim Moritz (Robert Bosch GmbH, representing Robert Bosch)
- Lena Olving, independent member
- Magnus Jonsson was the convening member and represented the Board of PowerCell Sweden AB.

Nomination Committee 2024:

Following contacts with the company's 20 largest shareholders as at 30 July 2023, PowerCell established that only one of these shareholders, Robert Bosch, wished to appoint a member to the company's Nomination Committee. Bosch appointed Uwe Zeise as its representative on the Nomination Committee. In addition, the Chair of the Board of PowerCell, Magnus Jonsson, was appointed to represent the Board on the Nomination Committee.

Magnus Jonsson and Uwe Zeise subsequently decided to appoint an independent third member of the Nomination Committee in accordance with the principles for the Nomination Committee adopted by the AGM. Lena Olving was appointed as an independent member, given her independence in relation to the company, appropriate expertise for the task and familiarity with PowerCell as a company.

The following Nomination Committee has therefore been appointed for the 2024 AGM:

- Uwe Zeise, Chair of the Nomination Committee (Robert Bosch GmbH, representing Bosch Group)
- Lena Olving, independent member
- Magnus Jonsson is the convening member and represents the Board of PowerCell Sweden AB

The composition of the Board was communicated through a press release and published on the company's website on 30 November 2023.

4. Board of Directors

The main duty of the Board of Directors is to manage the Group's operations on behalf of the owners so that their long-term interests are met in the best possible way. The Board has ultimate responsibility for PowerCell's organisation and management. It is responsible for the Group's long-term development and strategy, for constantly monitoring and evaluating the Group's operations and for the other tasks set out in the Swedish Companies Act.

Composition of the Board

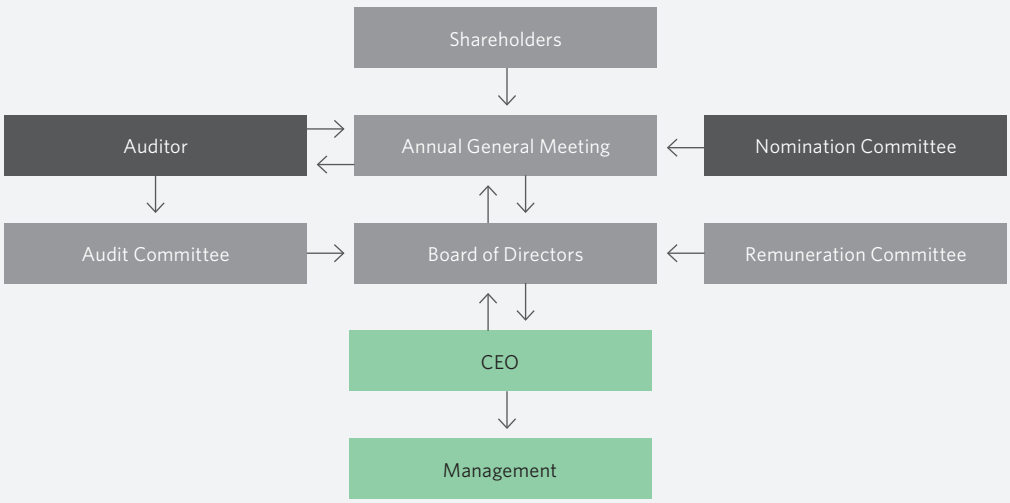
In accordance with the Articles of Association, the Board must consist of a minimum of five and a maximum of seven members. The members serve from the end of the AGM when they are elected until the end of the next AGM. There is no limit to how many consecutive periods a member can sit on the Board. The 2023 Annual General Meeting re-elected the Board members Magnus Jonsson, Helen Fasth Gillstedt, Annette Malm Justad, Riku-Pekka Hägg, Karin (Kajsa) Ryttberg-Wallgren and Uwe Hillmann. Dirk De Boever declined re-election and Nicolas Boutin was elected as a new member. Magnus Jonsson was re-elected as Chair of the Board. A presentation of the members of the Board can be found in the section on the Board of Directors in the Annual Report and on the company's website. In preparing its proposal, the Nomination Committee applied Section 4.1 of the Corporate Governance Code as its diversity policy whereby it considers that the Board should have a composition appropriate to the company's operations, phase of development and other relevant circumstances that is characterised by diversity and breadth of qualifications, experience and background. An even gender distribution must be strived for. The Board of Directors currently has seven members, including three women and four men.

Requirement for independence

PowerCell's Board of Directors is subject to the requirement for independence as set out in the Corporate Governance Code. Prior to the 2023 AGM, the Nomination Committee presented the following assessment regarding independence for the Board members elected at the 2023 AGM. Magnus Jonsson, Helen Fasth Gillstedt, Annette Malm Justad, Riku-Pekka Hägg, Karin (Kajsa) Ryttberg-Wallgren and Nicolas Boutin are all considered independent in relation to the company and the company's management, and in relation to the company's major shareholders. Uwe Hillmann is considered independent in relation to the company and its management but not in relation to one of the company's major shareholders due to his capacity as Head of the Electronic Controls business unit within the Bosch Powertrain Solutions division, part of Robert Bosch GmbH.

Rules of procedure

Every year, the Board defines rules of procedure for its work. The rules of procedure state, among other things, how the Board's work is to be distributed, including the specific role of the Chair and their tasks, instructions concerning the division of work between the Board of Directors and the CEO, and how financial reporting to the Board



should take place. The Board of Directors has also adopted special instructions for the Board's committees which are linked to the rules of procedure.

The work of the Board in 2023
The Board's work is carried out primarily through formal Board meetings and meetings of the Board's committees. In addition, ongoing contact is maintained between the Chair of the Board and the CEO to discuss ongoing operations and ensure that the Board's decisions are implemented. The Board held 12 meetings during the financial year. The Board members' attendance is shown in the table on the opposite page.

The Board's ordinary meetings follow a fixed agenda and are scheduled so that financial reports can be adopted prior to publication, including the corporate governance statement and sustainability report. The company also has an annual cycle where special matters are scheduled for different meetings, such as the adoption of budgets, strategy discussions and business plans. The annual cycle consists of six meetings. In addition, an inaugural Board meeting is held immediately after the Annual General Meeting where the annual cycle is determined, members of the Audit and Remuneration Committees are appointed and the rules of procedure for the Board of Directors, including instructions to the CEO and committees, are adopted.

During the year, the Board of Directors also received in-depth presentations from operating activity representatives. In 2023, the Board of Directors also discussed and adopted various new and updated policies and other governing documents prior to the planned listing change, adopted interim reports, financial statements and annual reports, handled issues relating to the upcoming listing change, signed supply agreements with Bosch, adopted decisions on significant customer contracts with long-term commitments, adopted budgets and updated business plans, decided on goals and outcomes within the framework of the company's incentive scheme, adoption of a new company name and the company's work on risk management and sustainability.

The Board also received ongoing information and reports from the Remuneration Committee and the Audit Committee at Board meetings following their meetings. The Board receives monthly reports in order to be kept updated between Board meetings.

The Board met with the auditor on 14 March 2023 to report on the audit, and the Board also met with the auditor without the attendance of Group management on the same date.

Evaluation of the Board's work
The Board conducts an annual evaluation of its own work. Each year, the Chair of the Board initiates and takes the lead on the evaluation of the Board's work. The purpose of this evaluation is to further develop working methods, dynamics, efficiency and the working environment, as well as the main focus of the Board's work. The evaluation also focuses on access to and the need for special expertise on the Board. The evaluation includes interviews, joint discussions and the Chair having one-to-one discussions with individual Board members. Evaluations are discussed at a Board meeting and also serve as a basis for the Nomination Committee's work in proposing Board members.

5. Audit Committee

PowerCell's Board of Directors has appointed an Audit Committee with the primary purpose of supervising the Group's financial accounting and reporting and the audit of the financial statements and the sustainability reporting. The Chair of the Audit Committee is Helen Fasth Gillstedt and the other members are Annette Malm Justad and Magnus Jonsson. The Audit Committee monitors and ensures the quality and reliability of audit and financial reporting processes and statements, monitors the effectiveness of the Group's internal control of financial reporting and risk management processes, and the appropriateness of the Group's control of compliance with legal and regulatory requirements. The Audit Committee reviews and monitors the work of the external auditors and prepares proposals for the nomination of external auditors. The Audit Committee met five times in 2023. The committee members attended these meetings as shown in the table on the opposite page.

Board fees
The table refers to the Board members elected at the 2023 AGM

Name	Born	Elected	Role on the Board	Agreed fee	Agreed fee for work on the Audit Committee	Agreed feefor work on the Remuneration Committee
Magnus Jonsson	1956	2012	Chair	440,000	55,000	33,000
Helen Fasth Gillstedt	1962	2019	Board member	220,000	110,000	—
Annette Malm Justad	1958	2020	Board member	220,000	55,000	17,000
Uwe Hillmann[1)]	1967	2020	Board member	0	—	—
Riku-Pekka Hägg	1975	2020	Board member	220,000	—	—
Karin (Kajsa) Ryttberg-Wallgren	1980	2022	Board member	220,000	—	17,000
Nicolas Boutin	1971	2023	Board member	220,000		

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

6. Remuneration Committee

The Board of Directors has a Remuneration Committee which deals with issues relating to the remuneration of senior managers in the Group.

The Remuneration Committee prepares guidelines for the remuneration of senior executives and terms of employment for the CEO. Guidelines for the remuneration of senior executives must be submitted to the Board of Directors, which in turn must submit proposals for such remuneration guidelines to the Annual General Meeting. The Remuneration Committee monitors and evaluates PowerCell's remuneration scheme for senior executives on an ongoing basis. The Board of Directors publishes a remuneration report on the company's website no later than three weeks before the Annual General Meeting, in accordance with the Swedish Companies Act and the principles set out in the Corporate Governance Code.

The committee consists of three members, Magnus Jonsson (Chair), Annette Malm Justad and Karin (Kajsa) Ryttberg-Wallgren, and held a total of four meetings in 2023.

7. CEO and Group Management

The CEO, Richard Berkling, manages the business in accordance with the Swedish Companies Act and within the framework set by the Board. In consultation with the Chair of the Board, the CEO prepares the necessary information and decision-making documents for Board meetings, prioritises matters and justifies proposals for resolutions. The CEO leads the management's work and makes decisions in consultation with other members of management. At the end of 2023, management consisted of Richard Berkling (CEO), Karin Nilsson (SVP, Vice President), Torbjörn Gustafsson (SVP, CFO), Patrik Brouzell (SVP, Product Sales), Lisa Kylhammar (SVP, Engineering), Andreas Bodén (SVP, CTO), Karl Samuelsson (SVP, Application Development), Alison Arnold (SVP, Marketing), Peter Wallin (SVP, COO), Oscar Hamréus (SVP, Head of People Operations) and Victor Åkerlund (SVP, Chief Analytics & Sustainability Officer). Group management conducts regular business reviews under the leadership of the CEO. A more detailed presentation of the CEO and management can be found in the Management section of the Annual Report and on the company's website.

