MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of financial condition and results of operations of Ballard Power Systems Inc. ("Ballard", "the Company", "we", "us" or "our") is prepared as at October 25, 2016 and should be read in conjunction with our unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2016 and with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2015. The results reported herein are presented in U.S. dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company, including our Annual Information Form, is filed with Canadian (www.sedar.com) and U.S. securities regulatory authorities (www.sec.gov) and is also available on our website at www.ballard.com.

BUSINESS OVERVIEW

At Ballard, we are building a clean energy growth company. We are recognized as a world leader in proton exchange membrane ("PEM") fuel cell development and commercialization. Our principal business is the design, development, manufacture, sale and service of fuel cell products for a variety of applications, focusing on our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Backup Power, as well as the delivery of Technology Solutions including engineering services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

A fuel cell is an environmentally clean electrochemical device that combines hydrogen fuel with oxygen (from the air) to produce electricity. The hydrogen fuel can be obtained from natural gas, kerosene, methanol or other hydrocarbon fuels, or from water through electrolysis. Ballard's clean-energy fuel cell products feature high fuel efficiency, low operating temperature, low noise and vibration, compact size, quick response to changes in electrical demand, and modular design. Embedded in each Ballard PEM fuel cell product lies a stack of unit cells designed with our proprietary technology which draws on intellectual property from our patent portfolio together with our extensive experience and know-how in key areas of fuel cell stack design, operation, and systems integration.

We provide our customers with the positive economic and environmental benefits unique to fuel cell power. We plan to build value for our shareholders by developing, manufacturing, selling and servicing industry-leading fuel cell products to meet the needs of our customers in select target markets.

Our business strategy is a two-pronged approach to build shareholder value through the sale and service of power products and the delivery of technology solutions. In power product sales, our focus is on meeting the power needs of our customers by delivering high value, high reliability, high quality and innovative clean energy power products that reduce customer costs and risks. Through technology solutions, our focus is on enabling our customers to solve their technical and business challenges and accelerate their fuel cell programs by delivering customized, high value, bundled technology solutions, including specialized engineering services, access to our deep intellectual property portfolio and know-how through licensing or sale, and providing technology component supply.

We are based in Canada, with head office, research and development, testing, manufacturing and service facilities in Burnaby, British Columbia. In the United States, we have a sales, manufacturing, research and development facility in Southborough, Massachusetts, and have a research and development facility in Bend, Oregon. We also have a sales, service and research and development facility in Hobro, Denmark.

RECENT DEVELOPMENTS

On October 25, 2016, we announced the closing of a transaction with Guangdong Nation Synergy Hydrogen Power Technology Co. Ltd. (a member of the "Synergy Group") for the establishment of an FCvelocity®-9SSL fuel cell stack production operation in the City of Yunfu, in Guangdong Province. The transaction was originally announced on July 18, 2016. The fuel cell stacks will be packaged into locally-assembled fuel cell engines and integrated into zero-emission buses and commercial vehicles in China. The transaction has an estimated minimum value to Ballard of approximately $170 million ($10.9 million received to date) over 5-years and includes these key elements:

- Ballard is expected to receive approximately $20 million in Technology Solutions revenue for technology transfer services, test equipment, production equipment specification and procurement services, training and commissioning support in relation to the establishment of a production line in Yunfu for the manufacture and assembly of FCvelocity®-9SSL fuel cell stacks, with most of this revenue expected to be recognized in 2017;
- A joint venture - named Guangdong Synergy Ballard Hydrogen Power Co., Ltd. ("JVCo") - has been registered in China to undertake the FCvelocity®-9SSL fuel cell stack manufacturing operations, with JVCo owned 90% by the Synergy Group and 10% by Ballard; and
- On commissioning of the stack production line, expected in late 2017, Ballard will be the exclusive supplier of membrane electrode assemblies (MEAs) for each fuel cell stack manufactured by JVCo, with minimum annual MEA volume commitments on a "take or pay" basis totaling in excess of $150 million over the initial 5-year term from 2017 to 2021.

Ballard will contribute approximately $1.0 million for its 10% interest in JVCo. Under the terms of the agreement, Ballard has the right to appoint one of the three JVCo board directors, has veto rights over certain key JVCo decisions, and has no further obligation to provide future funding to JVCo. Ballard's CEO, Randall MacEwen, was appointed to the board of JVCo effective as of closing. After commissioning of the operation (expected in late 2017), JVCo will have an exclusive right to manufacture and sell FCvelocity®-9SSL stacks in China. Exclusivity will be subject to certain performance criteria of the joint venture, including compliance with a code of ethics, compliance with Ballard's quality policies, compliance with Ballard's branding policies, achievement of the minimum annual "take or pay" MEA volumes, compliance with payment terms, and compliance with certain intellectual property covenants. Ballard will have the exclusive right to purchase FCvelocity®-9SSL fuel cell stacks and sub-components from the joint venture for sale outside China.

On September 1, 2016, we announced the next step in our China strategy with the signing of a Memorandum of Understanding ("MOU") with strategic partner Zhongshan Broad-Ocean Motor Company Limited ("Broad-Ocean") having a goal of producing fuel cell modules for

use in buses and commercial vehicles in select cities and regions in China. Key regions contemplated in the MOU include Wuhan (the capital of Hubei Province), Chongqing (or Chengdu, the capital of Sichuan Province), Shandong Province, and Beijing (the Chinese national capital city). The MOU represents the next step under a previously announced strategic collaboration framework agreement entered into between Ballard, Broad-Ocean and the Synergy Group on July 26, 2016. As per the strategic collaboration framework agreement, the companies are collaborating on a number of strategic and commercial initiatives in the Chinese fuel cell market, including:

- market development activities and product development for hydrogen fuel cell vehicles, including buses and commercial vehicles;
- potential license and local assembly of Ballard fuel cell modules by Broad-Ocean in selected Chinese cities;
- integration of Ballard fuel cell modules with Broad-Ocean EV drive systems to provide customers with turnkey fuel cell engines; and
- leveraging of Broad-Ocean's global operations and supply chain infrastructure to lower the cost of Ballard fuel cell engines and the cost of integration with vehicle drivetrains.

