

# **Ballard Power Systems Europe A/S**

CVR No. 30 80 49 96

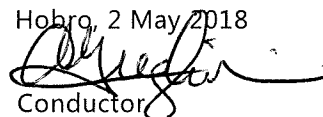
Majsmarken 1

9500 Hobro

## **Annual Report 2017**

Approved at Annual General Meeting

Hobro, 2 May 2018

A handwritten signature in black ink, appearing to read 'P. Nielsen', is written over the word 'Conductor'.

Conductor

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## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ballard Power Systems Europe A/S for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's activities for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

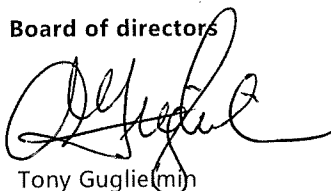
Hobro, 2 May 2018

### Executive Board



Jesper Thomsen  
Managing director

### Board of directors



Tony Guglielmin  
Chairman



Kevin Michael Colbow



Jesper Thomsen

## Independent auditor's report

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### Independent auditor's report

To the shareholder of Ballard Power Systems Europe A/S

#### Opinion

We have audited the financial statements of Ballard Power Systems Europe A/S for the financial year 1 January – 31 December 2017, comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Independent auditor's report

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Independent auditor's report

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### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Aalborg, 2 May 2018

### KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Steffen S. Hansen

State Authorized Public Accountant

MFE-nr. 32737

## Company information

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### Company details

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Ballard Power Systems Europe A/S  
Majsmarken 1  
DK- 9500 Hobro  
Telephone no: 88 43 55 00  
Residence: Mariagerfjord kommune - Denmark  
www.ballard.com  
E-mail: contact@ballardeurope.com  
CVR-no 30 80 49 96  
Financial year: 1 January – 31 December  
Established: August 20, 2007

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### Board of Directors

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Tony Guglielmin (chairman)  
Kevin Michael Colbow  
Jesper Themsen

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### Executive Board

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Managing director Jesper Themsen

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### Auditors

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KPMG  
Statsautoriseret Revisionspartnerselskab  
Østre Havnegade 18, 9000 Aalborg  
CVR-no. 25578198

## Management's review

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### Principal activities

Ballard Power Systems Europe A/S is engaged in the development, sale and production of fuel cell technology systems.

### Development in the Company's activities and financial position

For several years, Ballard Power Systems Europe has been devoting considerable resources to the development of commercial products based on the fuel cell technology. The development has continued in 2017.

Turnover has been lower than expected. The achieved level of turnover and profit for the year is below management's expectations.

At the end of 2017 the Company has lost its equity.

The Company's income statement for the year ended 31 December 2017 shows a net loss of t.DKK 12.155 and the balance sheet at 31 December 2017 shows negative equity of t.DKK 66.176.

The net loss in 2017 is positive affected by debt forgiveness of t.DKK 3.669 as part of joint agreement between former shareholder Dansk Industri Invest under Konkursbehandling and Ballard Power Systems Inc. The amount is recognized as financial income in the financial statements.

The development activities have in 2017 matured in line with the expectations.

The shareholder, Ballard Power Systems Inc. has committed to support with the needed cash, which according to Management will suffice to carry through operations in 2018. It is Management's opinion that the shareholder has the requirements of cash available to finance this commitment.

The annual report is therefore presented based on the going Concern status of the Company.



## Income statement

Note		2017 t.DKK	2016 t.DKK
	<b>Gross profit</b>	<b>6.126</b>	<b>7.748</b>
1	Staff costs	-22.756	-21.126
	<b>Loss before depreciation</b>	<b>-16.630</b>	<b>-13.378</b>
	Depreciation on leasehold, plant and equipment and amortisation of intangible assets	-174	-121
	<b>Operating loss</b>	<b>-16.804</b>	<b>-13.499</b>
	Financial income	4.188	181
2	Financial expenses	-4.964	-3.432
	<b>Loss before tax</b>	<b>-17.580</b>	<b>-16.750</b>
	Tax on loss for the year	5.425	5.500
	<b>Loss for the year</b>	<b>-12.155</b>	<b>-11.250</b>
	<b>Distribution of loss</b>		
	Balance as 01.01.17	-59.226	-47.976
	Loss for the year	-12.155	-11.250
	<b>Loss available for distribution at the general meeting</b>	<b>-71.381</b>	<b>-59.226</b>
	Proposed distribution of loss		
	Retained earnings	-71.381	-59.226
	<b>Total</b>	<b>-71.381</b>	<b>-59.226</b>