8. Auditor

In order to examine the company's annual reports 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 2023 Annual General Meeting, the registered accounting firm Öhrlings PricewaterhouseCoopers AB (PwC) was re-elected as auditor until the end of the 2024 AGM. The auditor in charge is authorised public accountant Fredrik Göransson. In 2023, he was also the auditor in charge at Bilia AB (publ) and Concordia Maritime AB (publ), among others, as well as co-signatory auditor for SAAB AB.

The auditors attended Board meetings 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 attended Audit Committee meetings.

Internal control and risk management with regard to financial reporting

The Board of Directors is responsible for internal control in accordance with the Swedish Companies Act and the Corporate Governance Code. The purpose of this description is to give shareholders and other stakeholders an understanding of how internal control is organised at PowerCell in terms of financial reporting. The description has been prepared in accordance with the Swedish Annual Accounts Act and is therefore limited to the internal control of financial reporting.

Control environment

PowerCell applies the Internal Control–Integrated Framework, issued in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In 2013, COSO issued an updated version of the framework. PowerCell's internal control framework complies with the 17 fundamental principles of COSO 2013. The COSO framework consists of five interrelated components. Control Environment is the component that forms the basis for the other components. PowerCell has documented the division of responsibilities throughout the company through policies, instructions and organisational structure. This is reflected in the fact that policies and instructions, where applicable,

Table of meetings

Member's name	**Board of Directors** Attendance/total number of meetings	**Audit Committee** Attendance/total number of meetings	**Remuneration Committee** Attendance/total number of meetings
Magnus Jonsson (Chair)	12/12	5/5	4/4
Helen Fasth Gillstedt	12/12	5/5	
Dirk De Boever (stepped down April 2023)	2/4		
Annette Malm Justad	11/12	5/5	4/4
Uwe Hillmann	9/12		
Karin (Kajsa) Ryttberg-Wallgren	12/12		4/4
Riku-Pekka Hägg	12/12		
Nicolas Boutin (elected April 2023)	8/8		

are based on internationally accepted standards and/or best practices. Policies and instructions are evaluated by responsible functions based on the need to adjust due to changing requirements and legislation. PowerCell is a process-oriented company and has integrated risk assessment with business processes, such as business planning. In the area of control structures, PowerCell has documented all critical financial processes and controls.

Risk assessment

Risks relating to financial reporting are evaluated and monitored by management and the Board of Directors through its Audit Committee based on assessments made by management, by identifying material risks and how to manage and mitigate them. The assessment of the degree of risk of financial reporting errors is based on a number of criteria. The identified risks together with the required mitigating control objectives are gathered in an internal control framework for financial reporting.

PowerCell has established control systems in place and operates transparent business operations. Current governance documents are reviewed on a routine basis. Furthermore, the Board of Directors regularly evaluates the financial reporting received in conjunction with Board of Directors' meetings. The Audit Committee has an ongoing dialogue with the company's auditor concerning the scope and quality of the financial reporting. Additional information on the governance of PowerCell is available on the company's website.

Control activities

In addition to the Board of Directors and its Audit Committee, the management team constitutes an overarching control body. Business processes are designed to ensure that any inaccuracies or discrepancies in financial reporting are prevented, detected and corrected by including control activities that meet the control objectives set out in PowerCell's internal control framework. Control activities range from comparing results against previous forecasts and estimates at management team meetings to specific account reconciliations and analyses in the ongoing financial reporting processes.

Information and communication

Guidelines and instructions for financial reporting are routinely updated and communicated by management to all relevant employees. The Group's accounting function has direct operational responsibility for routine financial reporting and works to ensure the uniform application of the Group's guidelines, principles and instructions for financial reporting, and to identify and communicate deficiencies and areas for improvement in financial reporting processes.

Monitoring

Internal control outcomes are analysed and communicated annually. An assessment is made of the improvement measures that should be implemented. PowerCell's Board of Directors receives monthly reports from the CEO on the status of the business and its development. The Board of Directors discusses all quarterly and annual reports before they are published. The Board of Directors is updated annually on internal control work and its outcomes. The Board is also involved in the assessment made by the external auditors of the Group's internal control processes.

Internal audit

Based on the risk assessment and design of control activities described above, including self-assessment and in-depth analysis of internal control, the Board of Directors has chosen not to have a special internal audit function.

Gothenburg, 27 March 2024
PowerCell Sweden AB (publ)
Board of Directors

Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in PowerCell Sweden AB (Publ), corporate identity number 556759-8353.

Engagement and responsibility
It is the board of directors who is responsible for the corporate governance statement for the year 2023 on pages 58–62 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, 27 March 2024
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorized Public Accountant

Board of Directors

Magnus Jonsson
Chairman of the Board, since 2015
Residence: Göteborg, Sweden
Born: 1956
Education: MSc in Mechanical Engineering
Elected: 2012
Shares: 8,000
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.

Helen Fasth Gillstedt
Board member
Residence: Danderyd, Sweden
Born: 1962
Education: MSc in International Business and Finance & Control
Elected: 2019
Shares: 3,000 (including via company)
Board member of Munters Group AB, Handelsbanken Fonder AB and also its representative in nomination committees and Sortera AB. 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.

Nicolas Boutin
Board member
Residence: London, Great Britain
Born: 1971
Education: MSc i Aerospace Engineering
Elected: 2023
Shares: 0
Nicolas Boutin has more than 20 years of experience in the aviation industry. Most recently as Managing Director and Partner of the Boston Consulting Group. In his work as Global Head of the Travel Practice Area and Sustainable Aviation, he has also worked with leading companies in the industry, from aircraft manufacturers, airlines and airports. Independent in relation to the company and management as well as in relation to the company's major shareholders.

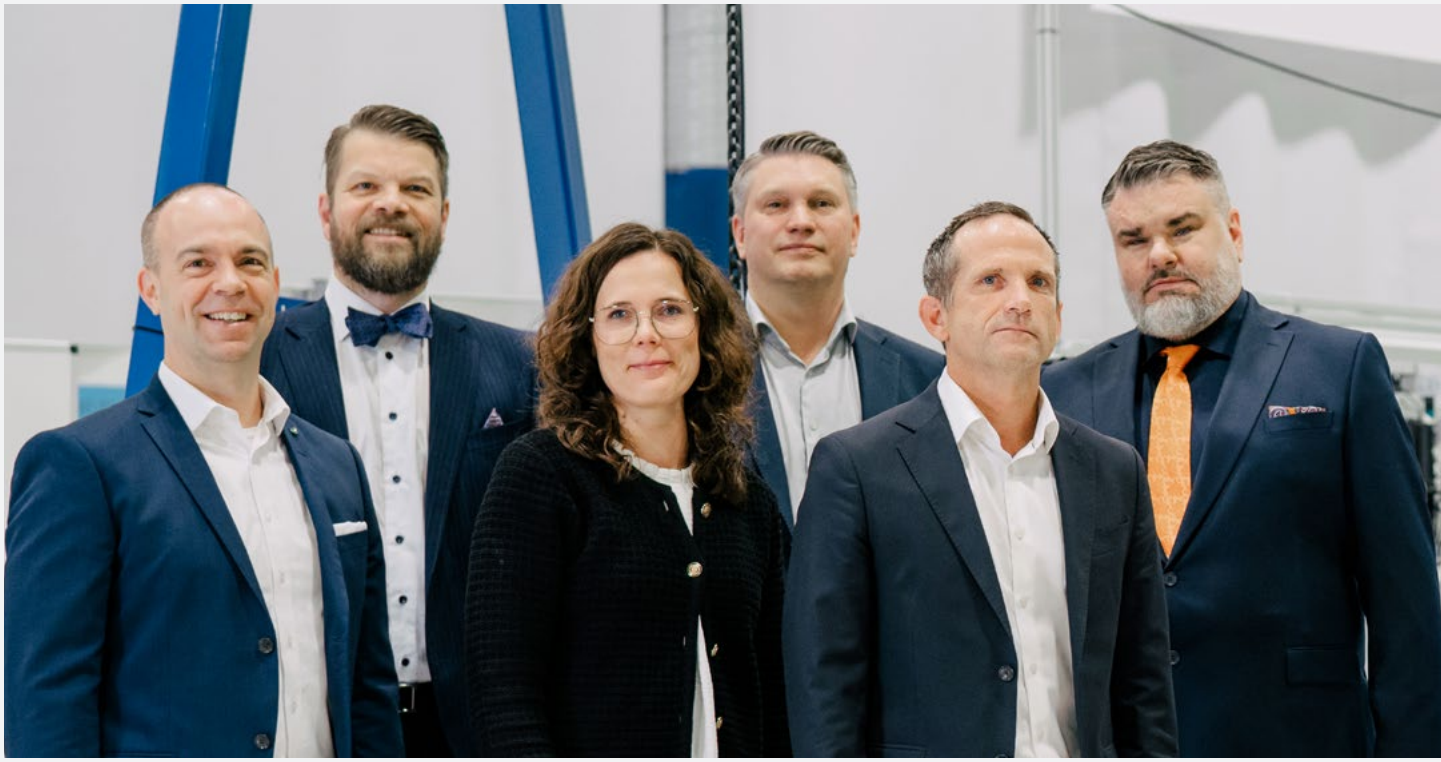
Uwe Hillmann
Board member
Residence: Leonberg, Germany
Born: 1967
Education: Diploma in Physics
Elected: 2020
Shares: 0
Head of Business Unit Electronic Controls within Power Solutions division of Robert Bosch GmbH. Over 25 years experience in business management and sales for automotive and non-automotive customers. Represents Robert Bosch GmbH. Independent in relation to the company and management but dependent on the company's major shareholders.

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.

Karin 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 responsible for global growth and head of Business Unit Hydrogen. Board deputy in Okera AB. 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
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, AMSC ASA, 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



From the left: Dr. Andreas Bodén, Karl Samuelsson, Dr. Lisa Kylhammar, Torbjörn Gustafsson, Patrik Brouzell, Peter Wallin, Alison Arnold, Oscar Hamréus, Karin Nilsson, Victor Åkerlund, Richard Berkling.

Dr. Andreas Bodén
Senior Vice President, CTO
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 over ten years as Board member of Vätgas Sverige. Former positions include Group Manager, Development Manager and Business Developer in PowerCell. Andreas Bodén has also been project Manager at Volvo Technology for PEM fuel cell development.

Karl Samuelsson
Senior Vice President, Customer Applications
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.

Dr. 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: 1,600
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.

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.

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.

Peter Wallin
Chief Operating Officer, COO
Born: 1970
Employed: 2023
Education: Operating technician power and heat
Number of shares: 0
Peter Wallin has more than 25 years of experience in company development and streamlining processes for production, logistics and suppliers, including for Meetab, Nolato Silikonteknik and Eberspächer. Peter has previously held leading positions within, among others, EuroMaint Rail and Tenneco Automotive, and since 2005 has worked as a consultant for various companies.

Alison Arnold
Chief Marketing Officer CMO
Born: 1973
Employed: 2023
Education: Diploma in Project Management and Marketing Law, RMI Berghs
Number of shares: 1,193
More than 20 years of experience as Client Director at Forsman & Bodenfors with national and international branding, in Sweden and globally. The most recent role was as Chief Marketing Officer at Pulsen Group.

