

BALLARD®

Ballard Power Systems Europe A/S

Majsmarken 1
DK-9500 Hobro

CVR no. 30 80 49 96

Annual report 2021

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

13 May 2022



Chairman of the annual general meeting

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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 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

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, 13 May 2022

Executive Board:



Jesper Thomsen
Managing director

Board of Directors:



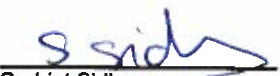
Robert Randall MacEwen
Chairman



Jesper Thomsen



Kevin Michael Colbow



Sarbjot Sidhu



Paul Michael Dobson

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 2021 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

- 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.

Independent auditor's report

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

Aalborg, 13 May 2022

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Steffen S. Hansen
State Authorised
Public Accountant
mne32737



Niklas R. Filipsen
State Authorised
Public Accountant
mne47781

Ballard Power Systems Europe A/S
Annual report 2021
CVR no. 30 80 49 96

Management's review

Company details

Ballard Power Systems Europe A/S
Majsmarken 1
DK-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
Registered office:	Mariagerfjord
Financial year:	1 January – 31 December

Board of Directors

Robert Randall MacEwen, Chairman
Jesper Thomsen
Kevin Michael Colbow
Sarbjot Sidhu
Paul Michael Dobson

Executive Board

Jesper Thomsen, Managing director

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Østre Havnegade 22D
DK-9000 Aalborg
CVR no. 25 57 81 98

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 fuel cell technology. This development continued in 2021.

In 2021, the development activities matured in line with the expectations.

Results for the year

The Company's income statement for 2021 shows a loss of DKK -61,901 thousand as against a loss of DKK -49,649 thousand in 2020. Equity in the Company's balance sheet at 31 December 2021 stood at DKK 41,605 thousand as against a negative of DKK -164,336 thousand at 31 December 2020.

Capital resources

The Company re-established its contributed capital in 2021 through a capital injection from the shareholder by conversion of loan totalling DKK 267,842 thousand.

The shareholder, Ballard Power Systems Inc., has committed to provide the required liquidity, which, according to Management, will suffice to carry through operations in 2022. It is Management's opinion that the shareholder has the required funding to finance this commitment.

Accordingly, the annual report is presented on a going concern basis.

Events after the balance sheet date

No events material to the assessment of the annual report have occurred after the balance sheet date.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2021	2020
Gross profit/loss		6,277	-1,907
Staff costs	2	-66,809	-44,137
Depreciation and amortisation		-856	-890
Loss before financial income and expenses		-61,388	-46,934
Income from other equity investments and securities		8,725	0
Financial income		0	620
Financial expenses	3	-14,738	-8,835
Loss before tax		-67,401	-55,149
Tax on loss for the year		5,500	5,500
Loss for the year		-61,901	-49,649
Proposed distribution of loss			
Retained earnings		-61,901	-49,649

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Intangible assets			
Acquired patents		0	8
Software		13	163
		<u>13</u>	<u>171</u>
Property, plant and equipment			
Plant and machinery		421	36
Fixtures and fittings, tools and equipment		329	420
Leasehold improvements		1,363	465
Property, plant and equipment in progress		4,441	0
		<u>6,554</u>	<u>921</u>
Investments			
Other securities and equity investments		0	31
Total fixed assets		<u>6,567</u>	<u>1,123</u>
Current assets			
Inventories			
Raw materials and consumables		14,071	4,583
Work in progress		14,911	1,345
Finished goods and goods for resale		17,087	13,371
		<u>46,069</u>	<u>19,299</u>
Receivables			
Trade receivables		24,296	8,626
Other receivables	4	12,372	7,780
Corporation tax		5,500	5,500
Prepayments		790	352
		<u>42,958</u>	<u>22,258</u>
Securities and equity investments		<u>6,545</u>	<u>0</u>
Cash at bank and in hand		<u>12,159</u>	<u>1,305</u>
Total current assets		<u>107,731</u>	<u>42,862</u>
TOTAL ASSETS		<u><u>114,298</u></u>	<u><u>43,985</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2021	31/12 2020
EQUITY AND LIABILITIES			
Equity			
Contributed capital		5,205	5,205
Retained earnings		36,400	-169,541
Total equity		41,605	-164,336
Provisions			
Other provisions		1,545	664
Total provisions		1,545	664
Liabilities other than provisions			
Non-current liabilities other than provisions			
Payables to group entities		0	173,539
Current liabilities other than provisions			
Prepayments received from customers		4,611	973
Trade payables		12,292	3,119
Payables to group entities		29,400	11,274
Other payables		15,085	14,830
Deferred income		9,760	3,922
		71,148	34,118
Total liabilities other than provisions		71,148	207,657
TOTAL EQUITY AND LIABILITIES		114,298	43,985
Contractual obligations, contingencies, etc.			
	5		
Related party disclosures			
	6		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2021	5,205	-169,541	-164,336
Transferred over the distribution of loss	0	-61,901	-61,901
Contribution from group	0	267,842	267,842
Equity at 31 December 2021	5,205	36,400	41,605