Final collaboration agreements encompassing detailed terms and conditions are expected to be signed by early 2017. Founded in 1994, Broad-Ocean is headquartered in the City of Zhongshan in Guangdong Province and is listed on the Shenzhen Stock Exchange. Broad-Ocean is a leading global manufacturer of motors that power small and specialized electric machinery for EVs including buses, commercial vehicles and passenger vehicles, and for heating, ventilation and air conditioning (HVAC). Broad-Ocean has 4 business units: EV; Rotating Electrical for Vehicles; HVAC; and EV Operations Platform. In addition, it holds majority and minority shares in 18 companies. Broad-Ocean produces more than 50 million motors annually for customers on 5 continents, including King Long, Yutong, Van Hool, BAE Systems, SAIC Motor, FAW, Dongfeng, General Motors, Ford, Volvo, Fiat, TATA, Cummins, Caterpillar, Carrier, Trane, Daikin, Goodman, Gree and Midea. Broad-Ocean's fourth business unit – EV Operations Platform – operates a commercial vehicle leasing business in China through which it buys new energy vehicles, including EVs, and subsequently leases these buses and commercial vehicles. Broad-Ocean has now expanded this business to include fuel cell vehicles. On July 18, 2016 Broad-Ocean signed an agreement with partner companies relating to the purchase of 10,000 fuel cell vehicles, including buses and delivery trucks, all of which are expected to have Ballard's leading PEM fuel cell technology inside.

On August 18, 2016, we announced the closing of a $28.3 million strategic equity investment made by Broad-Ocean in Ballard. The Broad-Ocean investment, initially announced on July 26, 2016, has been made through a subscription and purchase of 17.25 million Ballard common shares issued from treasury at a price per share of $1.64 (based on a 20-day volume weighted average price calculation). The investment represents approximately 9.9% of Ballard's outstanding common shares following the transaction. Ballard intends to use the proceeds from the financing for general corporate purposes, including potential funding of future acquisitions or investments in complementary businesses, products or technologies. Broad-Ocean and Ballard have also entered into an Investor Rights Agreement under which Broad-Ocean has agreed to a two-year hold period on the 17.25 million Ballard common shares that it has purchased in the financing; has provided Ballard with a right of first refusal to sell to Broad-Ocean additional treasury shares

if Broad-Ocean wishes to increase its ownership position up to 20%; and has agreed to certain "standstill" provisions effective for a two-year period under which Broad-Ocean will not purchase more than 19.9% of Ballard's outstanding common shares without receiving Ballard board approval. Ballard granted Broad-Ocean certain anti-dilution rights to maintain its 9.9% ownership interest. Finally, Broad-Ocean has no special right to appoint nominees to Ballard's board of directors.

On July 11, 2016, we announced the signing of definitive agreement with the Synergy Group for a Technology Solutions transaction to enable Synergy to exclusively manufacture and sell Ballard's direct hydrogen FCgen®-H2PM fuel cell backup power systems in China. Under the agreement, Ballard will license the designs of its 1.7 and 5 kilowatt FCgen®-H2PM systems to Synergy for manufacture in the City of Yunfu in Guangdong Province and for exclusive sales in China. Synergy Group prepaid Ballard an upfront Technology Solutions fee of $2.5 million in the second quarter of 2016 for the license and related technology services. Synergy Group is required to make additional license royalty payments to Ballard for each FCgen®-H2PM system that it manufactures and sells, subject to annual minimums starting in 2018. Ballard will also be the exclusive supplier of air-cooled fuel cell stacks to Synergy Group for use in the FCgen®-H2PM systems that it produces and sells. Technology transfer work performed under this agreement is recorded as Technology Solutions revenues ($0.5 million in the third quarter of 2016 and in the first three quarters of 2016) whereas sales of fuel cell stacks will be recorded as Backup Power revenues.

During the second quarter of 2016, we completed the sale of certain of our methanol Telecom Backup Power business assets to Chung-Hsin Electric & Machinery Manufacturing Corporation (“CHEM”), a Taiwanese power equipment company, for a purchase price of up to $6.1 million of which $3 million was paid on closing. The remaining potential purchase price of up to $3.1 million consists of an earn-out arising from sales of methanol Telecom Backup Power systems by CHEM during the 18-month period to November 2017 derived from the sales pipeline transferred to CHEM on closing. During the second quarter of 2016, we recorded a loss on sale of assets of ($0.4) million after estimating the fair value of the remaining potential purchase price of up to $3.1 million to approximate $1.8 million. The final gain (loss) on sale arising from the CHEM transaction is subject to change depending upon the final earn-out amount actually received by Ballard through November 2017. On the closing of this transaction, CHEM received certain assets related to the methanol Telecom Backup Power line of our business including intellectual property rights, and physical assets such as inventory and related product brands. We also transferred to CHEM a number of our engineering, sales, and service employees involved in this business. Ballard continues to retain the company's direct hydrogen fuel cell backup power system assets, primarily in our Ballard Power Systems Europe A/S subsidiary (formerly named Dantherm Power A/S) located in Denmark. The direct hydrogen fuel cell backup power system has since been rebranded FCgen®-H2PM. As noted above, certain designs of the FCgen®-H2PM system were exclusively licensed to Synergy Group for manufacture and sale in China.

In the transaction with CHEM, Ballard also signed a fuel cell stack supply agreement with CHEM which includes minimum sales of $2 million over an 18-month period. Amounts earned under the fuel cell stack supply agreement with CHEM ($0.6 million in the third quarter of 2016; $1.1 million in the first three quarters of 2016) are recorded as Backup

Power revenues.

In early 2016, in parallel to our review of strategic alternatives for our methanol Telecom Backup Power assets, we implemented a cost reduction initiative, primarily focused on reducing our operating cost base associated with our methanol Telecom Backup Power activities. As part of this cost reduction initiative, three executives departed from the Company effective March 31, 2016. Responsibilities of the departed executives have been assumed by other management personnel. During the first three quarters of 2016, total restructuring charges of ($2.5) million were expensed as a result of these cost reduction initiatives that included the elimination of approximately 50 positions, including the three executive-level positions, as well as estimated costs associated with the expected closure of the contract manufacturing facility in Tijuana, Mexico. We also recorded impairment losses of ($1.2) million in the first quarter of 2016 related to a write-down of certain methanol Telecom Backup Power intangible assets and property, plant and equipment.

On June 1, 2016, we announced that our subsidiary, Protonex Technology Corporation ("Protonex"), had received a $5.8 million follow-on purchase order for the supply of Squad Power Manager (SPM-622) Special Operations Kits for end customer U.S. Special Operations Command. The purchase order is the largest order in its history and represents follow-on business from the $2.8 million SPM order from the same customer received in December 2015. All products under this new order are expected to be shipped in 2016. The purchase order was issued by the Program Executive Office – Soldier, as part of the Nett Warrior program ("Nett Warrior"). Amounts earned from these agreements ($2.0 million in the third quarter of 2016; $5.0 million in the first three quarters of 2016; $1.7 million in fiscal 2015) are recorded as Portable Power revenues.