Oscar Hamréus
Senior Vice President Head of HR & IT
Born: 1981
Employed: 2022
Education: BSc Human Resource Management
Number of shares: 339
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.

Karin Nilsson
Senior Vice President and deputy CEO
Born: 1969
Employed: 2015
Education: Business Administration, University of Gothenburg, School of Business, Economics and Law and University West
Number of shares: 9,000
Many years of international experience of financial and operational management positions, most recently as CFO at KVD Kvarndammen AB. Former employers include Gunnebo AB and Sibelco Nordic.

Victor Åkerlund
Chief Analytics & Sustainability Officer
Born: 1986
Employed: 2023
Education: Master of Science in Industrial Economics
Number of shares: 210
Many years of experience in strategy and business development as a management consultant both for small and medium-sized fast-growing companies and global corporations. Previous employers include TruePoint and Sweco.

Richard Berkling
President and CEO
Born: 1972
Employed: 2021
Education: Business Administration, University of Gothenburg, School of Business, Economics and Law
Number of shares: 15,000
Richard Berkling has 19 years of experience as President of an independent subsidiary within the Volvo Group. By building a company from the ground up and becoming world-leading in safety-critical electronics for the off-highway transportation and marine industry, he gained extensive experience in business development during a technology shift for the marine, construction equipment and material handling segments.

Board of Directors' Report

The Board of Directors and CEO of Powercell Sweden AB (publ), company registration number 556759–8353, with its registered office in Gothenburg, hereby submit the annual report and consolidated accounts for the 2023 financial year. All amounts are in KSEK unless otherwise stated. Figures in brackets relate to the previous 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 clean or reformed hydrogen and generate electricity and heat without releasing any emissions other than water. Our technology combines high efficiency with a compact format and contributes to enhanced energy efficiency and a significant reduction in emissions of carbon dioxide and harmful particles regardless of application.

The year in brief

2023 has been a year with a lot of development in several aspects for PowerCell. Net sales increased, along with a good gross margin, due mainly to a good market for hydrogen-electric solutions in several industries with an increased number of commercial customers. Development in the Aviation and Marine segments has been particularly strong. We continued to develop the organisation and operations within the company to meet the level of production activity, sales and R&D activities for continuous growth in the coming years and to meet the specific needs of the activity level in 2023.

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

In 2023, we joined the Newborn project, part of the EU Clean Aviation Joint Undertaking initiative, which aims to develop environmentally sustainable aviation. The project will focus on developing an aviation-certified megawatt-class fuel cell system powered by hydrogen. PowerCell is contributing its technical expertise and fuel cell technology to the project with the aim of developing a new 300 kW product platform.

We announced that we are establishing a presence in the United States to meet the strong demand from US customers. By being close to our customers, we can better support them in their product development, innovation and business development.

An important order for deliveries to Norwegian ferries, valued at EUR 19.2 m, was won in March. The agreement, signed with SEAM, includes deliveries of hydrogen solutions to two vessels that will operate on one of Norway's longest ferry routes. PowerCell will deliver its Marine System 200 which will enable the ferries to produce a total output of approximately 13 MW.

In June, we signed an agreement with Bosch for contract manufacturing of our S3 fuel cell stack. We are thus increasing our production capacity significantly and can focus on continued innovation and the development of next-generation fuel cell stacks. In addition, our working capital has been positively impacted.

We also signed a five-year framework agreement for serial deliveries of fuel cell systems with UK company ColGar Energy, a subsidiary of the Vantastec Group, for the conversion of light commercial vehicles to be able to transport hot or cold food, for example. The order value could potentially amount to a total of approximately SEK 200m.

In July, we signed a follow-up order with the company H2FLY for deliveries of fuel cell systems for aircraft. The order value is approximately SEK 40m and a follow-up to the first order signed with H2FLY in June 2022. Deliveries will include megawatt-class fuel cell systems as well as development work and tests.

Hitachi Energy and PowerCell collaborates to create a ready to use "plug and play" offering designed in a containerised solution for the integration of fuel cell systems for more sustainable operations. Together we will design, develop and validate a fuel cell power system.

In December, PowerCell was listed on Nasdaq Stockholm's main list.

Sales and earnings

The Group's net sales for 2023 were SEK 310.3m (SEK 244.7m), an increase of SEK 65.6m or 27%. The increase comes from higher sales in the Power Generation, Marine and Aviation segments, where the Marine and Aviation segments contributed the most. A few large projects have been running in 2023, where revenue is recognised as the projects advance. There has also been an increase in engineering services, product sales and sales of IP rights – all contributing to the higher sales.

The Group's operating profit/loss was SEK –66.5m (SEK –75.0m) and after items affecting comparability SEK –72.6m (SEK –75.0m). Cash flow from investment activities is affected as PowerCell is in a new phase of product development. During the year, SEK 16.5 m has therefore been capitalized and is seen as intangible assets.

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

Financial position and liquidity

The Group's financial position and liquidity are prioritised and monitored. Cash and cash equivalents as at 31 December 2023 were SEK 70.8m (SEK 196.9m). The Board assesses that available cash and cash equivalents as at 31 December 2023 are sufficient to finance operations in 2024, and hence 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 2023 was SEK –95.7m (SEK –120.5m). The Group increased sales in the fourth quarter, leaving a high increase in current receivables, and actively increased inventory during the year to match incoming orders and secure critical components.

Cash flow from financing activities for 2023 was SEK –8.8m (SEK –8.5m). The equity/assets ratio at the end of the period was 64.8% (70.2%).

Acquisitions and investments

Investments in property, plant and equipment in the financial year were SEK 11.6m (SEK 9.2m).

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 –114.5m (SEK –92.3m) in 2023.

Employees

Converted to full-time positions, the Group had 151 employees at the end of the year. The average number of employees converted to full-time positions for 2023 was 110 (98).

Environmental impact

PowerCell acts responsibly and active sustainability work is therefore important for the company. PowerCell takes a holistic view centred 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 requirements under the Swedish Environmental Code.

Outlook for 2024

PowerCell is active within an industry affected by technical development and market demand driven by a need for environmental improvements. It is hard to foresee the pace and timing of market growth for hydrogen-electric solutions, but the ambition is to generate organic growth in 2024.

Future development and material risks and uncertainties

PowerCell is exposed to risks and uncertainties through its operations. In the coming year, the company intends to continue the development, 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 mean that customers replace their systems at a slower rate than anticipated, despite the company's products being superior commercially and performance-wise to competing technology.

Customer dependency

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

Dependence 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 its strategy, it is important that resources are utilised in the company as optimally as possible. There is a risk that the company's resources are insufficient and therefore 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. Investment 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 committed 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, will terminate their employment with the company, which, in the short term, may have a significant negative 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. 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.

Significant events after the end of the financial year

No significant events occurred after the end of the financial year.

Dividend policy

PowerCell has adopted a dividend policy that establishes the company's long-term goal to provide its owners with a stable and increasing dividend. Dividends are proposed by the Board of Directors and resolved upon at the Annual General Meeting in accordance with the Swedish Companies Act and the Articles of Association. Historically, PowerCell has not had any dividends and no dividends were paid out for the previous financial year. PowerCell is undergoing a rapid phase of 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 years ahead.

The Board therefore proposes that no dividend be paid for 2023 but that the profits are retained to finance the continued growth and operation of the business.

Appropriation of earnings

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

Share premium reserve	555,506,677
Retained earnings	-218,285,433
Net profit/loss for the year	-82,098,804
SEK	**255,122,440**
The Board proposes that the profits be appropriated so that the following amount can be carried forward	255,122,440
SEK	**255,122,440**

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

Multi-annual summary

Amounts in KSEK	**2023**	2022	2021	2020	2019
Net sales	310,287	244,691	159,757	103,528	66,850
Gross profit	124,012	113,023	49,034	25,780	20,539
Gross margin (%)	40.0	46.2	30.7	24.9	30.7
Operating profit/loss before items affecting comparability	-66,518	-75,019	-80,475	-97,749	-79,898
Operating profit/loss	-72,575	-75,019	-81,731	-103,386	448,408
Operating cash flow	-95,687	-120,506	-66,338	-3,863	369,147
Total assets	425,114	473,946	521,328	564,692	683,213
Equity	275,434	332,874	383,451	457,560	565,271
Equity/assets ratio (%)	64.8	70.2	73.6	81.0	82.7
Current ratio	3.5	4.5	5.7	11.9	13.1
Number of shares	52,142,434	52,142,434	52,142,434	52,142,434	51,868,810
Earnings per share (SEK)	-1.57	-1.09	-1.50	-2.19	8.38
Dividend per share (SEK)	—	—	—	—	—

Consolidated statement of comprehensive income

Amounts in KSEK	Note	**2023**	2022
Net sales	6	310,287	244,691
Cost of goods sold	7	–186,275	–131,668
Gross profit		**124,012**	**113,023**
Sales and administration costs	7, 9	–105,796	–98,559
Research and development costs	7, 9	–114,498	–92 329
Other operating income	10	55,036	21,807
Other operating costs	7, 11	–25,272	–18,961
Operating income before items affecting comparability		**–66,518**	**–75,019**
Items affecting comparability	7, 13	–6,057	—
Operating income		**–72,575**	**–75,019**
Financial income		21,505	32,319
Financial expenses		–11,885	–15,518
Net financial items		**9,620**	**16,801**
Profit (loss) before tax		**–62,955**	**–58,218**
Income tax	14, 26	–5	45
Profit (loss) for the year		**–62,960**	**–58,173**
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Exchange differences from foreign operations		234	37
Other comprehensive income for the year		**234**	**37**
Total comprehensive income for the year		**–62,726**	**–58,136**

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		**2023**	2022
Earnings per share, basic	32	–1.57	–1.09
Earnings per share, diluted	32	–1.57	–1.09

Consolidated balance sheet

Amounts in KSEK	Note	**2023-12-31**	2022-12-31
ASSETS			
Non-current assets			
Intangible assets			
Software	18	5,996	8,173
Capitalized development costs	18	16,490	—
Total intangible assets		**22,486**	**8,173**
Right-of-use assets			
Right-of-use-assets	17	31,838	34,842
Total Right-of-use assets		**31,838**	**34,842**
Property, plant and equipment			
Machinery and vehicles	16	28,648	31,066
Equipment, tools, fixtures and fittings	16	4,728	3,751
Total property, plant and equipment		**33,376**	**34,817**
Deferred tax assets			
Deferred tax assets	14, 26	279	186
Total deferred tax assets		**279**	**186**
Financial assets			
Long term trade receivables		—	6,677
Total financial assets		**—**	**6,863**
Total non-current assets		**87,979**	**84,695**
Current assets			
Inventories			
Raw materials and consumables	21	100,683	54,489
Products in progress	21	15,382	20,233
Inventories of finished goods	21	920	763
Total inventories		**116,985**	**75,485**
Current receivables			
Trade receivables	19, 20	72,013	66,695
Current tax asset		1,976	1,485
Contractual assets	28	46,594	23,065
Other current receivables	19, 22	12,043	7,174
Prepaid costs and accrued income	23	16,715	18,490
Total current receivables		**149,341**	**116,909**
Cash and cash equivalents	19, 24, 31	70,809	196,857
Total current assets		**337,135**	**389,251**
TOTAL ASSETS		**425,114**	**473,946**

Consolidated balance sheet (cont.)