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Ballard Power Systems Europe A/S for 2021 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.

Besides the listed changes in accounting policies below, the accounting policies used in the preparation of the financial statements are consistent with those of last year.

Change in accounting policies

The Company has changed its accounting policies regarding measurement of securities and equity investments so that securities and equity investments are now measured at fair value. Previously, securities and equity investments were recognised at cost. The changes in 2021 is a result of the public listing of recognised securities and equity investments and hence the availability of market value at the balance sheet date. The changes in accounting policies were made in order to give a more true and fair view of the Company's activities, results and financial position.

As the market values weren't available in 2020, the comparative figures haven't been restated as a result of the change in accounting policies. The positive net impact in the income statement for 2021 amounts to DKK 6,514 thousand. Total assets are increased by DKK 6,514 thousand and equity and is positive impacted by the recognition of DKK 6,514 thousand in the income statement.

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/loss

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

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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Government grants

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

Cost of sales

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

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.

Income from other equity investments and securities

Income from other equity investments and securities comprises realised capital gains and losses from other equity investments and securities recognised as investments or current assets in the balance sheet.

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 loss for the year

The tax income relating to the loss for the year is recognised in the income statement at the amount attributable to the profit/loss for the year and directly in equity at the amount attributable to entries 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 on all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets are recognised, following an assessment, at the expected value of their utilisation through a set-off against deferred tax liabilities or against tax on future income.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Acquired patents and software

Acquired patents are measured at cost less accumulated amortisation and impairment losses. Acquired patents are amortised on a straight-line basis over the remaining life of the patent.

Software licences are measured at cost less accumulated depreciation and impairment losses. Software is amortised on a straight-line basis over three years.

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.

Property, plant and equipment in progress are recognised and measured at cost at the balance sheet date. Upon entry into service the cost is transferred to the relevant group of property, plant and equipment.

Where individual components of assets 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other securities and equity investments

Other securities and equity investments, recognised as fixed and current assets comprise shares that are measured at fair market value on the balance sheet date. Public quoted securities are measured at quoted price.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as other securities and equity investments 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. Finished goods and work in progress are measured at cost, comprising 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.

Provisions

Other 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.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Prepayments and deferred income

Deferred income comprises payments received regarding income in subsequent years.

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

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.

DKK'000	2021	2020
2 Staff costs		
Wages and salaries	59,939	39,407
Pensions	5,260	3,626
Other social security costs	750	1,069
Other staff costs	860	35
	<u>66,809</u>	<u>44,137</u>
Average number of full-time employees	<u>88</u>	<u>63</u>

3 Financial expenses

DKK'000	2021	2020
Interest expense to group entities	12,587	8,776
Other financial expenses	2,151	59
	<u>14,738</u>	<u>8,835</u>

4 Other receivables

Of other receivables totalling DKK 12,372 thousand, DKK 2,214 thousand is expected to be received after 12 months from the balance sheet date.

5 Contractual obligations, contingencies, etc.

Contingent liabilities

Funding has been obtained for some of the Company's development projects, 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 amounted to DKK 1,136 thousand (2020: DKK 1,245 thousand), of which DKK 599 thousand falls due within one year from the balance sheet date.

Rental obligations

The Company has entered into rental agreements. Rental obligations amounted to DKK 15,973 thousand (2020: DKK 8,162 thousand), of which DKK 2,801 thousand falls due within one year from the balance sheet date.

6 Related party disclosures

Consolidated financial statements

Ballard Power Systems Inc., Burnaby, Canada holds the majority of the contributed capital and through this exercises control over Ballard Power Systems Europe A/S.

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