

Press release
April 30, 2009
Page 1 (2)

Qualified Audit Report – Morphic Reports Former Directors to Police

After examining the year-end financial statement for the financial year 2008 the auditor of Morphic Technologies AB has today submitted a qualified audit report. The auditor recommends that the company's former Chairman, Peter Enå, and the former Director Kurt Dahlberg are not to be released from liability at the company's Annual General Meeting on May 27, 2009. Following the discoveries, the company will today report the two former Directors to the police for further investigation.

"Morphic's Board of Directors and management take a very serious view of what has occurred and will report the discoveries to the Swedish Economic Crime Authority for further investigation. The persons concerned no longer work for the company. Our internal controls and audit activities have proved effective," Martin Valfridsson, President and CEO of Morphic Technologies AB, says

In the course of the audit for the financial year 2008 discoveries have been made which suggest that invoices issued to Morphic Technologies AB (publ) ("Morphic") by a company called Sky Raider AB do not accurately reflect actual business events. Sky Raider is controlled by Dan Borgström, who is also the founder of Aerodyn AB, a wholly owned Morphic subsidiary. The invoices total about SEK 1m and were settled by Morphic at the request of the then Chairman, Peter Enå. According to Peter Enå, the basis for the invoices was that he, on behalf of Morphic but without the knowledge of the CEO, had purchased consulting services from Sky Raider to an extent that justified the fees charged. However, Morphic has subsequently not found any basis for consulting assignments performed by Sky Raider that would justify the fees.

It has also emerged that in March 2009 Kurt Dahlberg signed an agreement on behalf of Morphic under which Dan Borgström became an employee of Morphic retroactively with effect from October 1, 2008. However, Morphic's former CEO, Jonas Eklind, has stated that Dan Borgström was not an employee of Morphic when Eklind left Morphic on October 28, 2008.

An internal control relating to Morphic's Italian subsidiary, Exergy Fuel Cells, has furthermore revealed accounting vouchers showing that Exergy Fuel Cells has paid out about SEK 3m to a Greek company that Morphic's Board has on several occasions declined to acquire but in which several executives of Morphic's foreign subsidiaries and related parties to Morphic's and Sky Raider's owners are shareholders. Information provided to Morphic's auditor suggests that the relationship between the two companies was initiated by Kurt Dahlberg.

In view of the above and other discoveries made in the course of the work on the year-end financial statement, Morphic's auditor has today submitted a qualified audit report which recommends that Peter Enå and Kurt Dahlberg, who both had strong positions

Press release
April 30, 2009
Page 2 (2)

and operative roles in Morphic, are not be released from liability at the AGM on May 27, 2009.

Morphic has previously announced that Peter Enå and Kurt Dahlberg have left their duties in Morphic, with the exception of their personal assignments as members of Morphic's Nominating Committee for the 2009 AGM.

"The Board has not been able to work effectively and has been affected by turbulence and differing opinions on the management and future orientation of the company. However, there is now good order in the company and understanding between the Board and operational management," Peter Ekenger, Acting Board Chairman, says.

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This is Morphic

Morphic is a Swedish engineering group operating in the areas of fuels cells and wind power. The Group has about 200 employees and conducts operations in six countries – Sweden, Norway, Japan, Greece, Italy and Switzerland. Morphic Technologies' B shares have been listed on the OMX Nordic Exchange since March 4, 2008, and the number of shareholders is about 30,500.