Amounts in KSEK	Note	**2023-12-31**	2022-12-31
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
Retained earnings (including profit (loss) for the year)		-360,720	-303,046
Total equity attributable to Parent Company shareholders		**275,434**	**332,874**
Liabilities			
Non-current liabilities			
Other non-current financial liabilities	19, 27	30,000	30,000
Liabilities leases	27	21,521	24,123
Deferred tax liability	26	611	558
Total non-current liabilities		**52,132**	**54,681**
Current liabilities			
Liabilities leases	27	6,614	7,342
Contractual liabilities	28	1,789	15,222
Trade payables	19	35,198	19,272
Other current liabilities		8,521	6,567
Provisions	30	3,571	3,146
Accrued costs and prepaid income	29	41,855	34,842
Total current liabilities		**97,548**	**86,391**
Total liabilities		**149,680**	**141,072**
TOTAL EQUITY AND LIABILITIES		**425,114**	**473,946**

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, 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	**1 147**	**635,007**	**-234**	**-303,046**	**332,874**
Opening balance at January 1, 2023	25	**1,147**	**635,007**	**-234**	**-303,046**	**332,874**
Profit (loss) for the year		—	—	—	-62,960	-62,960
Other comprehensive income for the year		—	—	234	—	234
Total comprehensive income for the year		**—**	**—**	**234**	**-62,960**	**-62,726**
Transactions with shareholders in their role as owners						
Share-based benefits	9	—	—	—	5,286	5,286
Closing balance at December 31, 2023	25	**1,147**	**635,007**	—	**-360,720**	**275,434**

Consolidated cash flow statement

Amounts in KSEK	Note	**2023**	2022
Cash flow from operating activities			
Operating profit (loss)		–72,575	–75,019
Adjustments for non-cash items	35	22,354	37,693
Interest received		3,897	234
Interest paid		–892	–918
Tax paid		–77	493
Cash flow from operating activities before changes in working capital		**–47,293**	**–37,517**
Cash flow before changes in working capital			
Increase/decrease of inventories		–34,195	–41,609
Increase/decrease of trade receivables		1,359	–28,725
Increase/decrease of other receivables		–27,099	–19,922
Increase/decrease of contractual liabilities		–13,432	4,157
Increase/decrease of trade payables		15,922	477
Increase/decrease of other liabilities		9,051	2,631
Total changes in working capital		**–48,394**	**–82,989**
Cash flow from operating activities		**–95,687**	**–120,506**
Cash flow from investing activities			
Acquisitions of tangible and intangible assets		–28,482	–17,806
Sales of tangible and intangible assets		312	89
Long term trade receivables		—	–6,677
Cash flow from investing activities		**–28,170**	**–24,394**
Cash flow from financing activities			
Repayment of leasing liability	34	–8,780	–8,464
Cash flow from financing activities		**–8,780**	**–8,464**
Decrease/increase of cash and cash equivalents		**–132,637**	**–153,364**
Exchange rate differences in cash and cash equivalents		6,589	17,714
Opening cash and cash equivalents		196,857	332,507
Closing cash and cash equivalents		**70,809**	**196,857**

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 consolidated financial statements for the financial year ending December 31, 2023, have been approved by the Board for publication on March 27, 2024.

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.

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 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.

(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 2.4 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.

note 2 cont.

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 2.5 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.

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

Software	5 years

Note 2.6 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 2.7 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 2.8 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 2.9 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 only holds 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.

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.

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

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.

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 2.10 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 2.11 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 2.12 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.

All other borrowing costs are expensed as incurred.

Note 2.13 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 2023, 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 there-

note 2 cont.

fore 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 2023, Alecta's surplus of the collective consolidation level was, preliminary, 157% (2022: 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
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 2.14 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 2.15 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 2.16 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. 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, cash and cash equivalents, contractual liabilities and trade payables.

	December 31, 2023	December 31, 2022
Trade receivables	76,461	66,483
Cash and cash equivalents	53,417	92,542
Contractual liabilities	–1,789	–15,222
Trade payables	–23,477	–8,157

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 2023 would have been KSEK 8,865 (KSEK 10,944) lower/higher. This mainly as a result of gains/losses at the translation of trade receivables and cash and cash equivalents.

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.

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 120days past due	Total
Expected credit loss	—	—	—	—	—	—
Carrying amounts gross – trade receivables	41,211	23,025	47	2,412	—	66,695

Dec 31, 2023	Receivables not yet due	1 to 30 days past due	30 to 60 days past due	60 to 120 days past due	More than 120days past due	Total
Expected credit loss	—	—	—	—	—	—
Carrying amounts gross – trade receivables	32,787	36,347	962	—	1,917	72,013

(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. Although we feel confident that available liquid funds are sufficient to finance our operations in 2024, the development of cash flow is of high priority and a number of cash flow improving measures are underway.

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.

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, 2023	December 31, 2022
Total borrowings (Note 27)	58,135	61,465
Less: cash and cash equivalents	-70,809	-196,857
Net debt (+)/Net cash (-)	**-12,674**	**-135,392**
Total equity	275,434	332,874
Total capital	**262,760**	**197,482**

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	31,465
Trade payables	19,272	—	—	—	—	19,272	19,272
Total	**21,271**	**5,326**	**5,440**	**14,774**	**33,857**	**80,668**	**80,737**

At December 31, 2023	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	1,760	4,835	5,880	15,590	—	28,065	28,135
Trade payables	35,198	—	—	—	—	35,198	35,198
Total	**36,958**	**4,835**	**5,880**	**15,590**	**30,000**	**93,263**	**93,333**

Note 4 Significant accounting estimates and judgements

The Group makes estimates and assumptions about the future. The estimates for accounting purposes that result from these will, by definition, rarely correspond to the actual result. The estimates and assumptions that entail a significant risk of significant adjustments in reported values for assets and liabilities during the next financial year are dealt with in main features in outline below.

Valuation of inventories
The Group recognizes inventories of KSEK 116,985 (KSEK 75,485). For 2023 a reduced obsolescence reserve of KSEK –5,137 (KSEK 4,020) was recognized. The reduction in the obsolescence reserve mainly consists of a new area of use being found for previously written-off components. 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 2023, the Group had losses carried-forward of approximately KSEK 449,039 (KSEK 375,013) 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 in some cases been deemed to met the requirements to be capitalized, see Note 18. Otherwise the expenses have been expensed in their entirety. During the year, SEK 16.5 m has been capitalized as intangible assets. The majority of the activations relate to the development of a new PS200 system and a smaller part relates to the development of a 5 kW system for vehicles that need auxiliary power to operate, for example, cooling or heating systems. These capitalizations are subject to impairment testing at the balance sheet date. If the development projects is deemed not to lead to saleable products or if the market's demand for the products is lower than what management has forecasted, the asset may have to be written down.

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.

All fixed assets are found in Sweden.

Note 6 Net sales

Revenue
The sale is recognized as revenue when control of the goods is transferred to the customer, which normally coincides with its delivery.

	2023	2022
Revenue from external customers		
Hardware	92,267	83,887
Services	65,499	57,133
Royalty fees	18,993	15,182
Contractual assets refer to projects that are reported in accordance with the principles for revenue recognition.	133,528	88,489
Total	**310,287**	**244,691**

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

Net sales by geographic market:	**2023**	2022
Sweden	6,111	2,694
Germany	55,876	92,176
UK	83,694	30,267
Netherlands	12,697	44,874
US	38,514	42,366
Norway	93,687	2,728
Other	19,708	29,586
Total	**310,287**	**244,691**

The Group has for 2023 two external customers, which individually exceed 10% of the Group´s total revenues. Revenue per customer amounts to approximately KSEK 91,581 respective KSEK 62,736.

For 2022 the Group had 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 respectively KSEK 25,694.

Note 7 Costs by nature

	2023	2022
Cost of sold goods	186,275	131,668
Other external costs	104,030	69,978
Personnel costs	98,484	101,157
Depreciation of tangible assets	21,402	17,990
Depreciation of intangible assets	2,434	1,762
Other operating costs	25,272	18,961
Total	**437,897**	**341,516**

Note 8 Auditors' fees

	2023	2022
PricewaterhouseCoopers AB		
Audit assignment	905	623
Audit activities in addition to the audit assignment	207	160
Other services	408	63
Total	**1,520**	**846**

Note 9 Employee benefits, etc.

	2023	2022
Salaries and other remuneration	90,190	73,207
Share-based benefits	5,286	7,559
Social security contributions	25,288	21,993
Pension costs – defined contribution plans	10,763	10,333
Total employee benefits	**131,527**	**113,092**

Salaries and other remuneration and social security contributions

	2023		2022	
	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	24,068 (3,089)	9,755 (4,158)	25,552 (2,768)	12,727 (4,698)
Other employees	71,408 (4,192)	26,296 (6,605)	55,213 (2,464)	19,600 (5,635)
Group total	**95,476**	**36,051**	**80,765**	**32,327**

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): 10.4 (11.4).

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): 0.4 (10.6).

Total compensation used in calculations includes base salary, bonus, share-based benefits, pension and other benefits.

Average number of employees per country

	2023		2022	
	Average number	Of which men	Average number	Of which men
Sweden	106	79	94	71
Germany	1	1	1	1
Norway	1	1	1	1
China	2	1	2	1
Group total	**110**	**82**	**98**	**74**

Percentage of individuals in the following diversity categories for employees

	<30 years old		30–50 years old		50+ years old	
	2023	2022	**2023**	2022	**2023**	2022
Male	18%	17%	42%	40%	14%	16%
Female	8%	8%	13%	12%	5%	7%

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	
	2023	2022	**2023**	2022	**2023**	2022
Male	—	—	14%	14%	43%	43%
Female	—	—	14%	14%	29%	29%

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

	2023		2022	
	Average number	Of which men	Average number	Of which men
Directors	7	4	7	4
CEO and other senior executives	9	7	10	8
Group total	**16**	**11**	**17**	**12**

note 9 cont.

Remuneration and other benefits to senior executives 2023

	Director's fees/ Basic salary	Variable remuneration	Other benefits	Pension costs	Share-based benefits	Total
Chairman of the Board Magnus Jonsson	528	—	—	—	—	528
Director Dirk De Boever	55	—	—	—	—	55
Director Nicolas Boutin	165	—	—	—	—	165
Director Helen Fasth Gillstedt	330	—	—	—	—	330
Director Riku-Pekka Hägg	220	—	—	—	—	220
Director Uwe Hillmann	—	—	—	—	—	—
Director Annette Malm Justad	292	—	—	—	—	292
Director Karin Ryttberg-Wallgren	237	—	—	—	—	237
CEO Richard Berkling	2,789	607	142	831	2,778	7,147
Other senior executives (9 individuals)	11,418	2,482	572	3,327	1,454	19,253
Group total	**16,034**	**3,089**	**714**	**4,158**	**4,232**	**28,227**

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 607 (KSEK 473) was paid to the CEO, and KSEK 2,482 (KSEK 2,296) to other senior executives.