On December 31, 2008, we completed a restructuring agreement ("Arrangement") with Superior Plus Income Fund ("Superior Plus"), whereby Ballard caused its entire business and operations, including all assets and liabilities, to be transferred to a new corporate entity, such that the new corporate entity held all of the same assets, liabilities, directors, management and employees as Ballard formerly had under its old corporate entity, except for its tax attributes. The Arrangement included an indemnification agreement (the "Indemnity Agreement") which set out each party's continuing obligations to the other including a provision for adjustments to be paid by us, or to us, depending on the final determination of the amount of our Canadian non-capital losses, scientific research and development expenditures and investment tax credits generated to December 31, 2008, to the extent that such amounts are more or less than the amounts estimated at the time the Arrangement was executed. In 2015, we reached agreement and signed mutual releases with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement and received final cash proceeds of $3.3 million (Canadian $4.6 million) in February 2016. The settlement proceeds were recorded as a credit to shareholders' equity in fiscal 2015 consistent with the accounting of the original transaction in 2008.

On January 21, 2016, we announced the signing of an equipment supply agreement, valued at $12 million, with an existing partner in China, Guangdong Synergy Hydrogen Power Technology Co., Ltd. (a member of the "Synergy Group") to provide FCvelocityTM-9SSL fuel cell stacks for range extension applications in commercial vehicles in China. Ballard expects to deliver the stacks in 2016 and 2017. Synergy Group will collaborate with Dongfeng

Xiangyangtouring Car Co., Ltd. ("DFAC"), which is part of Dongfeng Motor Corporation, a Chinese state-owned automobile manufacturer headquartered in Wuhan. Amounts earned from this agreement ($2.8 million in the third quarter of 2016; $5.4 million in the first three quarters of 2016; nil in fiscal 2015) are recorded as Heavy-Duty Motive revenues.

On November 10, 2015, we announced that we had closed a $5 million strategic equity investment in Ballard by Nisshinbo Holdings Inc. ("Nisshinbo") in Japan, as previously announced on October 27, 2015. The investment was made through a private placement subscription of approximately 3.3 million Ballard common shares issued from treasury at $1.5049 per share (based on a 10-day volume weighted average share price calculation). Nisshinbo is an "Environmental and Energy Company" providing low-carbon, optimized products across a range of business lines, including chemicals, precision instruments, electronics, automotive brakes, textiles and paper. Nisshinbo has been a long-time leading global supplier of carbon plates, used in the construction of membrane electrode assemblies ("MEA's"), to the fuel cell industry. On January 20, 2016, we announced that we had received a follow-on purchase order from Nisshinbo for a further phase of a Technology Solutions program related to the development of a breakthrough catalyst technology intended to reduce the cost of certain proton exchange membrane (PEM) fuel cells. The program, now in its seventh phase, has been underway for approximately 2.5 years.

On November 1, 2015, we announced that the signing of a definitive agreement with Tangshan Railway Vehicle Company, Limited ("TRC") for the development of a new fuel cell module that will be designed to meet the requirements of tram or Modern Ground Rail Transit Equipment applications. This agreement, with a value of approximately $3 million, contemplates that TRC trams will use next-generation Ballard fuel cell power modules designed specifically for the Modern Ground Rail Transit Equipment application, with a target of powering the initial prototype by 2016. The purpose-designed product is expected to deliver at least 200 kilowatts of power. Amounts earned from this agreement ($0.4 million in the third quarter of 2016; $1.3 million in the first three quarters of 2016; nil in the third quarter of 2015 and the first three quarters of 2015; $0.5 million in fiscal 2015) are recorded as Technology Solutions revenue.

On October 1, 2015, we completed the acquisition of Protonex, a leading designer and manufacturer of advanced power management products and portable fuel cell solutions. The signing of a definitive agreement to acquire Protonex was previously announced on June 29, 2015. As consideration for the transaction, we assumed and paid certain of Protonex' debt obligations and transaction costs on closing of approximately $3.8 million, and issued 11.4 million of Ballard shares at fair value of $1.20 per share, or approximately $13.7 million, for total purchase consideration of $17.5 million.

On September 28, 2015, we announced the signing of a joint development agreement and a supply agreement to develop and commercialize a fuel cell engine specifically designed for integration into low floor trams manufactured by CRRC Qingdao Sifang Company, Ltd. ("CRRC Sifang"), a Chinese rolling stock manufacturer. The agreements include delivery expected in 2016 of ten customized FCvelocity® modules and have an initial expected value of approximately $6 million. Ballard plans to develop a new prototype configuration of its FCvelocity® fuel cell module to deliver 200 kilowatts of net power for use in powering trams in urban deployments. An initial deployment of eight fuel cell-powered trams is planned by

CRRC Sifang and the City of Foshan on the Gaoming Line starting in 2017. Amounts earned from this agreement ($0.2 million in the third quarter of 2016; $0.8 million in the first three quarters of 2016; nil in fiscal 2015) are recorded as either Heavy-Duty Motive or Technology Solutions revenues depending on the nature of work performed.

On September 25, 2015, we announced the signing of a long-term license and supply agreement with Synergy Group to provide fuel cell power products and technology solutions in support of the planned deployment of approximately 300 fuel cell-powered buses in the cities of Foshan and Yunfu, China. The agreement has an estimated initial value of approximately $17 million expected through 2016, with the opportunity for significant recurring royalties starting in 2017. The agreement includes supply and sale of fully-assembled fuel cell power modules, ready-to-assemble module kits, a technology license for localization of assembly, supply of proprietary fuel cell stacks and long-term recurring royalties leveraged to unit volumes of locally assembled modules. Amounts earned from this agreement ($2.3 million in the third quarter of 2016; $7.1 million in the first three quarters of 2016; nil in the third quarter of 2015 and the first three quarters of 2015; $2.9 million in fiscal 2015) are recorded as either Heavy-Duty Motive or Technology Solutions revenues depending on the nature of work performed.

On September 24, 2015, we announced that we are developing, and plan to launch, two new configurations of our FCvelocity®-HD7 fuel cell module in 2016. The two new module configurations will expand Ballard's product portfolio and provide customers with increased flexibility to address a range of emerging power needs in heavy-duty transit applications, such as buses. Ballard's latest-generation FCvelocity®-HD7 was launched in a 90kW net power configuration in June 2015 at the UITP World Congress and Exhibition in Milan, Italy. This initial 90kW configuration will typically be used to power large urban transit buses. The two new product configurations are expected to deliver net power of 30kW and 60kW, respectively, and are expected to be launched for customer deployments in 2016 to power smaller buses and provide range extension solutions. During the first three quarters of 2016 and in fiscal 2015, FCvelocity®-HD7 development costs of $1.1 million and $1.4 million, respectively, were capitalized as fuel cell technology intangible assets.

