

Ballard Power Systems Europe A/S

CVR No. 30 80 49 96

Majsmarken 1

9500 Hobro

Annual Report 2016

Approved at Annual General Meeting

Hobro, 8 March 2017


Chairman

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The Company

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E-mail: contact@ballardeurope.com
CVR-no 30 80 49 96
Financial year: 1 January – 31 December

Board of directors

Tony Guglielmin (chairman)
Kevin Michael Colbow
Jesper Themsen

Management

Managing director Jesper Themsen

Auditors

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

Statement by Management and the Board of Directors

The Management and the Board of Directors have today discussed and approved the annual report of Ballard Power Systems Europe A/S for the financial year 1 January – 31 December 2016.

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 2016 and of the results of the Company's activities for the financial year 1 January – 31 December 2016.

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.

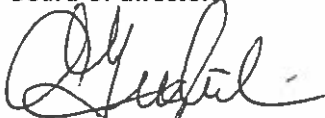
Hobro, 8 March 2017

Management

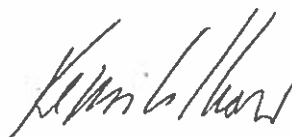


Jesper Thomsen
Managing director

Board of directors



Tony Guglielmin
Chairman



Kevin Michael Colbow



Jesper Thomsen

To the shareholders of Ballard Power Systems Europe A/S

Independent auditors' report on the financial statements

Opinion

We have audited the financial statements of Ballard Power Systems Europe A/S for the financial year 1 January – 31 December 2016, 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 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 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.

Managements 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.

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.

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, 8 March 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR-no. 25 57 81 98



Steffen S. Hansen

State authorized Public Accountant



Mikkel Trabjerg Knudsen

State authorized Public Accountant

Purpose and main 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 2016.

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 2016 the Company has lost its equity.

The Company's income statement for the year ended 31 December 2016 shows a net loss of t.DKK 11.250 and the balance sheet at 31 December 2016 shows equity of t.DKK -54.021.

The development activities have in 2016 matured in line with the expectations.

The major shareholder, Ballard Power Systems Inc. has committed to support with the needed cash, which according to Management will suffice to carry through operations in 2017. It is Management opinion that the major shareholder have the requirements of cash needed are available to finance this commitment.

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

Events occurring after the balance sheet date

On January 4th 2017 t.DKK 3.688 owned to associated companies (Dansk Industri Invest under konkursbehandling) have been fully forgiven as part of joint agreement where DII's shares was sold to Ballard Power Systems Inc.

Income statement

		2016 t DKK	2015 t DKK
	Gross profit	7.193	2.386
1	Staff costs	-20.571	-21.296
	Loss before depreciation	-13.378	-18.910
2	Depreciation/amortisation of leasehold, plant and equipment and intangible assets	-121	-2.986
	Operating loss	-13.499	-21.896
3	Financial income	181	151
4	Financial expenses	-3.432	-2.239
	Loss before tax	-16.750	-23.984
5	Tax on loss for the year	5.500	8.168
	Loss for the year	-11.250	-15.816
	Distribution of loss		
	Balance as 01.01.16	-48.554	-32.738
	Loss for the year	-11.250	-15.816
	Loss available for distribution at the general meeting	-59.804	-48.554
	Suggested distribution of loss		
	Retained earnings	-59.804	-48.554
	Total	-59.804	-48.554

ASSETS

Note		31.12.16 t.DKK	31.12.15 t.DKK
	Contractual and other legal rights	208	0
6	Total intangible assets	208	0
	Leasehold improvements	73	139
	Technical plant and machinery	231	1
	Other fixtures and fittings, tools and equipment	27	0
7	Total leasehold, plant and equipment	331	140
	Other financial assets	39	39
	Total financial assets	39	39
	Total non-current assets	578	179
	Raw materials and consumables	3.908	1.772
	Work in progress	155	1.211
	Finished goods and goods for resale	531	193
	Inventories	4.594	3.176
	Trade receivables	5.232	1.882
	Amounts owed by group Companies	1.948	967
	Other receivables	14.259	11.711
	Prepayments	307	418
	Total receivables	21.746	14.978
	Cash at bank and in hand	6.666	9.173
	Total current assets	33.006	27.327
	TOTAL ASSETS	33.584	27.506

EQUITY AND LIABILITIES			
Note		31.12.16 t DKK	31.12.15 t DKK
	Share capital	5.205	5.205
	Retained earnings	-59.226	-47.976
8	Total equity	-54.021	-42.771
	Warranty provisions	292	205
	Total provisions	292	205
	Amounts owed to group Companies	68.520	47.477
	Amounts owed to associated Companies	3.669	3.455
9	Non-current liabilities	72.189	50.932
	Prepayments from customers	332	464
	Trade payables	3.244	1.740
	Amounts owed to group Companies	508	495
	Amounts owed to associated Companies	0	170
	Other payables	7.268	8.739
	Deferred income	3.772	7.532
	Current liabilities other than provisions	15.124	19.140
	Total liabilities other than provisions	87.313	70.072
	TOTAL EQUITY AND LIABILITIES	33.584	27.506

	2016 t DKK	2015 t DKK
1. Staff costs		
Wages and salaries	18.180	18.610
Pensions	2.070	2.080
Other social security costs	321	606
Total	20.571	21.296
Average number of employees	37	40
2. Depreciation/amortisation of leasehold, plant and equipment and intangible assets		
Depreciation and amortisation, intangible assets	42	2.855
Depreciation and amortisation, leasehold, plant and equipment	79	131
Total	121	2.986
3. Other financial income		
Exchange gains	181	151
Total	181	151
4. Financial expenses		
Interest expense to related companies	3.257	2.160
Exchange losses	142	63
Other financial expenses	33	16
Total	3.432	2.239
5. Tax on profit/loss for the year		
Adjustment of tax in respect of previous years	0	2.293
Calculated tax of the taxable income	5.500	5.875
Total tax for the year	5.500	8.168

The Company has a deferred tax assets totaling t DKK 44.950 (2015: t DKK 46.771), which hasn't been accounted for. Management doesn't consider it likely that the Company will be able to use it within the next 3-5 years.