## Balance sheet

ASSETS			
Note		31.12.17 t.DKK	31.12.16 t.DKK
	Contractual and other legal rights	158	208
	<b>Total intangible assets</b>	<b>158</b>	<b>208</b>
	Leasehold improvements	7	73
	Plant and machinery	182	231
	Fixtures and fittings, tools and equipment	17	27
	<b>Total leasehold, plant and equipment</b>	<b>206</b>	<b>331</b>
	Securities and equity investments	31	39
	<b>Total financial assets</b>	<b>31</b>	<b>39</b>
	<b>Total non-current assets</b>	<b>395</b>	<b>578</b>
	Raw materials and consumables	3.200	3.908
	Work in progress	209	155
	Finished goods and goods for resale	3.528	531
	<b>Inventories</b>	<b>6.937</b>	<b>4.594</b>
	Trade receivables	3.404	5.232
	Receivables from group entities	1.456	1.948
	Tax receivable	5.425	5.500
	Other receivables	7.934	8.759
	Prepayments	219	307
	<b>Total receivables</b>	<b>18.438</b>	<b>21.746</b>
	<b>Cash at bank and in hand</b>	<b>2.985</b>	<b>6.666</b>
	<b>Total current assets</b>	<b>28.360</b>	<b>33.006</b>
	<b>TOTAL ASSETS</b>	<b>28.755</b>	<b>33.584</b>

## Balance sheet

EQUITY AND LIABILITIES		31.12.17	31.12.16
Note		t.DKK	t.DKK
	Contributed capital	5.205	5.205
	Retained earnings	-71.381	-59.226
3	<b>Total equity</b>	<b>-66.176</b>	<b>-54.021</b>
	Other provisions	467	292
	<b>Total provisions</b>	<b>467</b>	<b>292</b>
	Payables to group entities	83.375	68.520
	Other payables	0	3.669
	<b>Non-current liabilities</b>	<b>83.375</b>	<b>72.189</b>
	Prepayments received from customers	126	332
	Trade payables	1.888	3.244
	Payables to group entities	1.366	508
	Other payables	5.710	7.650
	Deferred income	1.999	3.390
	<b>Current liabilities other than provisions</b>	<b>11.089</b>	<b>15.124</b>
	<b>Total liabilities other than provisions</b>	<b>94.464</b>	<b>87.313</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>28.755</b>	<b>33.584</b>
4	Contractual obligations		
5	Contingent liabilities		
6	Related parties		
7	Accounting policies		

## Notes

	2017 t.DKK	2016 t.DKK	
<b>1. Staff costs</b>			
Wages and salaries	19.994	18.180	
Pensions	2.072	2.070	
Other social security costs	690	876	
Total	22.756	21.126	
Average number of employees	36	37	
<b>2. Financial expenses</b>			
Interest expense to related companies	4.155	3.257	
Other financial expenses	809	176	
Total	4.964	3.432	
<b>3. Equity</b>			
	Contributed capital	Retained earnings	Total 31.12.17
Amounts in t.DKK			
Balance as at 01.01.17	5.205	-59.226	-54.021
Net result for the year	0	-12.155	-12.155
Balance as at 31.12.17	5.205	-71.381	-66.176
Changes in share capital in the financial year and the previous five financial years:			
Share capital as of 01.01.13		5.204,9	
Capital increase 26.03.13		578	
Capital increase 27.11.13		0,1	
Capital decrease 17.06.15		-578	
Share capital as of 31.12.17		5.205	

## Notes

	2017 t.DKK	2016 t.DKK
<b>4. Contractual obligations</b>		
Non-financial lease payments:		
Within a year	437	584
2-5 years	577	217
Rental liabilities:		
Within a year	357	598
<b>Total</b>	<b>1.371</b>	<b>1.399</b>

## 5. Contingent liabilities

For some of the Company's development projects, funding has been obtained which is subject to ordinary repayment obligations.

## 6. Related parties

Ballard Power Systems Europe A/S is part of the consolidated financial statements for Ballard Power Systems Inc., Burnaby, Canada. The consolidated financial statements can be obtained by contacting the Company or the following website: [www.ballard.com](http://www.ballard.com)

### *Related party transactions*

The Company has chosen only to disclose transactions that are not carried out on an arm's length basis in accordance with section 98c(7) of the Danish Financial Statements Act.