Other benefits comprise KSEK 714 (KSEK 735), mainly consisting of car compensations of KSEK 675 (KSEK 696).

Between the Company and the CEO, there is a period of notice of nine months. Between the CEO and the company, a notice period of six months applies. 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 2023, 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.

Revaluation has then been done in December 2022 and December 2023, for which the result affects newly admitted participants for the respective years, as well as social security contributions for all participants in the program regardless of which year they joined the program.

For 2023, a cost of SEK 4.4 million (SEK 9.2 million) (including a cost reduction of SEK –0.9 million (SEK 1.6 million) in employer contribution) has been accrued for the LTI program. The total provision for employer contribution in the balance sheet amounted to SEK 1.1 million (SEK 2.0 million).

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	—	—	—	—	528
Director Dirk De Boever	220	—	—	—	—	220
Director Göran Linder	55	—	—	—	—	55
Director Helen Fasth Gillstedt	330	—	—	—	—	330
Director Riku-Pekka Hägg	220	—	—	—	—	220
Director Uwe Hillmann	—	—	—	—	—	—
Director Annette Malm Justad	292	—	—	—	—	292
Director Karin Ryttberg-Wallgren	178	—	—	—	—	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**

Note 10 Other operating income

	2023	2022
Contributions attributable to the financing of projects and government grants	30,607	4,975
Exchange-rate differences	23,908	16,410
Profit on disposal of fixed assets	131	—
Other	390	422
Total	**55,036**	**21,807**

Note 11 Other operating costs

	2023	2022
Exchange-rate differences	25,106	18,961
Other	166	—
Total	**25,272**	**18,961**

Note 12 Exchange rate differences - net

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

	2023	2022
Other operating income (Note 10)	23,908	16,410
Other operating costs (Note 11)	-25,106	-18,961
Total	**-1,198**	**-2,551**

Note 13 Items affecting comparability

Items affecting comparability consists of the following:

	2023	2022
Costs related to re-listing Nasdaq Stockholm	-6,057	—
Total	**-6,057**	**—**

Items affecting comparability refer to significant income or expense items that are reported separately due to the significance of their nature or amount. The transactions must not be close to the day-to-day operations.

Note 14 Income tax

	2023	2022
Current tax		
Tax on profit for the year	-45	-15
Total current tax	**-45**	**-15**
Deferred tax		
Occurrence and reversal of temporary differences	40	60
Total deferred tax	**40**	**60**
Total income tax	**-5**	**45**

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:

	2023	2022
Profit (loss) before tax	**-62,955**	**-58,218**
Income tax calculated according to the Swedish tax rate 20.6% (20.6%).	12,969	11,993
Tax effects from:		
Non-deductible costs	-1,682	-466
Losses carried-forward, for which no deferred tax asset is recognized	-11,292	-11,482
Income tax	**-5**	**45**

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, 2023

Name	Country of registration and operations	Operations	Share of ordinary shares directly owned by the Parent Company	Share of ordinary shares directly owned by the Group (%)
Powercell Deutschland GmbH	Germany	Research organisation	100	100
Powercell Warrants One AB	Sweden	Administration	100	100
Powercell China LTD	China	Sales organisation	100	100
Powercell Norway AS	Norway	Administration	100	100

Note 16 Property, plant and equipment

	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Total
Financial year 2022			
Opening carrying value	33,146	2,812	35,958
Purchase	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**
Financial year 2023			
Opening carrying value	31,066	3,751	34,817
Purchase	9,135	2,503	11,638
Sales and disposals	–446	–171	–617
Depreciation	–11,107	–1,355	–12,462
Closing carrying value	**28,648**	**4,728**	**33,376**
At December 31, 2023			
Cost	116,074	11,036	127,110
Accumulated depreciation	–87,426	–6,308	–93,734
Carrying value	**28,648**	**4,728**	**33,376**

Depreciation of KSEK 12,462 (KSEK 10,308) 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 2022				
Opening balance	30,682	7,105	2,588	40,375
Additions	894	639	1,284	2,817
Prematurely terminated contracts	—	—	–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**
Financial year 2023				
Opening balance	26,955	5,945	1,942	34,842
Additions	3,024	856	1,768	5,648
Prematurely terminated contracts	—	—	–2,273	–2,273
Depreciation	–5,103	–1,898	622	–6,379
Closing balance	**24,876**	**4,903**	**2,059**	**31,838**
At December 31, 2023				
Cost	47,700	14,388	3,462	65,550
Accumulated depreciation and write-downs	–22,824	–9,485	–1,403	–33,712
Carrying value	**24,876**	**4,903**	**2,059**	**31,838**

Lease liabilities	**Dec 31, 2023**	Dec 31, 2022
Long-term lease liabilities	21,521	24,123
Short-term lease liabilities	6,614	7,342
Total lease liabilities	**28,135**	**31,465**

Disclosures

- Interest expenses of KSEK 915 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 2,226.
- The total cash outflow for leases in 2023 amounts to KSEK –11,740 including short-term leases and leases of low value.
- Maturity analysis of lease liabilities, see Note 3.

Note 18 Intangible assets

	Product development	Software	Total
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	–3,374
Carrying value	**—**	**8,173**	**8,173**
Financial year 2023			
Opening carrying value	—	8,173	8,173
Purchase	16,490	257	16,747
Depreciation	—	–2,434	–2,434
Closing carrying value	**16,490**	**5,996**	**22,486**
At December 31, 2023			
Cost	16,490	11,804	28,294
Accumulated depreciation, amortization and impairments	—	–5,808	–5,808
Carrying value	**16,490**	**5,996**	**22,486**

Depreciation of KSEK 2,434 (KSEK 1,762) are allocated between research and product 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. The capitalized product development costs are tested for impairment at the balance sheet date and the assessment is that the development projects follow the plan to create saleable products and that the market's demand for the products is in line with what the management previously assessed.

Note 19 Financial instruments per category

Dec 31, 2022	Financial assets at amortized cost	Total
Assets in the balance sheet		
Trade receivables	66,695	66,695
Other current receivables*	4,540	4,540
Cash and cash equivalents	196,857	196,857
Total	**268,092**	**268,092**

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
Trade payables	19,272	19,272
Total	**49,272**	**49,272**

Dec 31, 2023	Financial assets at amortized cost	Total
Assets in the balance sheet		
Trade receivables	72,013	72,013
Other current receivables*	3,815	3,815
Cash and cash equivalents	70,809	70,809
Total	**146,637**	**146,637**

Dec 31, 2023	Financial liabilities at amortized cost	Total
Liabilities in the balance sheet		
Other non-current and current financial liabilities	30,000	30,000
Trade payables	35,198	35,198
Total	**65,198**	**65,198**

* Part of the post does not refer to financial instruments.

No items are valued at fair value.

Note 20 Trade receivables

	Dec 31, 2023	Dec 31, 2022
Trade receivables	72,013	66,695
Minus: provision for expected credit losses		
Trade receivables – net	**72,013**	**66,695**

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

	Dec 31, 2023	Dec 31, 2022
SEK	913	212
EUR	62,735	60,245
GBP	2,251	2,408
USD	6,114	3,830
Total	**72,013**	**66,695**

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, 2023	Dec 31, 2022
Raw materials and consumables	100,683	54,489
Products in progress	15,382	20,233
Inventories of finished goods	920	763
Total	**116,985**	**75,485**

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 186,275 (KSEK 131,668).

Note 22 Other current receivables

	Dec 31, 2023	Dec 31, 2022
Tax account	3,538	22
Advance payments, suppliers	2,871	3,960
VAT receivable	4,690	2,612
Other	944	581
Total	**12,043**	**7,174**

Note 23 Prepaid costs and accrued income

	Dec 31, 2023	Dec 31, 2022
Prepaid rent	1,576	1,885
Accrued income, on-going grant projects	12,321	5,517
Other prepaid costs	2,271	2,107
Other accrued income	547	8,981
Total	**16,715**	**18,490**

Note 24 Cash and cash equivalents

	Dec 31, 2023	Dec 31, 2022
Bank deposits	70,809	196,857
Total	**70,809**	**196,857**

Note 25 Equity

	Number of shares	Share capital	Ongoing new share issue	Other contributed capital
As of 1 January 2022	**52,142,434**	**1,147**	**—**	**635,007**
As of 31 December 2022	**52,142,434**	**1,147**	**—**	**635,007**
As of 31 December 2023	**52,142,434**	**1,147**	**—**	**635,007**

As of December 31, 2023 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.

The reserves consist entirely of a translation reserve. The translation reserve includes exchange rate differences that arise as a result of the income statement and balance sheet for all group companies being translated into the group's reporting currency.

Note 26 Deferred tax

Deferred tax debt consists entirely of deferred tax related to temporary differences in 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 449,039 on December 31, 2023 (December 31, 2022: KSEK 375,013). The losses carried-forward do not fall due at any point in time.

Note 27 Borrowings

	Dec 31, 2023	Dec 31, 2022
Non-current		
The Swedish Energy Agency	30,000	30,000
Lease liabilities	21,521	24,123
Total	**51,521**	**54,123**
Current		
Lease liabilities	6,614	7,342
Total	**6,614**	**7,342**
Total borrowings	**58,135**	**61,465**

(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, 2023	Dec 31, 2022
The Swedish Energy Agency	30,000	30,000
Lease liabilities	28,135	31,465
Total	**58,135**	**61,465**

(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, 2023	Dec 31, 2022
Contractual assets	46,594	23,065
Contractual liabilities	–1,789	–15,222
Total	**44,805**	**7,843**

Contractual liabilities consist entirely of payments in advances from customers and these have decreased by 88%. The reduction is mainly due to the fact that the projects have progressed further, and that the projects have come closer to final delivery. Contractual assets have increased by 102% and refer to projects that are reported in accordance with the principles for revenue recognition and where the Group has a conditional right to payment and these have increased in number and size, see Note 2 and 4.

Remaining unfulfilled agreements
The total amount of the transaction price allocated to agreements that are unfulfilled or partly unfulfilled as of December 31, 2023 is KSEK 132,249. Of these, management makes the assessment that 84% will be fulfilled during the next year. Of the contractual liabilities at December 31, 2022 has 100% been fulfilled during 2023.

Note 29 Accrued costs and prepaid income

	Dec 31, 2023	Dec 31, 2022
Accrued vacation pay liability	7,740	6,893
Accrued social costs	6,315	6,205
Accrued salaries	11,766	9,036
Other prepaid income	12,606	6,463
Other items	3,428	6,245
Total	**41,855**	**34,842**

Note 30 Provisions

	Dec 31, 2023	Dec 31, 2022
Warranty provision	3,571	3,146
Total	**3,571**	**3,146**

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

Note 31 Contingent liabilities and pledged collateral

The Group has no contingent liabilities.

	Dec 31, 2023	Dec 31, 2022
Pledged collateral		
Blocked bank funds	3,967	—
Total	3,967	**—**

Note 32 Earnings per share

	2023	2022
SEK		
Earnings per share, basic	-1.57	-1.09
Earnings per share, diluted	-1.57	-1.09
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	-82,099	-56,693
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 for potential ordinary shares s calculated when Group reports negative earnings per share for both the financial year and the comparison year.

