

BALLARD®

Ballard Power Systems Europe A/S

Majsmarken 1
9500 Hobro

CVR no. 30 80 49 96

Annual report 2020

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

19 March 2021



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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

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.

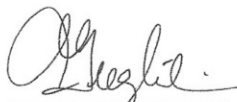
Hobro, 19 March 2021

Executive Board:

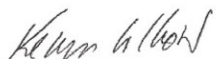


Jesper Thomsen
Managing director

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 2020 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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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.



Independent auditor's report

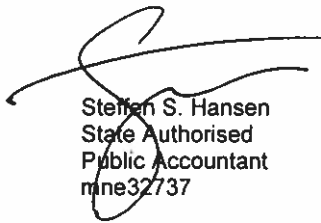
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aalborg, 19 March 2021

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Steffen S. Hansen
State Authorised
Public Accountant
mne32737

Ballard Power Systems Europe A/S
Annual report 2020
CVR no. 30 80 49 96

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
Registered office: Mariagerfjord
Financial year: 1 January – 31 December

Board of Directors

Anthony Robert Guglielmin, Chairman
Kevin Michael Colbow
Jesper Themsen

Executive Board

Jesper Themsen, Managing director

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Østre Havnegade 22D
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 fuel cell technology. This development continued in 2020.

In 2020, the development activities matured in line with the expectations.

Results for the year

The Company's income statement for 2020 shows a loss of DKK 49,649 thousand as against a loss of DKK 28,273 thousand in 2019. Equity in the Company's balance sheet at 31 December 2020 stood at a negative of DKK 164,336 thousand as against a negative of DKK 114,687 at 31 December 2019.

Capital resources

The Company has lost its contributed capital. The Company plans to re-establish its contributed capital over earnings in the coming years or by converting loans from the shareholder into contributed capital.

The shareholder, Ballard Power Systems Inc., has committed to provide the required liquidity, which, according to Management, will suffice to carry through operations in 2021. 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.

Financial statements 1 January – 31 December

Income statement

DKK'000	Note	2020	2019
Gross profit/loss		-1,907	6,413
Staff costs	2	-44,137	-31,916
Depreciation, amortisation and impairment losses		-890	-732
Profit/loss before financial income and expenses		-46,934	-26,235
Financial income		620	169
Financial expenses	3	-8,835	-7,104
Profit/loss before tax		-55,149	-33,170
Tax on profit/loss for the year		5,500	4,897
Profit/loss for the year		-49,649	-28,273
Proposed distribution of loss			
Retained earnings		-49,649	-28,273

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2020	31/12 2019
ASSETS			
Fixed assets			
Intangible assets			
Acquired patents		8	58
Software		163	397
		<u>171</u>	<u>455</u>
Property, plant and equipment			
Plant and machinery		36	85
Fixtures and fittings, tools and equipment		420	605
Leasehold improvements		465	393
		<u>921</u>	<u>1,083</u>
Investments			
Other securities and equity investments		31	31
Total fixed assets		<u>1,123</u>	<u>1,569</u>
Current assets			
Inventories			
Raw materials and consumables		4,583	3,759
Work in progress		1,345	171
Finished goods and goods for resale		13,371	9,287
		<u>19,299</u>	<u>13,217</u>
Receivables			
Trade receivables		8,626	9,980
Receivables from group entities		0	5,056
Other receivables		7,780	3,813
Corporation tax		5,500	10,865
Prepayments		352	277
		<u>22,258</u>	<u>29,991</u>
Cash at bank and in hand		<u>1,305</u>	<u>1,993</u>
Total current assets		<u>42,862</u>	<u>45,201</u>
TOTAL ASSETS		<u><u>43,985</u></u>	<u><u>46,770</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK'000	Note	31/12 2020	31/12 2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital		5,205	5,205
Retained earnings		-169,541	-119,892
Total equity		-164,336	-114,687
Provisions			
Other provisions		664	836
Total provisions		664	836
Liabilities other than provisions			
Non-current liabilities other than provisions			
Payables to group entities		173,539	130,663
Current liabilities other than provisions			
Prepayments received from customers		973	1,344
Trade payables		3,119	2,878
Payables to group entities		11,274	13,542
Other payables		14,830	8,426
Deferred income		3,922	3,768
		34,118	29,958
Total liabilities other than provisions		207,657	160,621
TOTAL EQUITY AND LIABILITIES		43,985	46,770
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Financial statements 1 January – 31 December

Statement of changes in equity

DKK'000	Contributed capital	Retained earnings	Total
Equity at 1 January 2020	5,205	-119,892	-114,687
Transferred over the distribution of loss	0	-49,649	-49,649
Equity at 31 December 2020	5,205	-169,541	-164,336

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Ballard Power Systems Europe A/S for 2020 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 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.

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 tax expense relating to the profit/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.

Balance sheet

Intangible assets

Acquired patents and software

Acquired patents and licences 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.

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 cost can be identified, and there is sufficient evidence that future profit can cover production costs, sales costs, administrative expenses and development costs. Other development costs are recognised in the income statement as the costs are incurred.

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 investments comprise unlisted shares that Management considers investment securities. 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 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 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.

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.

DKK'000	<u>2020</u>	<u>2019</u>
2 Staff costs		
Wages and salaries	39,407	28,001
Pensions	3,626	2,810
Other social security costs	1,069	1,105
Other staff costs	<u>35</u>	<u>0</u>
	<u>44,137</u>	<u>31,916</u>
Average number of full-time employees	<u>63</u>	<u>51</u>
3 Financial expenses		
Interest expense to group entities	8,776	6,875
Other financial costs	<u>59</u>	<u>229</u>
	<u>8,835</u>	<u>7,104</u>

4 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.

Operating lease obligations

The Company has entered into operating leases. Remaining operating lease obligations at the balance sheet date amounted to DKK 1,245 thousand (2019: DKK 1,062 thousand), of which DKK 608 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 interminability of 57 months at the balance sheet date. Rental obligations amounted to DKK 8,162 thousand (2019: DKK 9,871 thousand), of which DKK 1,741 thousand falls due within one year from the balance sheet date.

Financial statements 1 January – 31 December

Notes

5 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, which is both the largest and smallest group in which the Company is consolidated into. The consolidated financial statements can be obtained by contacting the Company or accessing the following website: www.ballard.com.