On July 22, 2015, we announced the signing of an agreement to provide a 1 megawatt (1MW) ClearGen™ fuel cell distributed generation system for Hydrogène de France ("HDF") which will be deployed at an AkzoNobel sodium chlorate chemical plant in Bordeaux Métropole, France. In addition, Ballard will provide engineering services support for the program. The program will be partially funded by the EU Fuel Cells and Hydrogen Joint Undertaking (FCH-JU), with the remaining funding expected to be provided by HDF and its partners. The program agreement is structured in two phases. Under the first phase, targeted for completion in mid-2016, Ballard received an initial payment of €1.7 million to undertake engineering services and core component development work. Under the second phase, targeted for completion in 2017, Ballard is expected to receive an additional €1.7 million for onsite assembly and commissioning, subject to HDF securing necessary funding to complete the project. Amounts earned from this agreement ($0.1 million in the third quarter of 2016; $0.8 million in the first three quarters of 2016; $0.1 million in the third quarter of 2015 and in the first three quarters of 2015; $0.8 million in fiscal 2015) are recorded as Technology Solutions revenue.

On June 8, 2015, we announced the signing of definitive license and supply agreements with Nantong Zehe New Energy Technology Co., Ltd. ("Nantong Zehe") and Synergy Group to provide fuel cell power products and technology solutions to support the planned deployment of an initial 33 fuel cell-powered buses in two Chinese cities. The agreements have an estimated value of approximately $10 million, the majority of which was recognized in 2015. The agreements include an initial order from Nantong Zehe (announced in April 2015) for the supply of FCvelocity®-HD7 bus power modules to power eight buses in addition to new orders for the supply of additional power products and technology solutions including a non-exclusive license for local assembly of FCvelocity®-HD7 bus power modules for use in clean energy buses in China. In addition, Ballard will be the exclusive supplier of its proprietary fuel cell stacks for use in power modules assembled in China under these agreements. Amounts earned from these agreements ($0.1 million in the third quarter of 2016; $0.5 million in the first three quarters of 2016; $6.9 million in the third quarter of 2015; $7.8 million in the first three quarters of 2015; $8.6 million in fiscal 2015) are recorded as either Heavy-Duty Motive or Technology Solutions revenues depending on the nature of work performed.

On February 11, 2015, we entered into a transaction with Volkswagen Group ("Volkswagen") to transfer certain automotive-related fuel cell intellectual property for an aggregate amount of approximately $80 million including the benefits of a two-year extension of our existing technology development and engineering services agreement with Volkswagen previously announced on March 6, 2013 (see below for additional details). Under the transfer agreement (the "Volkswagen IP Agreement"), Ballard transferred to Volkswagen ownership of the automotive-related portion of the fuel cell intellectual property assets previously acquired by us from United Technologies Corporation ("UTC") on April 24, 2014 (the "UTC Portfolio"), through two separate transactions with Volkswagen for total gross proceeds of $50 million:

(i) On the closing of the initial transaction on February 23, 2015, Ballard transferred ownership of the automotive-related patents and patent applications of the UTC Portfolio in exchange for gross proceeds of $40 million. This receipt triggered a 25%, or $10.0 million, license fee payment to UTC. Although ownership of the UTC patents and patent applications was transferred to Volkswagen, Ballard received a royalty-free back-license to all of the transferred UTC patents and patent applications for use in all non-automotive applications, in bus applications and in certain limited pre-commercial automotive applications. On the closing of the sale of the automotive-related patents and patent applications of the UTC Portfolio in the first quarter of 2015, we recognized a gain on sale of intellectual property of $14.2 million on net proceeds of $29.5 million. We retain a royalty obligation to pay UTC a portion (typically 25%) of all future intellectual property sale and licensing income generated from our intellectual property portfolio until April 2029.

(ii) On the closing of the second transaction on December 2, 2015, Ballard transferred a copy of the automotive-related know-how of the UTC Portfolio in exchange for gross proceeds receivable of $10 million. This receipt, collected in the first quarter of 2016, triggered a 9%, or $0.9 million, payment to UTC in the first quarter of 2016. On the closing of the sale of a copy of the know-how, Ballard retained full ownership of the UTC know-how including the right to sell additional copies of the know-how to third

parties as well as retaining the right to use the know-how in all our applications. On the closing of the sale of a copy of the automotive-related know-how in the fourth quarter of 2015, we recognized an additional gain on sale of intellectual property of $5.4 million on net proceeds of $9.1 million.

On March 6, 2013, we entered into a technology development and engineering services agreement with Volkswagen to advance development of fuel cells for use in powering demonstration cars in Volkswagen's fuel cell automotive research program. The initial contract term was 4-years commencing in March 2013, with an option by Volkswagen for a 2-year extension. On the closing of the Volkswagen IP Agreement in February 2015, this technology development and engineering services was extended 2-years to February 2019. Over the full 6-years, this technology development and engineering services contract has an estimated value of Canadian $100-140 million and is focused on the design and manufacture of next-generation fuel cell stacks for use in Volkswagen's fuel cell demonstration car program. Volkswagen also retains an option to further extend this program by 2-years to February 2021. Amounts earned from this agreement ($3.4 million in the third quarter of 2016; $9.9 million in the first three quarters of 2016; $3.8 million in the third quarter of 2015; $10.9 million in the first three quarters of 2015; $14.5 million in fiscal 2015) are recorded as Technology Solutions revenues.

On October 8, 2014, we agreed to a long term supply agreement with Plug Power Inc ("Plug Power") to provide fuel cell stacks for use in Plug Power's GenDrive™ systems deployed in forklift trucks. The new supply agreement replaced an existing agreement and runs to the end of 2017, with the provision for two 1-year potential extensions.

OPERATING SEGMENTS

We report our results in the single operating segment of Fuel Cell Products and Services. Our Fuel Cell Products and Services segment consists of the sale and service of fuel cell products for our power product markets of Heavy-Duty Motive (consisting of bus and tram applications), Portable Power, Material Handling and Backup Power, as well as the delivery of Technology Solutions including engineering services and the license and sale of our extensive intellectual property portfolio and fundamental knowledge for a variety of fuel cell applications.

As a result of the sale of certain of our methanol Backup Power assets to CHEM in the second quarter of 2016, we have renamed the former Telecom Backup Power market as the Backup Power market. The Backup Power market includes revenues associated with our direct hydrogen fuel cell backup power systems, methanol fuel cell backup power systems prior to the CHEM transaction, and fuel cell stacks sold for all backup power applications including those sold to CHEM.