The Company has a performance based long-term incentive program for certain senior executives and key employees , decided by the AGM in 2021 which ends 2025. The maximum dilution from this program amounts to 0.97 percent.

Note 33 Related party transactions

No significant transactions took place with related parties during the period, except remuneration to the Board and senior executives, see Note 9 and 15.

Note 34 Changes in liabilities attributable to financing activities

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

	Jan 1, 2023	Cash inflow	Cash outflow	Non-cash items	**Dec 31, 2023**
Liability Statens Energimyndighet	30,000	—	—	—	30,000
Liability regarding leasing	31,465	—	-8,780	5,450	28,135
Total	**61,465**	**—**	**-8,780**	**5,450**	**58,135**

Note 35 Adjustments for non-cash items

	Dec 31, 2023	Dec 31, 2022
Depreciation	23,837	19,753
Allocation of grant-aided projects	—	5,397
Warranty provision	425	1,109
Share-based benefits	5,285	7,559
Inventory obsolescence	-7,305	4,020
Other	112	-145
Total	**22,354**	**37,693**

Note 36 Events after the end of the reporting period

PowerCell's product design, of the new VS5-M, for Vantastec Group was approved and the next step in the series delivery agreement was taken with an order of approximately SEK 35 million.

Parent company income statement

Amounts in KSEK	Note	**2023**	2022
Net sales	2	310,287	243,838
Cost of goods sold	3	-186,274	-131,661
Gross profit		**124,013**	**112,177**
Sales and administration costs	3, 7	-102,806	-95,746
Research and development costs	3, 7	-131,751	-93,084
Other operating income	4	54,987	21,856
Other operating costs	3, 5	-24,911	-18,803
Operating profit (loss) before items affecting comparability		**-80,468**	**-73,600**
Items affecting comparability	3,8	-6,057	—
Operating profit (losss)		**-86,525**	**-73,600**
Profit (loss) from financial items			
Profit from participations in group companies		-6,203	-944
Other interest income and similar items		21,507	32,330
Interest costs and similar items		-10,971	-14,572
Profit (loss) after financial items		**-82,192**	**-56,786**
Income tax	9, 13	93	93
Profit (loss) for the year		**-82,099**	**-56,693**

In the Parent Company there are no items recognized as other comprehensive income, why total comprehensive income corresponds to profit (loss) for the year.

Parent company balance sheet

Amounts in KSEK	Note	**Dec 31, 2023**	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible assets			
Software	12	5,996	8,173
Total intangible assets		**5,996**	**8,173**
Property, plant and equipment			
Machinery and other technical facilities	11	28,648	31,066
Equipment, tools, fixtures and fittings	11	4,728	3,748
Total property, plant and equipment		**33,376**	**34,814**
Deferred tax assets			
Deferred tax assets	9, 13	279	186
Total financial assets		**279**	**186**
Financial assets			
Participations in subsidiaries	10	1,015	1,890
Long term trade receivables		—	6,677
Total financial assets		**1,015**	**8,753**
Total non-current assets		**40,666**	**51,740**
Current assets			
Inventories			
Raw materials and consumables	16	100,683	54,489
Products in progress	16	15,382	20,233
Inventories of finished goods	16	920	763
Total inventories		**116,985**	**75,485**
Current receivables			
Trade receivables	15	72,013	66,695
Receivables from Group companies	26	438	4,309
Current tax asset		1,976	1,484
Contractual assets	20	46,580	23,030
Other current receivables	17	11,916	7,096
Prepaid costs and accrued income	18	17,515	19,219
Total current receivables		**150,438**	**121,833**
Cash and bank	14, 31	67,978	192,893
Total current assets		**335,401**	**390,210**
TOTAL ASSETS		**376,067**	**441,951**

Parent company balance sheet (cont.)

Amounts in KSEK	Note	**Dec 31, 2023**	Dec 31, 2022
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		-218,285	-166,878
Profit (loss) for the year		-82,099	-56,693
Total non-restricted equity		**255,123**	**331,936**
Total equity		**256,270**	**333,083**
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		35,162	19,308
Other current liabilities		7,293	6,384
Contractual liabilities	20	1,789	15,222
Provisions	23	3,571	3,146
Liabilities to Group companies	26	634	420
Accrued costs and prepaid income	21	41,348	34,388
Total current liabilities		**89,797**	**78,868**
Total liabilities		**119,797**	**108,868**
TOTAL EQUITY AND LIABILITIES		**376,067**	**441,951**

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, 2022	25	**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	—	—	7,559	—	7,559
Closing at December 31, 2022	25	**1,147**	**555,507**	**-166,878**	**-56,693**	**333,083**
Opening balance at January 1, 2023	25	**1,147**	**555,507**	**-223,571**	**—**	**333,083**
Profit (loss) for the year and comprehensive income		—	—	—	-82,099	-82,099
Total comprehensive income		**—**	**—**	**—**	**-82,099**	**-82,099**
Transactions with shareholders in their role as owners						
Share-based benefits	7	—	—	5,286	—	5,286
Closing at December 31, 2023	25	**1,147**	**555,507**	**-218,285**	**-82,099**	**256,270**

Parent Company cash flow statement

Amounts in KSEK	Note	**2023**	2022
Cash flow from operating activities			
Operating profit (loss)		-86,525	-73,600
Adjustment for non-cash items	28	13,785	30,149
Interest received		3,679	470
Tax paid		-63	493
Cash flow from operating activities before changes in working capital		**-69,124**	**-42,488**
Changes in inventories		-34,196	-41,605
Changes in current receivables		-26,609	-50,625
Changes in current liabilities		10,802	6,894
Total changes in working capital		**-50,003**	**-85,336**
Cash flow from operating activities		**-119,127**	**-127,824**
Cash flow from investing activities			
Shareholder contributions to group companies		-647	-1,675
Long term trade receivables		—	-6,677
Acquisitions of tangible and intangible assets		-11,895	-18,238
Sale of tangible and intangible fixed assets		132	—
Cash flow from investing activities		**-12,410**	**-26,590**
Cash flow from financing activities		**—**	**—**
Decrease/increase of Cash and bank balances		**-131,537**	**-154,414**
Exchange rate differences in Cash and bank balances		6,622	17,522
Opening Cash and bank balances		192,893	329,785
Closing Cash and bank balances		**67,978**	**192,893**

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:

	2023	2022
Hardware	92,267	83,034
Services	65,499	57,133
Royalty fees	18,993	15,182
Project according to Percentage of Completion	133,528	88,489
Total	**310,287**	**243,838**

Net sales per geographical market:	**2023**	2022
Sweden	6,111	2,694
Germany	55,876	92,176
UK	83,694	30,267
Netherlands	12,697	44,874
US	38,514	42,366
Norway	93,687	3,724
Other	19,708	27,737
Total	**310,287**	**243,838**

The Parent Company has for 2023 two external customers, which share of total revenues exceed 10% individually. Revenue for each customer is approximately KSEK 91,581 respective KSEK 62,736.

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.

Note 3 Costs by nature

	2023	2022
Raw materials and consumables	186,274	131,661
Other external costs	116,862	80,534
Personnel costs	108,241	96,234
Depreciation of tangible assets	13,077	10,301
Depreciation of intangible assets	2,434	1,762
Other operating costs	24,911	18,803
Total	**451,799**	**339,295**

Not 4 Other operating income

	2023	2022
Contributions attributable to the financing of projects and government grants	30,607	4,975
Exchange rate differences	23,908	16,410
Profit on disposal of fixed assets	132	—
Other items	340	471
Total	**54,987**	**21,856**

Note 5 Other operating costs

	2023	2022
Exchange rate differences	24,911	18,803
Total	**24,911**	**18,803**

Note 6 Auditors' fees

	2023	2022
PricewaterhouseCoopers AB		
Audit assignment	905	623
Audit activities in addition to the audit assignment	207	160
Other services	408	63
Total	**1,520**	**846**

Note 7 Employee benefits, etc

	2023	2022
Salaries and other remuneration	84,530	69,186
Share-based benefits	5,286	7,559
Social security contributions	24,554	21,408
Pension costs – defined contribution plans	10,656	10,269
Total employee benefits	**125,026**	**108,422**

Salaries and other remuneration and social security contributions

	2023		2022	
	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	24,068 (3,089)	9,754 (4,158)	25,552 (2,768)	12,727 (4,698)
Other employees	65,748 (4,192)	25,456 (6,498)	51,193 (2,464)	18,950 (5,571)
Parent Company total	**89,816**	**35,210**	**76,745**	**31,677**

Average number of employees

	2023		2022	
	Average number	Of which men	Average number	Of which men
Parent Company total	**106**	**79**	**94**	**71**

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

	2023		2022	
	Average number	Of which men	Average number	Of which men
Directors	7	4	7	4
CEO and other senior executives	9	7	10	8
Parent Company total	**16**	**11**	**17**	**12**

Remuneration to senior executives

Remuneration to senior executives is	**2023**	2022
Salaries and other current remuneration	24,068	25,552
Pension costs	4,158	4,698
Total remuneration to senior executives	**28,226**	**30,250**

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

	2023	2022
Costs related to re-listing Nasdaq Stockholm	-6,057	—
Total	**-6,057**	**—**

Items affecting comparability refer to significant income or expense items that are reported separately due to the significance of their nature or amount. The transactions must not be close to the day-to-day operations.

Note 9 Tax on profit (loss) for the year

Tax recognized in the income statement	**2023**	2022
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:

	2023	2022
Profit (loss) before tax	**-82,192**	**-56,786**
Income tax calculated according to the Swedish tax rate 20.6% (20.6%)	16,932	11,698
Tax effects from:		
Non-deductible costs	-1,682	-466
Losses carried-forward, for which no deferred tax asset is recognized	-15,250	-11,232
Changes in deferred tax	93	93
Income tax	**93**	**93**

Note 10 Participations in subsidiaries

	2023-12-31	2022-12-31
Opening cost	1,890	1,159
Formation of Powercell Norway AS	—	31
Shareholder contribution Powercell China LTD	647	—
Write-down of Powercell China LTD	-1,522	—
Shareholder contribution Powercell Deutschland GmbH	—	1,643
Write-down of Powercell Deutschland GmbH	—	-943
Closing carrying value	**1,015**	**1,890**

Name	Corp. Id. No	Domicile and country of registration and operations	Number of shares	**Carrying amount Dec 31, 2023**	Carrying amount Dec 31, 2022
Powercell Deutschland GmbH	HBR 28770	Frankfurt am Main	—	934	934
Powercell Warrants One AB	559110-7437	Göteborg	50,000	50	50
Powercell China LTD	91310115MA 1K4F2020	Shanghai	—	—	875
Powercell Norway AS	928,054,470	Oslo	30,000	31	31

Note 11 Property, plant and equipment

	Machinery and other technical facilities	Equipment, tools, fixtures and fittings	Total
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**
Financial year 2023			
Opening carrying value	31,066	3,748	34,814
Purchases	9,135	2,503	11,638
Sales and disposals	-446	-171	-617
Depreciation	-11,107	-1,353	-12,460
Closing carrying value	**28,648**	**4,727**	**33,375**
At December 31, 2023			
Cost	116,074	11,015	127,089
Accumulated depreciation	-87,426	-6,287	-93,713
Carrying value	**28,648**	**4,728**	**33,376**

Depreciation of KSEK 12,460 (KSEK 10,301) 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 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**
Financial year 2023		
Opening carrying value	8,173	8,173
Purchase	257	257
Depreciation	–2,434	–2,434
Closing carrying value	**5,996**	**5,996**
At December 31, 2023		
Cost	11,805	11,805
Accumulated depreciation	–5,809	–5,809
Carrying value	**5,996**	**5,996**

Depreciation of KSEK 2,434 (KSEK 1,762) 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 449,039 on December 31, 2023 (December 31, 2022: KSEK 375,013). The losses carried-forward do not fall due at any point in time.

