

BALLARD®

Ballard Power Systems Europe A/S

Majsmarken 1
9500 Hobro

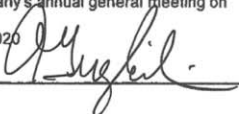
CVR no. 30 80 49 96

Annual report 2019

The annual report was presented and approved at
the Company's annual general meeting on

22 April 2020

chairman



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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 2019.

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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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, 22 April 2020

Executive Board:



Jesper Thomsen
Managing director

Board of Directors:



Anthony Robert Guglielmin
Chairman



Kevin Michael Colbow



Jesper Thomsen

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 2019 comprising income statement, balance sheet, statement of changes in equity 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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.

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 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

Independent auditor's report

- 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.



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Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Aalborg, 22 April 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

A handwritten signature in black ink, appearing to read 'Steffen S. Hansen', written over a horizontal line.

Steffen S. Hansen
State Authorised
Public Accountant
mne32737

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Management's review

Company details

Ballard Power Systems Europe A/S
Majsmarken 1
9500 Hobro

Telephone:	88 43 55 00
Website:	www.ballard.com
E-mail:	contact@ballardeurope.com

CVR no.:	30 80 49 96
Established:	20 August 2017
Financial year:	1 January – 31 December

Board of Directors

Anthony Robert Guglielmin, Chairman
Kevin Michael Colbow
Jesper Thomsen

Executive Board

Jesper Thomsen, Managing director

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Østre Havnegade 18
DK-9000 Aalborg

Management's review

Operating review

Principal activities

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

Development in 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 2019.

The development activities have in 2019 matured in line with the expectations.

Results for the year

The Company's income statement for 2019 shows a loss of DKK 28,273 thousand as against a loss of DKK 20,238 thousand in 2018. Equity in the Company's balance sheet at 31 December 2019 stood at DKK -114,687 thousand as against DKK -86,414 at 31 December 2018.

Capital resources

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

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 2020. It is Management's opinion that the shareholder has the requirements of cash available to finance this commitment.

The annual report is on that basis presented with an assumption of going concern.

Outlook

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organization, and most governments are taking restrictive measures to contain its further spread affecting free movement of people and goods.

These events, which occurred subsequent to the balance sheet date, together are material without requiring any adjustments in these financial statements.

While no material effects on the Company's financial position or results of operations have yet been identified at the date of these financial statements, Management will continue to monitor and evaluate them during the 2020 financial year.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2019	2018
Gross profit		6,413	2,809
Staff costs	2	-31,916	-23,061
Depreciation, amortisation and impairment losses		<u>-732</u>	<u>-304</u>
Operating loss		-26,235	-20,556
Financial income		169	287
Financial expenses	3	<u>-7,104</u>	<u>-5,354</u>
Loss before tax		-33,170	-25,623
Tax on profit/loss for the year	4	<u>4,897</u>	<u>5,385</u>
Loss for the year		<u><u>-28,273</u></u>	<u><u>-20,238</u></u>
Proposed distribution of loss			
Retained earnings		<u>-28,273</u>	<u>-20,238</u>
		<u><u>-28,273</u></u>	<u><u>-20,238</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Intangible assets			
Acquired patents		58	108
Software		397	651
		<u>455</u>	<u>759</u>
Property, plant and equipment			
Plant and machinery		85	134
Fixtures and fittings, tools and equipment		605	735
Leasehold improvements		393	108
		<u>1,083</u>	<u>977</u>
Investments			
Other securities and equity investments		31	31
		<u>1,569</u>	<u>1,767</u>
Total fixed assets			
Current assets			
Inventories			
Raw materials and consumables		3,759	3,836
Work in progress		171	364
Finished goods and goods for resale		9,287	3,527
		<u>13,217</u>	<u>7,727</u>
Receivables			
Trade receivables		9,980	10,530
Receivables from group entities		5,056	3,117
Other receivables		3,813	4,872
Corporation tax		10,865	10,810
Prepayments		277	171
		<u>29,991</u>	<u>29,500</u>
Cash at bank and in hand		<u>1,993</u>	<u>1,891</u>
Total current assets		<u>45,201</u>	<u>39,118</u>
TOTAL ASSETS		<u>46,770</u>	<u>40,885</u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	5	5,205	5,205
Retained earnings		-119,892	-91,619
Total equity		-114,687	-86,414
Provisions			
Other provisions		836	613
Total provisions		836	613
Liabilities other than provisions			
Non-current liabilities other than provisions			
Payables to group entities		130,663	102,988
Current liabilities other than provisions			
Prepayments received from customers		1,344	0
Trade payables		2,878	4,590
Payables to group entities		13,542	2,386
Other payables		8,426	6,779
Deferred income		3,768	9,943
		29,958	23,698
Total liabilities other than provisions		160,621	126,686
TOTAL EQUITY AND LIABILITIES		46,770	40,885
Contractual obligations, contingencies, etc.			
Related party disclosures			