RESULTS OF OPERATIONS – Third Quarter of 2016

Revenue and gross margin

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
Fuel Cell Products and Services	**2016**	**2015**	$ Change	% Change
Heavy-Duty Motive	**$ 7,469**	**$ 5,563**	$ 1,906	34%
Portable Power	**3,060**	**-**	3,060	100%
Material Handling	**3,335**	**3,412**	(77)	(2%)
Backup Power	**812**	**544**	268	49%
Technology Solutions	**5,959**	**6,518**	(559)	(9%)
Revenues	**20,635**	**16,037**	4,598	29%
Cost of goods sold	**14,201**	**11,989**	2,212	18%
Gross Margin	**$ 6,434**	**$ 4,048**	$ 2,386	59%
Gross Margin %	**31%**	**25%**	n/a	6 pts

Fuel Cell Products and Services Revenues of $20.6 million for the third quarter of 2016 increased 29%, or $4.6 million, compared to the third quarter of 2015. The 29% increase was driven by the addition of Portable Power revenues and higher Heavy-Duty Motive and Backup Power revenues, which more than offset a decline in Technology Solutions revenues as Material Handling revenues were relatively flat.

Heavy-Duty Motive revenues of $7.5 million increased $1.9 million, or 34%, due primarily to significantly higher shipments in the third quarter of 2016 of FCvelocityTM-9SSL fuel cell stacks to the Synergy Group. This increase more than offset a minor decrease in total amounts earned in the third quarter of 2016 as compared to the third quarter of 2015 from shipments of FCvelocity®-HD7 bus power modules, FCvelocity®-HD7 bus module part kits, and FCvelocity®-HD6 bus power modules primarily to the Synergy Group, Nantong Zehe, and other customers in China and North America.

Technology Solutions revenues of $6.0 million decreased ($0.6) million, or (9%), due to a minor decline in Volkswagen service revenues primarily as a result of program timing. Engineering services and licensing work performed in the third quarter of 2016 on the TRC and CRRC Sifang tram projects, the Synergy Group backup power and bus agreements, the HDF distributed generation project, and other programs was relatively consistent with amounts earned in the third quarter of 2015 on the Nantong Zehe and other programs.

Material Handling revenues of $3.3 million decreased ($0.1) million, or (2%), primarily as a result of slightly higher stack shipments to Plug Power offset by lower average selling price due to product mix.

Portable Power revenues of $3.1 million in the third quarter of 2016 were generated by Protonex, a company we acquired on October 1, 2015. Protonex is a leading designer and manufacturer of advanced power management products and portable fuel cell solutions for military applications. Revenues in the quarter were positively impacted by shipments of Squad Power Manager (SPM-622) Special Operations Kits for end customer U.S. Special Operations Command under the Nett Warrior program.

Backup Power revenues of $0.8 million increased $0.3 million, or 49%, due primarily to an increase in shipments of hydrogen-based backup power stacks to CHEM. During the second

quarter of 2016, we completed the sale of certain of our methanol Telecom Backup Power business assets to CHEM.

Fuel Cell Products and Services gross margins improved to $6.4 million, or 31% of revenues, for the third quarter of 2016, compared to $4.0 million, or 25% of revenues, for the third quarter of 2015. The improvement in gross margin of $2.4 million, or 59%, was driven by the 29% increase in total revenues combined with a shift to higher margin product and service revenue resulting in a 6 point improvement in gross margin as a percent of revenues. Gross margin in the third quarter of 2016 benefited from the addition of higher margin Portable Power shipments and services as a result of the acquisition of Protonex on October 1, 2015, by the increase in higher margin Heavy-Duty Motive revenues, and by improved manufacturing overhead and related cost absorption as a result of improved scale and efficiency driven by the 29% increase in total revenues.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
	2016	2015	$ Change	% Change
Research and Product Development (operating cost)	**$ 4,041**	$ 3,211	$ 830	26%
General and Administrative (operating cost)	**2,805**	1,966	839	43%
Sales and Marketing (operating cost)	**1,566**	1,534	32	2%
Cash Operating Costs	**$ 8,412**	$ 6,711	$ 1,701	25%

Cash Operating Costs and its components of Research and Product Development (operating cost), General and Administrative (operating cost), and Sales and Marketing (operating cost) are non-GAAP measures. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See the reconciliation of Cash Operating Costs to GAAP in the Supplemental Non-GAAP Measures section and the reconciliation of Research and Product Development (operating cost), General and Administrative (operating cost), and Sales and Marketing (operating cost) to GAAP in the Operating Expense section. Cash Operating Costs adjusts operating expenses for stock-based compensation expense, depreciation and amortization, impairment losses on trade receivables, restructuring charges, acquisition costs and financing charges.

Cash Operating Costs (see Supplemental Non-GAAP Measures) for the third quarter of 2016 were $8.4 million, an increase of $1.7 million, or 25%, compared to the third quarter of 2015. The $1.7 million, or 25%, increase was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $1.9 million of Cash Operating Costs in the quarter.

The addition of the Protonex operating costs, higher continuation engineering and prototyping expenses, higher legal, advisory and human resource expenses related to revenue growth, and higher bonus accrual expenses in the third quarter of 2016, were partially offset by cost reductions as a result of the Company's rationalization initiatives undertaken in the first quarter of 2016. These cost reduction initiatives were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities including significant reductions in engineering, sales and marketing efforts associated with this market.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
	2016	2015	$ Change	% Change
Adjusted EBITDA	$ **(1,520)**	$ (2,405)	$ 885	37%

EBITDA and Adjusted EBITDA are non-GAAP measures. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense, transactional gains and losses, finance and other income, and acquisition costs.

Adjusted EBITDA (see Supplemental Non-GAAP Measures) for the third quarter of 2016 was ($1.5) million, compared to ($2.4) million for the third quarter of 2015. The $0.9 million reduction in Adjusted EBITDA loss in the third quarter of 2016 was driven by the $2.4 million increase in gross margin as a result of the 29% increase in overall revenues combined with the 6 point improvement in gross margin as a percent of revenues. This improvement was partially offset by the increase in Cash Operating Costs of ($1.7) million primarily as a result of the acquisition of Protonex.