Note 14 Cash and bank

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

	Dec 31, 2023	Dec 31, 2022
Bank deposits	67,978	192,893
Total	**67,978**	**192,893**

Note 15 Trade receivables

	Dec 31, 2023	Dec 31, 2022
Trade receivables	72,013	66,695
Trade receivables – net	**72,013**	**66,695**

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

	Dec 31, 2023	Dec 31, 2022
SEK	913	212
EUR	62,735	60,245
GBP	2,251	2,408
USD	6,114	3,830
Total	**72,013**	**66,695**

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, 2023	Dec 31, 2022
Raw materials and consumables	100,683	54,489
Products in progress	15,382	20,233
Inventories of finished goods	920	763
Total	**116,985**	**75,485**

The cost of inventories recognized is included in the item Cost of goods sold in the income statement and amounts to KSEK 186,275 (KSEK 131,661).

Note 17 Other current receivables

	Dec 31, 2023	Dec 31, 2022
Tax account	3,538	22
Prepayment suppliers	2,871	3,960
VAT receivable	4,643	2,610
Other	864	504
Total	**11,916**	**7,096**

Note 18 Prepaid costs and accrued income

	Dec 31, 2023	Dec 31, 2022
Prepaid rent	1,576	1,885
Accrued income, on-going grant projects	12,313	5,510
Other prepaid costs	3,079	2,843
Other accrued income	547	8,981
Total	**17,515**	**19,219**

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, 2023	Dec 31, 2022
Contractual assets	46,580	23,030
Contractual liabilities	–1,789	–15,222
Total	**44,791**	**7,808**

Contractual liabilities consist entirely of payments in advances from customers and these have decreased by 88%. The reduction is mainly due to the fact that the projects have progressed further, and that the projects have come closer to final delivery. Contractual assets have increased by 102% and refer to projects that are reported in accordance with the principles for revenue recognition and where the Group has a conditional right to payment and these have increased in number and size , see Note 2 and 4.

Remaining unfulfilled agreements
The total amount of the transaction price allocated to agreements that are unfulfilled or partly unfulfilled as of December 31, 2023 is KSEK 132,149. Of these, management makes the assessment that 84% will be fulfilled during the next year. Of the contractual liabilities at December 31, 2022 has 100% been fulfilled during 2023.

Note 21 Accrued expenses and deferred income

	Dec 31, 2023	Dec 31, 2022
Accrued vacation pay liability	7,591	6,731
Accrued social costs	6,163	6,101
Accrued salaries	11,604	8,880
Other prepaid income	12,606	6,463
Other items	3,383	6,213
Total	**41,348**	**34,388**

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 9,514 (KSEK 8,853) regarding the lease of machinery, cars and rented premises is included in the income statement for the financial year 2023.

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

	2023	2022
Within 1 year	6,595	7,325
Between 1 and 5 years	21,470	20,214
Later than 5 years	—	3,857
Total	**28,065**	**31,396**

Note 23 Provisions

	Dec 31, 2023	Dec 31, 2022
Warranty provisions	3,571	3,146
Total short term provisions	**3,571**	**3,146**

The warranty provision includes the estimated costs related to repairing any defective products within the warranty period. The warranty period is usually 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 18, 2023, PowerCell Sweden AB (publ) is listed on Nasdaq Stockholm. Principal shareholder at December 31, 2023 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:

	2023	2022
(a) Sales of goods / services		
Powercell China LTD	—	1,926
Total	**—**	**1,926**
(b) Purchase of goods / services		
Powercell Norway AS	2,179	1,345
Powercell Deutschland GmbH	2,787	2,242
Total	**4,966**	**3,587**

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

	Dec 31, 2023	Dec 31, 2022
Receivables from related parties:		
Powercell Warrants One AB	438	438
Powercell Norway AS	—	265
Powercell China LTD	—	3,606
Total	**438**	**4,309**

	Dec 31, 2023	Dec 31, 2022
Liabilities to related parties:		
Powercell Norway AS	241	235
Powercell Deutschland GmbH	393	185
Total	**634**	**420**

Note 27 Changes in liabilities attributable to financing activities

	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**

	Jan 1, 2023	Cash inflow	Cash outflow	Non-cash items	**Dec 31, 2023**
The Swedish Energy Agency	30,000	—	—	—	30,000
Total	**30,000**	**—**	**—**	**—**	**30,000**

Note 28 Adjustments for non-cash items

	Dec 31, 2023	Dec 31, 2022
Depreciation	15,511	12,063
Warranty provision	425	1,109
Allocation of grant-aided projects	—	5,398
Share-based benefits	5,286	7,559
Inventory obsolescence	-7,305	4,020
Other	-132	—
Total	**13,785**	**30,149**

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	-218,285,433
Profit (loss) for the year	-82,098,804
SEK	**255,122,440**

The Board proposes that the profit is allocated to be carried forward	255,122,440
SEK	**255,122,440**

Note 31 Contingent liabilities and pledged collateral

The company has no contingent liabilities.

	Dec 31, 2023	Dec 31, 2022
Pledged collateral		
Blocked bank funds	3,967	—
Total	**3,967**	**—**

Sustainability notes

Note 1 Assumptions and data sources for calculating our climate impact

PowerCell's climate footprint has been calculated in accordance with the GHG protocol. Data sources and assumptions used in the calculations are reported below. The consolidation method we used in the climate calculations is operational control and a market-based method for scope 2. The GWP values are applied according to the IPCC's Fifth Assessment Report, 2014 (AR5).

Scope 1: Climate footprint from **vehicles** has been calculated based on type of vehicle and number of registered km for vehicles in PowerCell's vehicle fleet. The climate footprint from **refrigerants** has been calculated based on the amount of refrigerant refilled during the year. Scope 1 also includes emissions of carbon dioxide from lab processes.

Scope 2: Climate footprint has been based on purchased quantities of kWh electricity and district heating. For **district heating**, the grid-specific emission factor from Göteborg Energi has been used. For **electricity**, origin-specific emission values have been used for renewable electricity. Scope 2 also includes the climate footprint from the electricity consumed from driving electric and hybrid vehicles in PowerCell's vehicle fleet. As the origin of this electricity is unknown, the emission factor for the Nordic residual mix has been used from the The Swedish Energy Markets Inspectorate.

Scope 3: Climate footprint from **waste** has been calculated based on registered waste quantities from the waste contractor. **Business trips** have been based on first-hand data from travel agencies. Regarding business trips by air, the carbon dioxide emissions have been calculated by a factor of 1.9 to take into account emissions of particles, NOX and water vapor that occur at high altitude, the so-called "high altitude effect". The figure 1.9 has been developed by researchers at Chalmers and is stated by, among others, the Swedish Environmental Protection Agency and the Swedish Transport Agency.

Upstream and downstream logistics have been calculated based on first-hand data from PowerCell's freight suppliers in cases where PowerCell has ordered the freight. In cases where PowerCell has not ordered the freight itself, the data has been estimated using extrapolation from PowerCell's suppliers' first-hand data and the number of registered deliveries during the year. For downstream logistics where customers themselves were responsible for the shipping, emissions have been calculated based on tonne kilometers and shipping method. Climate footprint for **purchased goods and services** has been calculated by sorting all suppliers based on purchase value. Suppliers accounting for 0–80% and 81–90% of the total purchase value have been categorized based on the type of product or service purchased. For the suppliers who account for the top 80% of the purchase value of goods, we have been contacted to request first-hand data. For suppliers who were able to provide good first-hand data, this has been used. Secondly, data from internal life cycle analysis performed by RISE on PowerCell's PS-100 system has been used, and in other cases standard values based on purchase category and purchase value have been used. All service providers have been calculated based on standard values. The last 10% of the purchase value has been calculated by extrapolation. Climate footprint for **capital goods** has been calculated by categorizing all purchases of capital goods based on type of goods and the majority of suppliers have been contacted to obtain first-hand data. In cases where this did not exist, standard values have been used based on purchase value. Employees' commuting has been calculated based on a travel habits survey that went out to all employees in January 2024. Climate footprint from the **use of sold goods** has been calculated with the following assumptions: Lifespan and fuel consumption in accordance with product data sheets. Customers have been contacted to ask how the hydrogen they use was produced. Emission factors for the production of hydrogen gas and ammonia have been obtained from the IEA's report "Towards hydrogen definitions based on their emissions intensity". Emission factor for fossil-based methanol without CCS is obtained from the Methanol institute (Well-to-Tank carbon footprint of methanol). Emission factor for direct emissions when using reformed methanol is obtained from the manufacturer of the methanol reformer. **Treatment of sold products at the end of their useful life** has been calculated based on data from an internal life cycle analysis carried out by RISE on PowerCell's PS-100 system. The life-cycle emissions from fuel, electricity and district heating that are not included in scope 1 or 2 are reported in the category **fuel and energy-related activities.**

Note 2 Assumptions and data sources for calculating energy consumption

The following assumptions have been used when calculating PowerCell's energy consumption: Diesel consumption company cars: 0.52 l per 10 km, petrol consumption company cars 0.54 l per 10 km (standard value from the Swedish Environmental Protection Agency), petrol consumption plug-in hybrids 0.08 l per km (Volvo V60 PHEV). Fuel consumption has been calculated based on travel bills, type of vehicle and number of registered km for vehicles in PowerCell's vehicle fleet. Energy amount per liter of diesel/gasoline 38.6 MJ / 34.2 MJ. Energy amount per kg of hydrogen gas 120 MJ. Electricity and heat calculated based on first-hand data from the electricity and district heating supplier. Hydrogen consumption calculated based on deliveries from PowerCell's hydrogen supplier.

Note 3 Assumptions for calculation of distribution of origin on purchased goods and services

Distribution of origin of purchased goods and services has been calculated based on the location of the head office for the suppliers who together account for 90% of the total purchase value of goods and services.