6. Intangible assets

	Contractual and other legal rights	Development projects	Software	Total 31.12.16
Amounts in t.DKK				
Cost at 01.01.16	15.290	27.720	249	43.259
Additions during the year	250	0	0	250
Cost at 31.12.16	15.540	27.720	249	43.509
Depreciation at 01.01.16	15.290	27.720	249	43.259
Depreciation during the year	42	0	0	42
Depreciation at 31.12.16	15.332	27.720	249	43.301
Carrying amount at 31.12.16	208	0	0	208

7. Leasehold, plant and equipment

	Leasehold improvements	Technical plant and machinery	Fixtures etc.	Total 31.12.16
Amounts in t.DKK				
Cost at 01.01.16	2.330	530	529	3.389
Additions during the year	0	243	27	270
Cost at 31.12.16	2.330	773	556	3.659
Depreciation at 01.01.16	2.191	529	529	3.249
Depreciation during the year	66	13	0	79
Depreciation at 31.12.16	2.257	542	529	3.328
Carrying amount at 31.12.16	73	231	27	331

8. Equity

	Share capital	Retained earnings	Total 31.12.16
Amounts in t.DKK			
Balance as at 01.01.16	5.205	-47.976	-42.771
Net result for the year	0	-11.250	-11.250
Balance as at 31.12.16	5.205	-59.226	-54.021

Changes in share capital in the financial year and the previous five financial years:

Share capital as at 01.01.07	1.000
Capital increase 20.05.08	500
Capital increase 18.01.10	2.510
Capital increase 01.09.10	1.195
Capital increase 26.03.13	578
Capital increase 27.11.13	0,1
Capital decrease 17.06.15	-578
Share capital as at 31.12.16	5.205

The share capital is specified as follows:

A-shares	1.500
B-shares	3.705
All shares rank equally	

	2016 t.DKK	2015 t.DKK
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9. Long-term liabilities

Part of long term liabilities, that are due:

2-5 years	72.189	50.932
Total	72.189	50.932

10. Contractual obligations

Non-financial lease payments:

Within a year	584	635
2-5 years	217	484

Rental liabilities:

Within a year	598	598
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Total	1.399	1.717
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11. Contingent liabilities

Under the Danish Companies Act (Selskabsloven), Ballard Power Systems Europe A/S is liable for the obligations of Dantherm Air Handling A/S which also existed at the time of the announcement of the demerger plan, though not for more than the remaining net value at this time.

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

A guarantee has been given in cash with a financial value of t.DKK 861.

12. 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

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.

13. Events after the balance sheet date

On January 4th 2017 t.DKK 3.688 owned to associated companies (Dansk Industri Invest under konkursbehandling) have been fully forgiven as part of joint agreement where DII's shares was sold to Ballard Power Systems Inc

14. Accounting policies

The annual report for 2016 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

As from 1 January 2016, the Company has implemented Act no. 738 of 1 June 2015. This has entailed the following changes to recognition and measurement:

- Going forward, the residual value of intangible assets and property, plant and equipment must be reassessed on an ongoing basis. Pursuant to the transition provisions of the Act, any adjustments to residual values must be made prospectively as an accounting estimate without restatement of comparative figures and without effect on equity.

The changes have no monetary effect on the income statement or the balance sheet for 2016 or for the comparative figures.

FOREIGN CURRENCY AND HEDGING TRANSACTIONS

The annual report is presented in Danish kroner.

During the year, foreign currency transactions are translated into Danish kroner using the rate of exchange applicable at the date of transaction or, for hedged transactions, the hedged rate of exchange. Receivables and liabilities other than provisions in foreign currencies are translated into Danish kroner using the exchange rates applicable at the balance sheet date or, for hedged amounts, the hedged rate of exchange. Realized and unrealised translation gains and losses are recognised in the income statement under net financials.

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 before year-end. Revenue is determined less VAT and discounts.

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 operating 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 operating 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 tangible fixed assets 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:

Development:	3 years
Software:	3 years
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

Net financials

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 of income 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.

Deferred tax liabilities and deferred tax assets are fully recognised in the balance sheet with 22 per cent 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.

Intangible assets are recognised in the balance sheet at the lower of cost less accumulated amortisation and the recoverable amount.

Leasehold, plant and equipment

Leasehold, plant and equipment are recognised in the balance sheet at the lower of cost less accumulated depreciation and the recoverable amount.

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 total liability related to the operational lease- and rental agreements are reported as contingent liability.

Other financial assets

Other financial assets are measured at the market value.

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

Other receivables

Other receivables comprise of expected receivables from government grants, expected tax refund for the year, deposits and other related receivables. The receivables are measured at estimated fair value.

Cash at bank and in hand

Cash at bank and in hand include cash deposits.

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 recognised when the company has such liability. The provisions are measured at estimated fair value.

Liabilities

Short time liabilities are likewise measured at amortised cost, which usually means the nominal value.

Deferred payables

Deferred payables recognized as liabilities includes received payments related to future profit, this includes Government grants.