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2019	5,205	-91,619	-86,414
Transferred over the distribution of loss	0	-28,273	-28,273
Equity at 31 December 2019	5,205	-119,892	-114,687

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Ballard Power Systems Europe A/S for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Foreign currency translation

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 date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Gross profit

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Revenue

Income from the sale of goods, comprising the sale of goods and services, is recognised in revenue when delivery and transfer of risk to the buyer 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 recognised in revenue.

Government grants

The Company receives grants for certain research and development projects. Government grants are recognised 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 cost incurred are offset against cost as they are incurred.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Staff costs

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

Financial income and expenses

Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, amortisation of financial liabilities, etc.

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 recognised 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

Patents and software

Patents and licences 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 five years.

Software licences are measured at cost less accumulated depreciation and impairment losses. Software is amortised on a straight-line basis over three 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 costs, sales costs and administrative expenses and development costs. Other development costs are recognised in the income statement, as the costs occur.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Property, plant and equipment

Property, 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 recognised in cost.

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

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Plant and machinery	5-8 years
Fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Depreciation is recognised in the income statement.

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.

Gains and losses on the disposal of property, 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 recognised in the income statement as other operating income or other operating costs, respectively.

Securities

Other securities and equity investments included in investment 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 property, plant and equipment as well as securities are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

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 measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Finished goods and work in progress are measured at cost, comprising the amount of direct costs.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Corporation tax

Current tax payable and receivable is recognised 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.

Prepayments

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

Cash at bank and in hand

Cash and cash equivalents comprise cash and bank deposit.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item under equity.

Provisions

Provisions comprise anticipated costs of warranty liabilities. Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are measured at value in use.

Prepayments and deferred income

Deferred income comprises advance invoicing regarding income in subsequent years.

Prepayments received from customers comprise advance payments regarding income in subsequent years where the work have not been initiated.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

2 Staff costs

DKK'000	2019	2018
Wages and salaries	28,001	19,960
Pensions	2,810	2,286
Other social security costs	1,105	815
	<u>31,916</u>	<u>23,061</u>
Average number of full-time employees	<u>51</u>	<u>42</u>

3 Financial expenses

Interest expense to group entities	6,875	5,113
Other financial costs	<u>229</u>	<u>241</u>
	<u>7,104</u>	<u>5,354</u>

4 Tax on loss for the year

Current tax for the year	-5,500	-5,500
Adjustment of tax concerning previous years	<u>603</u>	<u>115</u>
	<u>-4,897</u>	<u>-5,385</u>

5 Contributed capital

The contributed capital has developed over the past five years. The contribution capital was decreased on 17 June 2015 from DKK 5,783 thousand to DKK 5,205 thousand.

6 Contractual obligations, contingencies, etc.

Contingent liabilities

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

Financial statements 1 January – 31 December

Notes

Operating lease obligations

The Company has entered into operating leases. Remaining operating lease obligations at the balance sheet date amounts to DKK 1,062 thousand of which DKK 427 thousand falls due within one year from the balance sheet date.

Rental obligations

The Company has entered into a rental agreement with a period of non-terminability at the balance sheet date of 69 months. Rental obligations amount to DKK 9,871 thousand of which DKK 1,737 thousand falls due within one year from the balance sheet date.

7 Related party disclosures

Consolidated financial statements

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