The Group's income statements and balance sheets will be presented to the AGM on 25 April, 2024 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 27, 2024

Richard Berkling
CEO

Magnus Jonsson
Chairman of the Board

Nicolas Boutin
Board member

Helen Fasth Gillstedt
Board member

Uwe Hillmann
Board member

Riku-Pekka Hägg
Board member

Karin Ryttberg-Wallgren
Board member

Annette Malm Justad
Board member

Our Auditor's Report was submitted March 27, 2024
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 2023. The annual accounts and consolidated accounts of the company are included on pages 68-100 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 and the group as of 31 December 2023 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 2023 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 report on comprehensive income and balance sheet for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Overview

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates. We tailored the focus and scope of our audit, taking into account PowerCell Sweden AB (publ)'s group structure and internal control environment, so that we perform sufficient audit efforts to be able to issue an audit report on the annual report and the consolidated accounts as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter

Percentage of completion method

Revenue recognition and profit allocation occur in several customer projects over time according to the percentage of completion method, which is based on management's estimates and assessment of degree of completion, margin, risks and total remaining expenses. In cases where a project leads to a loss, the loss is reported as soon as it can be determined. Then reported revenues and results from projects that are reported according to successive profit settlement constitute significant items in both the profit and loss account and balance sheet for the group and based on the management's assessments it constitutes a significant area in our audit.

The degree of completion and the profit settlement are normally determined based on accrued expenses on the balance sheet date in relation to calculated total assignment expenses.

The risk in the financial reporting is that the reported income and profit statement do not represent PowerCell's fulfillment of its performance obligations in the contracts and that the actual total assignment expenses deviate from the expected outcome. This can lead to profit settlement being based on an incorrect margin. This, in turn, can lead to incorrect accruals of reported income and costs over the project's term.

Successive profit settlement of customer contracts affects, in addition to sales revenue and cost of goods sold, the balance sheet items contractual assets and contractual liabilities, accounts receivable, inventory, and, where applicable, provisions for loss contracts. Note 4 of the annual report describes the important estimates and judgments that the management needs to make in order to account for the projects that are reported according to the percentage of completion method. The accounting principles are described in more detail in note 2.4.

How our audit addressed the Key Audit Matter
Our audit has, among others, encompassed the following audit procedures:
- We have made a selection of projects where we have carried out substantive reviews. The selection is based on quantitative or qualitative factors where we selected customer contracts that are quantitatively significant based on contract value, revenue, profit settlement or the extent of risks in remaining processing.
- For selected customer contracts we have then created an understanding of the projects by, among other things, taking part in contract clauses, project plans, analyzes of the degree of completion, and forecasts of remaining costs and estimated margin.
- We have obtained information from the management to assess the status of the project implementation and the impact on the financial reporting. This includes total contract value, degree of completion, accruals and assessment of remaining costs and margin.
- We have reconciled management's assessments against underlying documentation and compared these with management's assessments from previous periods.
- We have reconciled financial information between different reports and systems and made control calculations.
- We have reviewed whether the accounting took place according to PowerCell's accounting principles with consistent application between different contracts.
- We have also reviewed the information provided in the financial reports.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–67 and 105–112. The other information also consists of the 2023 Remuneration Report that we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this 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 Director's and the Managing Director
The Board of Directors and the Managing Director are 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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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
The auditor's review of the administration and of the proposal regarding the disposition of the Company's profit or loss
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of PowerCell Sweden AB (publ) for the year 2023 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 Director's 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 Director's 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' 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 website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Auditor's review of the ESEF report

Opinion
In addition to our audit of the annual accounts and consolidated accounts, We have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for PowerCell Sweden AB (publ) for the financial year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion
We have performed the review in accordance with FAR's recommendation RevR 18 Auditor's review of the ESEF report. Our responsibilities in accordance with this recommendation are further described in the Auditors' Responsibilities section. We are independent in relation to PowerCell Sweden AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Director's and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

Öhrlings PricewaterhouseCoopers AB, was appointed auditor of PowerCell Sweden AB (publ) by the general meeting of the shareholders on the 19th of April 2023 and has been the company's auditor since the company was established in 2008. PowerCell Sweden AB (publ) has been listed on the regulated market since December 2023.

Gothenburg, 27 March 2024
Öhrlings PricewaterhouseCoopers AB

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 2023–31 December 2023
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	51–52			
2-2 Entities included in the organization's sustainability reporting	51			
2-3 Reporting period, frequency and contact point	51			
2-4 Restatements of information	51			
2-5 External assurance	51			
2-6 Activities, value chain and other business relationships	47			
2-7 Employees	41			
2-8 Workers who are not employees	41			
2-9 Governance structure and composition	46, 58–62			
2-10 Nomination and selection of the highest governance body	58–59			
2-11 Chair of the highest governance body	64			
2-12 Role of the highest governance body in overseeing the management of impacts	46			
2-13 Delegation of responsibility for managing impacts	46			
2-14 Role of the highest governance body in sustainability reporting	46, 48			
2-15 Conflicts of interest	58–62			
2-16 Communication of critical concerns	46			
2-17 Collective knowledge of the highest governance body	46			
2-18 Evaluation of the performance of the highest governance body	58–62			
2-19 Remuneration policies	35, 60–61, 81–82			
2-20 Process to determine remuneration	60–61	Part B	N/A	No data available
2-21 Annual total compensation ratio	81			
2-22 Statement on sustainable development strategy	4–27			
2-23 Policy commitments	46			
2-24 Embedding policy commitments	46			
2-25 Processes to remediate negative impacts	46, 50, 52–55			
2-26 Mechanisms for seeking advice and raising concerns	46			
2-27 Compliance with laws and regulations	34, 38–39, 46			
2-28 Membership associations	44			
2-29 Approach to stakeholder engagement	50			
2-30 Collective bargaining agreements	40–41			

Material topics

GRI STANDARD	LOCATION Page reference	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 3: Material Topics 2021				
3-1 Process to determine material topics	48			
3-2 List of material topics	48			
Robust and reliable products				
GRI 3: Material Topics 2021				
3-3 Management of material topics	38, 46, 50, 55			
GRI 416: Customer Health and Safety 2016				
416-1 Assessment of the health and safety impacts of product and service categories	38			
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	38			
GRI 417: Marketing and Labeling 2016				
417-1 Requirements for product and service information and labeling	38			
417-2 Incidents of non-compliance concerning product and service information and labeling	38			
417-3 Incidents of non-compliance concerning marketing communications	38			
Lower emissions from PowerCell's operations				
GRI 3: Material Topics 2021				
3-3 Management of material topics	34–37, 50, 52–53			
GRI 301: Materials 2016				
301-1 Materials used by weight or volume	36			
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 2023.
GRI 302: Energy 2016				
302-1 Energy consumption within the organization	36			
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	36			
302-4 Reduction of energy consumption	36			
302-5 Reductions in energy requirements of products and services	34, 36, 100			
GRI 303: Water and Effluents 2018				
303-1 Interactions with water as a shared resource	34, 53			
303-2 Management of water discharge-related impacts	34, 53			
303-3 Water withdrawal	36			
303-4 Water discharge	36			
303-5 Water consumption	36			

GRI STANDARD	LOCATION Page reference	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 305: Emissions 2016				
305-1 Direct (Scope 1) GHG emissions	35, 100			
305-2 Energy indirect (Scope 2) GHG emissions	35, 100			
305-3 Other indirect (Scope 3) GHG emissions	35, 100			
305-4 GHG emissions intensity	35, 100			
305-5 Reduction of GHG emissions	35, 100			
305-6 Emissions of ozone-depleting substances (ODS)	34			
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	34			
Responsible sourcing				
GRI 204: Procurement Practices 2016				
204-1 Proportion of spending on local suppliers	47			
GRI 205: Anti-corruption 2016				
205-1 Operations assessed with respect to risks related to corruption	42, 55	Part a	Information unavailable	Data has not been collected during 2023
205-2 Communication and education about anti-corruption policies and procedures	43	Part c–e	Information unavailable	Data has not been collected during 2023
205-3 Confirmed incidents of corruption and actions taken	43			
GRI 407: Freedom of association and collective bargaining 2016				
407-1 Businesses and suppliers where the right to freedom of association and collective bargaining may be at risk	42, 54			
GRI 408: Child labor 2016				
408-1 Businesses and suppliers with a significant risk of child labor incidents	42, 52, 54			
GRI 409: Forced labor or forced labor in 2016				
409-1 Businesses and suppliers with a significant risk of incidents of forced labor or forced labor	42, 52, 54			
GRI 308: Supplier Environmental assessment				
308-1 New suppliers screened with environmental criteria	42	Part a	Information unavailable	Data has not been collected during 2023
308-2 Negative environmental impact in the supply chain and measures taken	37, 35, 42, 52	Part a–b, d–e	Information unavailable	Data has not been collected during 2023
Safe, stimulating workplaces				
GRI 3: Material Topics 2021				
3-3 Management of material topics	39–41, 46, 50, 53–55			
GRI 401: Employment 2016				
401-1 New employee hires and employee turnover	40			
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	40			
401-3 Parental leave	41			
GRI 403: Occupational Health and Safety 2018				
403-1 Occupational health and safety management system	38–40			
403-2 Hazard identification, risk assessment, and incident investigation	39–40, 46, 53			
403-3 Occupational health services	39			
403-4 Worker participation, consultation, and communication on occupational health and safety	39–40			
403-5 Worker training on occupational health and safety	39			
403-6 Promotion of worker health	39–40			
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	39–40			
403-8 Workers covered by an occupational health and safety management system	100%			
403-9 Work-related injuries	40			
403-10 Work-related ill health	40			

GRI STANDARD	LOCATION Page reference	REQUIREMENT(S) OMITTED	REASON	EXPLANATION
GRI 404: Training and education				
404-2 Programs to develop employee skills and transition programs	39	Part b	N/A	Not relevant in 2023
404-3 Percentage of employees who have regular evaluation and development meetings 29	41			
GRI 405: Diversity and equal opportunities 2016				
405-1 Diversity of governance bodies and employees	41			
405-2 Ratio of basic salary and remuneration of women to men	41			
GRI 406: Non-discrimination 2016				
406-1 Incidents of discrimination and corrective actions taken	40			

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	44			
201-2Economic consequences and other risks and opportunities as a result of climate change	52	Part a iii & v	N/A	Data not available
201-3 Defined benefit plan and other pension plan obligations	77–78			
GRI 206: Anti-competitive Behavior 2016				
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	43			
GRI 207: Tax 2019				
207-1 Approach to tax	43, 50			
207-2 Tax governance, control, and risk management	55			
207-3 Stakeholder engagement and management of concerns related to tax	50			
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	53			
GRI 306: Waste 2020				
306-1 Waste generation and significant waste-related impacts	36, 53			
306-2 Management of significant waste-related impacts	34, 53			
306-3 Waste generated	36			
306-4 Waste diverted from disposal	36			
306-5 Waste directed to disposal	36			
GRI 413: Local Communities 2016				
413-1 Operations with local community engagement, impact assessments, and development programs	43, 50			
413-2 Operations with significant actual and potential negative impacts on local communities	54–55			
GRI 415: Public Policy 2016				
415-1 Political contributions	43			
GRI 418: Customer Privacy 2016				
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	43			

Shareholder information

Financial calendar

25 April 2024	Interim report first quarter
25 April 2024	Annual General Meeting
18 July 2024	Interim report second quarter
17 October 2024	Interim report third quarter
13 February 2025	Interim report fourth quarter and full year 2024

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Information to the shareholder

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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