## 7. Accounting policies

The annual report for 2017 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

### **FOREIGN CURRENCY TRANSLATION**

The annual report is presented in Danish kroner.

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the day of payment are recognized in the income statement as financial income or financial expenses. Receivables, payables and other monetary items denominated in foreign currencies are translated at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date of which the receivable or payable arose or was recognized in the latest financial statements is recognized in the income statement as financial income or financial expenses.

### INCOME STATEMENT

#### Revenue

Income from the sale of goods and services is recognised in the income statement when delivery and the passing of the risk have taken place, and the income may be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are deducted from revenue.

#### Government Grants

The Company receives grants for certain research and development projects. Government grants are recognized at the time where the final and binding right to it has been obtained and that the conditions associated with the grant will be met. Government grants related to costs incurred are offset against costs as they are incurred.

#### Other external costs

Other operating costs are comprised by costs related to distribution, sales, advertising, administration, lease expenses, loss on debtors etc.

#### Gross profit

In accordance with section 32 of the Danish Financial Statement Act, revenue, government grants and other external costs are comprised into the financial statement caption gross profit.

#### Staff costs

Staff costs comprise salaries and wages, including holiday allowance, pension and other social security costs, etc. to the Company's employees excluding refunds from public authorities.

#### Depreciation and amortization

Depreciation of intangible assets and leasehold, plant and equipment aim at complete write-offs over the expected useful lives of the assets. The useful life and residual value are reassessed annually and the effect on depreciation is recognised prospectively. For the Company, useful life is applied as follows:

Contractual and other legal rights	3 - 5 years
Leasehold improvements	5 years
Plant and machinery	5 - 8 years
Other fixtures and fittings, tools and equipment	3 - 5 years

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**Financial income and expenses**

Interest receivable and similar income and interest payable and similar expenses, translation adjustments as well as realised and unrealised capital gains and losses are recognised under financial income and expenses.

**Tax on profit/loss for the year**

The current and deferred taxation for the period is recognised in the income statement as taxes for the year with the portion attributable to the net profit or loss for the year, and directly against equity with the portion attributable to amounts recognised directly against equity.

Current tax payable and receivable is recognized in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax liabilities and deferred tax assets are fully recognised in the balance sheet of all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets are recognised, following an assessment, at expected realisable value through a set-off against deferred tax liabilities or against tax on future earnings.

**BALANCE SHEET**

**Intangible assets**

Contractual and other legal rights are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining life of the patent, and licences are amortised over the contract period, however, not exceeding 5 years.

Development projects that are clearly defined and identifiable, where the technical durability, sufficient resources and a potential future market can be identified, and it is the intention to produce, introduce or use the project, are recognised as intangible assets, if the cost price can be identified, and there is sufficient evidence, that the future profit can cover the production-, sales- and administration costs, and the development cost. Other development costs are recognized in the income statement, as the costs occur.

**Leasehold, plant and equipment**

Leasehold, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognized in cost.

Where individual components of an item of leasehold, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

## Notes

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Gains and losses on disposal of leasehold, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognized in the income statement as other operating income or other operating costs, respectively.

### **Leases**

Payments in connection with operational lease and other rental agreements are recognized in the income statement according to the period of the contract. The Company's total liability related to the operational lease- and rental agreements are reported as contingent liability.

### **Securities and equity investments**

Securities and equity investments recognized as financial assets comprise unlisted shares that Management considers investment securities. The equity investments are measured at cost.

### **Impairment of fixed assets**

The carrying amount of intangible assets and leasehold, plant and equipment as well as equity investments is subject to an annual test for indicators of impairment other than the decrease in value reflected by depreciation or amortization.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

### **Inventories**

Inventories are recognised at the lower of cost according to the FIFO principle and net realisable value.

Manufactured goods and work in progress are recognised at cost, comprising the amount of direct and indirect costs.

### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined on the basis of an assessment of the individual receivables

### **Prepayments**

Prepayments comprise prepayment of costs incurred relating to subsequent financial years.

### **Cash at bank and in hand**

Cash at bank and in hand include cash deposits.



## Notes

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### Equity

The proposed dividend for the financial year is recognised as a special item under equity.

### Provisions

Other provision comprises expected costs for warranties liabilities and is recognized when, as a result of past events, the Company has a legal or constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. The provisions are measured at estimated fair value.

### Liabilities

Financial liabilities are recognized at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognized in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost, which usually corresponds to the nominal value.

### Deferred income

Deferred income recognized as liabilities includes received payments related to income in subsequent years.