

Ballard Power Systems Europe A/S

CVR No. 30 80 49 96

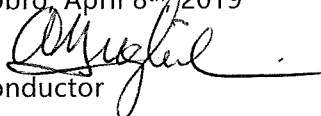
Majsmarken 1

9500 Hobro

Annual Report 2018

Approved at Annual General Meeting

Hobro, April 8th 2019


Conductor

Contents

Statement by the Board of Directors and the Executive Board	3
Independent auditor's report	4 - 6
Company information	7
Management's review	8
Income statement	9
Balance sheet	10 - 11
Notes	12 - 17

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 2018.

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 2018 and of the results of the Company's activities for the financial year 1 January – 31 December 2018.

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

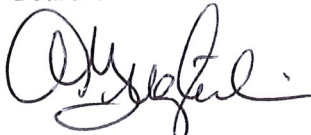
We recommend that the annual report be approved at the annual general meeting.

Hobro, April 8th, 2019

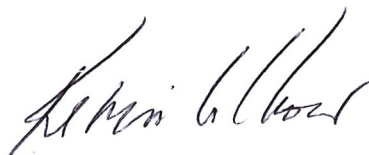
Executive Board

Jesper Thomsen
Managing director

Board of directors



Tony Guglielmin
Chairman



Kevin Michael Colbow



Jesper Thomsen

Independent auditor's report

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 2018, 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 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 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

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

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, April 8th, 2019

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Steffen S. Hansen

State Authorized Public Accountant

MPE-nr. 32737

Company information

Company details

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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

Board of Directors

Tony Guglielmin (chairman)
Kevin Michael Colbow
Jesper Thomsen

Executive Board

Managing director Jesper Thomsen

Auditors

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

Management's review

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 2018.

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 2018 the Company has lost its equity.

The Company's income statement for the year ended 31 December 2018 shows a net loss of t.DKK 20.238 and the balance sheet at 31 December 2018 shows negative equity of t.DKK 86.414.

The development activities have in 2018 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 2019. It is Management's opinion that the shareholder has the requirements of cash available to finance this commitment.

The Company has lost its share capital. The Company plans to re-establish its share capital through earnings in coming years or by turning loans from the shareholder into share capital.

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

Income statement

Note		2018 t.DKK	2017 t.DKK
	Gross profit	2.809	6.126
1	Staff costs	-23.061	-22.756
	Loss before depreciation	-20.252	-16.630
	Depreciation on leasehold, plant and equipment and amortisation of intangible assets	-304	-174
	Operating loss	-20.556	-16.804
	Financial income	287	4.188
2	Financial expenses	-5.354	-4.964
	Loss before tax	-25.623	-17.580
3	Tax on loss for the year	5.385	5.425
	Loss for the year	-20.238	-12.155
	Distribution of loss		
	Balance as 01.01.18	-71.381	-59.226
	Loss for the year	-20.238	-12.155
	Loss available for distribution at the general meeting	-91.619	-71.381
	Proposed distribution of loss		
	Retained earnings	-91.619	-71.381
	Total	-91.619	-71.381

Balance sheet

ASSETS

Note	31.12.18 t.DKK	31.12.17 t.DKK
Contractual and other legal rights	108	158
Software	651	0
Total intangible assets	759	158
Leasehold improvements	108	7
Plant and machinery	134	182
Fixtures and fittings, tools and equipment	735	17
Total leasehold, plant and equipment	977	206
Securities and equity investments	31	31
Total financial assets	31	31
Total non-current assets	1.767	395
Raw materials and consumables	3.836	3.200
Work in progress	364	209
Finished goods and goods for resale	3.527	3.528
Inventories	7.727	6.937
Trade receivables	10.530	3.404
Receivables from group entities	3.117	1.456
Tax receivable	10.810	5.425
Other receivables	4.872	7.934
Prepayments	171	219
Total receivables	29.500	18.438
Cash at bank and in hand	1.891	2.985
Total current assets	39.118	28.360
TOTAL ASSETS	40.885	28.755

Balance sheet

EQUITY AND LIABILITIES

Note		31.12.18 t.DKK	31.12.17 t.DKK
	Contributed capital	5.205	5.205
	Retained earnings	-91.619	-71.381
4	Total equity	-86.414	-66.176
	Other provisions	613	467
	Total provisions	613	467
	Payables to group entities	102.988	83.375
	Non-current liabilities	102.988	83.375
	Prepayments received from customers	0	126
	Trade payables	4.590	1.888
	Payables to group entities	2.386	1.366
	Other payables	6.779	5.710
	Deferred income	9.943	1.999
	Current liabilities other than provisions	23.698	11.089
	Total liabilities other than provisions	126.686	94.464
	TOTAL EQUITY AND LIABILITIES	40.885	28.755
5	Contractual obligations		
6	Contingent liabilities		
7	Related parties		
8	Accounting policies		

Notes

	2018 t.DKK	2017 t.DKK	
1. Staff costs			
Wages and salaries	19.960	19.994	
Pensions	2.286	2.072	
Other social security costs	815	690	
Total	23.061	22.756	
Average number of employees	42	36	
2. Financial expenses			
Interest expense to related companies	5.113	4.155	
Other financial expenses	241	809	
Total	5.354	4.964	
3. Tax on profit/loss for the year			
Adjustment of tax in respect of previous years	-115	0	
Calculated tax of the taxable income	5.500	5.425	
Total tax for the year	5.385	5.425	
4. Equity			
	Contributed capital	Retained earnings	Total 31.12.18
Amounts in t.DKK			
Balance as at 01.01.18	5.205	-71.381	-66.176
Net result for the year	0	-20.238	-20.238
Balance as at 31.12.18	5.205	-91.619	-86.414
Changes in share capital in the financial year and the previous five financial years:			
Share capital as of 01.01.14		5.783	
Capital decrease 17.06.15		-578	
Share capital as of 31.12.18		5.205	

Notes

	2018 t.DKK	2017 t.DKK
5. Contractual obligations		
Non-financial lease payments:		
Within a year	424	437
2-5 years	675	577
Rental liabilities:		
Within a year	377	357
Total	1.476	1.371

6. Contingent liabilities

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

7. 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

8. Accounting policies

The annual report for 2018 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 external 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
Software	3 years
Leasehold improvements	3 - 5 years
Plant and machinery	5 - 8 years
Other fixtures and fittings,	
tools and equipment	3 - 5 years

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.

Software licenses are measured at cost less accumulated depreciation and impairment losses.

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

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 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 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.

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.