Net income (loss) attributable to Ballard

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
	2016	2015	$ Change	% Change
Net income (loss) attributable to Ballard from continuing operations	$ **(4,187)**	$ (4,135)	$ (52)	(1%)

Net loss attributable to Ballard from continuing operations for the third quarter of 2016 was ($4.2) million, or ($0.03) per share, compared to a net loss of ($4.1) million, or ($0.03) per share, in the third quarter of 2015. The ($0.1) million increase in net loss in the third quarter of 2016 was driven by a decrease in finance and other income (loss) of ($0.8) million in 2016 related primarily to lower foreign exchange gains, combined with an increase in depreciation and amortization expense of ($0.4) million related primarily to the acquisition of Protonex. These negative net income impacts were partially offset by the reduction in Adjusted EBITDA loss of $0.9 million.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the non-controlling interests in the losses of Ballard Power Systems Europe A/S (formerly named Dantherm Power A/S) related to their 43% equity interest in Ballard Power Systems Europe A/S. Net loss attributed to non-controlling interests for the third quarter of 2016 was ($0.2) million, comparable to the third quarter of 2015.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
	2016	2015	$ Change	% Change
Cash (used in) provided by operating activities	**$ (482)**	$ (4,133)	$ 3,651	88%

Cash used by operating activities in the third quarter of 2016 was ($0.5) million, consisting of cash operating losses of ($2.4) million partially offset by net working capital inflows of $1.9 million. Cash used by operating activities in the third quarter of 2015 was ($4.1) million, consisting of cash operating losses of ($3.4) million and net working capital outflows of ($0.7) million. The $3.7 million reduction in cash used by operating activities in the third quarter of 2016, as compared to the third quarter of 2015, was driven by the relative improvement in cash operating losses of $1.0 million, combined with the relative reduction in working capital requirements of $2.7 million. The $1.0 million decline in cash operating losses in the third quarter of 2016 was due primarily to the $0.9 million reduction in Adjusted EBITDA loss.

The total change in working capital of $1.9 million in the third quarter of 2016 was driven by higher deferred revenue of $3.2 million as we collected pre-payments on certain Heavy-

Duty Motive and Technology Solutions contracts in advance of work performed, and by lower accounts receivable of $2.5 million primarily as a result of the timing of Material Handling, Technology Solutions and Portable Power revenues and the related customer collections. These third quarter of 2016 working capital inflows were partially offset by higher inventory of ($3.7) million primarily to support expected Heavy-Duty Motive shipments to customers in the last quarter of 2016 and into 2017.

This compares to a total change in working capital of ($0.7) million in the third quarter of 2015 which was driven by higher inventory of ($2.6) million to support expected Heavy-Duty and Backup Power shipments to customers in the last quarter of 2015 and into 2016, partially offset by higher accounts payable and accrued liabilities of $1.7 million due primarily to the timing of purchases and supplier payments.

RESULTS OF OPERATIONS – Nine months ended September 30, 2016

Revenue and gross margin

(Expressed in thousands of U.S. dollars) Nine months ended September 30,

Fuel Cell Products and Services	2016	2015	$ Change	% Change
Heavy-Duty Motive	$ **15,487**	$ **7,886**	$ 7,601	96%
Portable Power	**8,515**	**-**	8,515	100%
Material Handling	**9,925**	**8,656**	1,269	15%
Backup Power	**2,761**	**4,115**	(1,354)	(33%)
Technology Solutions	**17,898**	**15,820**	2,078	13%
Revenues	**54,586**	**36,477**	18,109	50%
Cost of goods sold	**39,748**	**30,321**	9,427	31%
Gross Margin	$ **14,838**	$ **6,156**	$ 8,682	141%
Gross Margin %	**27%**	**17%**	n/a	10 pts

Fuel Cell Products and Services Revenues of $54.6 million for the first three quarters of 2016 increased 50%, or $18.1 million, compared to the first three quarters of 2015. The 50% increase was driven by the addition of Portable Power revenues and higher Heavy-Duty Motive, Technology Solutions and Material Handling revenues, which more than offset a decline in Backup Power revenues.

Technology Solutions revenues of $17.9 million increased $2.1 million, or 13%, due primarily to an increase in engineering services and licensing work in 2016 earned on the TRC and CRRC Sifang tram projects, the Synergy Group backup power and bus agreements, the HDF distributed generation project and other programs, which exceeded amounts earned in 2015 on the Nantong Zehe and other programs. These increases more than offset a minor decline in Volkswagen service revenues which were negatively impacted by approximately ($0.5) million in the first three quarters of 2016, as compared to the first three quarters of 2015, as a result of an approximate (5%) lower Canadian dollar, relative to the U.S. dollar, as the Volkswagen Agreement is priced in Canadian dollars. The underlying costs to satisfy the Volkswagen Agreement are primarily denominated in Canadian dollars.

Heavy-Duty Motive revenues of $15.5 million increased $7.6 million, or 96%, due primarily

to significantly higher shipments in 2016 of FCvelocityTM-9SSL fuel cell stacks to the Synergy Group as total amounts earned from shipments of FCvelocity®-HD7 bus power modules, FCvelocity®-HD7 bus module part kits, and FCvelocity®-HD6 bus power modules primarily to the Synergy Group, Nantong Zehe, and other customers in China and North America were relatively consistent year over year.

Material Handling revenues of $9.9 million increased $1.3 million, or 15%, primarily as a result of higher stack shipments to Plug Power.

Portable Power revenues of $8.5 million in the first three quarters of 2016 were generated by Protonex, a company we acquired on October 1, 2015. Protonex is a leading designer and manufacturer of advanced power management products and portable fuel cell solutions for military applications. Revenues in 2016 were positively impacted by shipments of Squad Power Manager (SPM-622) Special Operations Kits for end customer U.S. Special Operations Command under the Nett Warrior program.

Backup Power revenues of $2.8 million decreased ($1.4) million, or (33%), due primarily to a significant decline in shipments of methanol-based backup power systems as we continued to review strategic alternatives for our methanol Telecom Backup Power business, ultimately resulting in the CHEM transaction in the second quarter of 2016. This decrease more than offset revenue increases as a result of slightly higher shipments of hydrogen-based backup power systems and hydrogen-based backup power stacks.

Fuel Cell Products and Services gross margins improved to $14.8 million, or 27% of revenues, for the first three quarters of 2016, compared to $6.2 million, or 17% of revenues, for the first three quarters of 2015. The improvement in gross margin of $8.7 million, or 141%, was driven by the 50% increase in overall revenues combined with a shift to higher margin product and service revenue resulting in a 10 point improvement in gross margin as a percent of revenues.

Gross margin in the first three quarters of 2016 benefited from the addition of higher margin Portable Power shipments and services as a result of the acquisition of Protonex on October 1, 2015, by the increase in higher margin Heavy-Duty Motive and Technology Solutions revenues, and by improved manufacturing overhead and related cost absorption as a result of improved scale and efficiency driven by the 50% increase in total revenues. Gross margin in the first three quarters of 2015 benefited from positive net warranty adjustments of $0.8 million related primarily to fuel cell bus contractual warranty expirations, partially offset by negative inventory impairments in the first three quarters of 2015 of ($0.3) million related primarily to excess and obsolete inventory. There were nominal net warranty and inventory adjustments impacting gross margin in the first three quarters of 2016.

Cash Operating Costs

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
	2016	2015	$ Change	% Change
Research and Product Development (operating cost)	**$ 13,002**	$ 10,236	$ 2,766	27%
General and Administrative (operating cost)	**7,968**	6,216	1,752	28%
Sales and Marketing (operating cost)	**5,228**	4,869	359	7%
Cash Operating Costs	**$ 26,198**	$ 21,321	$ 4,877	23%

Cash Operating Costs and its components of Research and Product Development (operating cost), General and Administrative (operating cost), and Sales and Marketing (operating cost) are non-GAAP measures. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See the reconciliation of Cash Operating Costs to GAAP in the Supplemental Non-GAAP Measures section and the reconciliation of Research and Product Development (operating cost), General and Administrative (operating cost), and Sales and Marketing (operating cost) to GAAP in the Operating Expense section. Cash Operating Costs adjusts operating expenses for stock-based compensation expense, depreciation and amortization, impairment losses on trade receivables, restructuring charges, acquisition costs and financing charges.

Cash Operating Costs (see Supplemental Non-GAAP Measures) for the first three quarters of 2016 were $26.2 million, an increase of $4.9 million, or 23%, compared to the first three quarters of 2015. The $4.9 million, or 23%, increase in 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $5.8 million of Cash Operating Costs in 2016 to date.

The addition of the Protonex operating costs, higher continuation engineering and prototyping expenses related to the ongoing and continual improvement of all of our fuel cell products, higher legal, advisory and human resource expenses related to revenue growth, and higher bonus accrual expenses in the first three quarters of 2016, were partially offset by cost reductions in 2016 as a result of the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016. These cost reduction initiatives were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities including significant reductions in engineering, sales and marketing efforts associated with this market. In addition, operating expenses benefited by the capitalization in the first three quarters of 2016 of ($1.1) million of FCvelocity®-HD7 development costs as fuel cell technology intangible assets, and by lower labour costs in Canada as a result of an approximate (5%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

As noted above, operating costs in the first three quarters of 2016 benefited from the positive impact of a weaker Canadian dollar, relative to the U.S. dollar. As a significant amount of our net operating costs (primarily labour) are denominated in Canadian dollars, operating expenses and Adjusted EBITDA are impacted by changes in the Canadian dollar relative to the U.S. dollar. As the Canadian dollar relative to the U.S. dollar was approximately (5%), or (6) basis points, lower in the first three quarters of 2016 as compared to the first three quarters of 2015, positive foreign exchange impacts on our Canadian operating cost base and Adjusted EBITDA were approximately $1.3 million. A $0.01 decrease in the Canadian dollar, relative to the U.S. dollar, positively impacts annual Cash Operating Costs and Adjusted EBITDA by approximately $0.3 million.

Adjusted EBITDA

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
	2016	2015	$ Change	% Change
Adjusted EBITDA	$ **(11,646)**	$ (12,323)	$ 677	5%

EBITDA and Adjusted EBITDA are non-GAAP measures. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. See reconciliation to GAAP in the Supplemental Non-GAAP Measures section. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense, transactional gains and losses, finance and other income, and acquisition costs.

Adjusted EBITDA (see Supplemental Non-GAAP Measures) for the first three quarters of 2016 was ($11.6) million, compared to ($12.3) million for the first three quarters of 2015. The $0.7 million reduction in Adjusted EBITDA loss in 2016 was driven by the $8.7 million increase in gross margin as a result of the 50% increase in overall revenues combined with the 10 point improvement in gross margin as a percent of revenues. This improvement was partially offset by the increase in Cash Operating Costs of ($4.9) million primarily as a result of the acquisition of Protonex, by higher restructuring expenses of ($2.5) million incurred as a result of the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016 which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities, and by lower recoveries on impairment losses on trade receivables of ($0.9) million.

Net income (loss) attributable to Ballard

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
	2016	2015	$ Change	% Change
Net income (loss) attributable to Ballard from continuing operations	$ **(19,991)**	$ (4,460)	$ (15,531)	(348%)

Net loss attributable to Ballard from continuing operations for the first three quarters of 2016 was ($20.0) million, or ($0.13) per share, compared to a net loss of ($4.5) million, or ($0.03) per share, in the first three quarters of 2015. The ($15.5) million increase in net loss in 2016 was driven by the reduction in gain on sale of intellectual property of ($14.2) million as we recognized a significant gain of $14.2 million in the first quarter of 2015 on the closing of the initial tranche of the Volkswagen IP Agreement, and by an increase in impairment losses of ($1.2) million as we wrote-down certain methanol Telecom Backup Power assets in the first quarter of 2016 while we continued to review strategic alternatives for our methanol Telecom Backup Power assets prior to concluding the transaction with CHEM in the second quarter of 2016.

Net loss attributable to Ballard in the first three quarters of 2016 was negatively impacted by the above noted impairment loss of ($1.2) million related to a write-down of methanol Telecom Backup Power intangible assets and property, plant and equipment, negatively impacted by a loss on sale of assets of ($0.4) million recognized on the closing of the CHEM transaction, and negatively impacted by restructuring expenses of ($2.5) million incurred as a result of the Company's rationalization and renewal initiatives which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities.

Net income attributable to Ballard in the first three quarters of 2015 was positively impacted by the above noted gain on sale of intellectual property of $14.2 million, positively impacted by net impairment recoveries on trade receivables of $0.9 million, and negatively impacted

by acquisition costs related to the Protonex acquisition of ($0.6) million. Excluding the impact of the gain on sale of intellectual property and the impact from acquisition costs, impairment recoveries on trade receivables, asset impairment charges, and transactional gains and losses on intangible assets and property, plant and equipment, Adjusted Net Loss (see Supplemental Non-GAAP Measures) in the first three quarters of 2016 was ($18.4) million, or ($0.11) per share, compared to ($18.9) million, or ($0.14) per share, for the first three quarters of 2015.

Net loss attributable to Ballard from continuing operations excludes the net loss attributed to the non-controlling interests in the losses of Ballard Power Systems Europe A/S (formerly named Dantherm Power A/S) related to their 43% equity interest in Ballard Power Systems Europe A/S. Net loss attributed to non-controlling interests for the first three quarters of 2016 was ($0.8) million, compared to ($0.9) million for the first three quarters of 2015.

Cash used in operating activities

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
	2016	2015	$ Change	% Change
Cash (used in) provided by operating activities	**$ (11,888)**	$ (14,798)	$ 2,910	20%

Cash used in operating activities in the first three quarters of 2016 was ($11.9) million, consisting of cash operating losses of ($13.5) million partially offset by net working capital inflows of $1.7 million. Cash used in operating activities in the first three quarters of 2015 was ($14.8) million, consisting of cash operating losses of ($14.7) million and net working capital outflows of ($0.1) million. The $2.9 million reduction in cash used by operating activities in the first three quarters of 2016, as compared to the first three quarters of 2015, was driven by the relative improvement in cash operating losses of $1.2 million, combined with the relative reduction in working capital requirements of $1.8 million. The $1.2 million decline in cash operating losses in the first three quarters of 2016 was due primarily to the $0.7 million reduction in Adjusted EBITDA loss.

The total change in working capital of $1.7 million in the first three quarters of 2016 was driven by higher deferred revenue of $10.7 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed, and by higher accounts payable and accrued liabilities of $2.8 million due primarily to restructuring and wage accrual expenses which will be paid over 2016 and into 2017. These first three quarters of 2016 working capital inflows were partially offset by higher inventory of ($8.8) million primarily to support expected Heavy-Duty Motive shipments to customers in the fourth quarter of 2016 and into 2017, and by higher accounts receivable of ($1.3) million primarily as a result of the timing of Material Handling, Technology Solutions and Portable Power revenues and the related customer collections.

This compares to a total change in working capital of ($0.1) million in the first three quarters of 2015 which was driven by higher inventory of ($6.5) million to support expected Heavy-Duty Motive and Backup Power shipments to customers in the fourth quarter of 2015 and into 2016, combined with lower accrued warranty provisions of ($2.3) million due primarily to Heavy-Duty Motive warranty contract expirations and customer service related expenses incurred in our Backup Power market in Asia. These first three quarter of 2015

working capital outflows were effectively offset by higher deferred revenue of $5.5 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed, and by lower accounts receivable of $2.8 million primarily as a result of the timing of revenues and the related customer collections.

OPERATING EXPENSES AND OTHER ITEMS

Research and product development expenses

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
Research and product development	**2016**	2015	$ Change	% Change
Research and product development expense	**$ 4,868**	**$ 4,022**	$ 846	21%
Less: Depreciation and amortization expense	**$ (564)**	**$ (575)**	$ 11	2%
Less: Stock-based compensation expense	**$ (263)**	**$ (236)**	$ (27)	(11%)
Research and Product Development (operating cost)	**$ 4,041**	**$ 3,211**	$ 830	26%

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
Research and product development	**2016**	2015	$ Change	% Change
Research and product development expense	**$ 15,511**	**$ 12,745**	$ 2,766	22%
Less: Depreciation and amortization expense	**$ (1,702)**	**$ (1,626)**	$ (76)	(5%)
Less: Stock-based compensation expense	**$ (807)**	**$ (883)**	$ 76	9%
Research and Product Development (operating cost)	**$ 13,002**	**$ 10,236**	$ 2,766	27%

Research and Product Development (operating cost) is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Research and Product Development (operating cost) adjusts Research and product development expense for depreciation and amortization expense and stock-based compensation expense. See the reconciliation of the adjustments to Research and product development expense in the Non-GAAP Measures section.

Research and product development expenses for the three months ended September 30, 2016 were $4.9 million, an increase of $0.8 million, or 21%, compared to the corresponding period of 2015. Excluding depreciation and amortization expense of ($0.6) million in each of the periods, and excluding stock-based compensation expense of ($0.3) million and ($0.2) million, respectively, in each of the periods, research and product development operating costs (see Supplemental Non-GAAP Measures) were $4.0 million in the third quarter of 2016, an increase of $0.8 million, or 26%, compared to the third quarter of 2015.

The $0.8 million, or 26%, increase in research and development operating costs (see Supplemental Non-GAAP Measures) in the third quarter of 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $1.2 million of research and product development expense in the quarter. Higher continuation engineering and prototyping expenses in the third quarter of 2016 related to the ongoing and continual improvement of all of our fuel cell products, were offset by lower methanol Telecom Backup Power engineering expenses due to cost reduction initiatives undertaken in the first quarter of 2016 and culminating with the CHEM transaction, and by the capitalization in the third quarter of 2016 of ($0.3) million of FCvelocity®-HD7 development costs as fuel cell technology intangible assets.

Research and product development expenses for the nine months ended September 30, 2016 were $15.5 million, an increase of $2.8 million, or 22%, compared to

the corresponding period of 2015. Excluding depreciation and amortization expense of ($1.7) million and ($1.6) million, respectively, in each of the periods, and excluding stock-based compensation expense of ($0.8) million and ($0.9) million, respectively, in each of the periods, research and product development operating costs (see Supplemental Non-GAAP Measures) were $13.0 million in the first three quarters of 2016, an increase of $2.8 million, or 27%, compared to the first three quarters of 2015.

The $2.8 million, or 27%, increase in research and development operating costs (see Supplemental Non-GAAP Measures) in the first three quarters of 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $3.7 million of research and product development operating expense in 2016, and by higher continuation engineering and prototyping expenses in 2016 related to the ongoing and continual improvement of all of our fuel cell products. These cost pressures in 2016 were partially offset by lower methanol Telecom Backup Power engineering expenses due to cost reduction initiatives undertaken in the first quarter of 2016 and culminating with the CHEM transaction, the capitalization in 2016 of ($1.1) million of FCvelocity®-HD7 development costs as fuel cell technology intangible assets, and by lower labour costs in Canada as a result of an approximate (5%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base. In addition, government funding recoveries were also improved in 2016 due to increased government funding recoveries as we successfully completed the 5-year, $7.2 million Canadian, award agreement from Sustainable Development Technology Canada (“SDTC”) to assist us with extending the operating life and lowering the product cost of FCgen™-1300 fuel cell stack and demonstrating the technology in the Ballard’s CLEARgen™ distributed generation system at the Toyota Motor Sales U.S.A., Inc. sales and marketing headquarters campus in Torrance, California.

Government research funding is reflected as a cost offset to research and product development expenses, whereas labour and material costs incurred on revenue producing engineering services projects are reallocated from research and product development expenses to cost of goods sold.

Depreciation and amortization expense included in research and product development expense for the three and nine months ended September 30, 2016 was $0.6 million and $1.7 million, relatively consistent with the corresponding periods of 2015. Depreciation and amortization expense relates primarily to amortization expense on our intangible assets and depreciation expense on our research and product development equipment. Minor increases in depreciation and amortization expense in 2016 as a result of the acquisition of Protonex on October 1, 2015 and the resulting amortization of acquired intangible assets over their estimated useful lives of 15 to 20 years, was offset by declines in amortization expense in 2016 as a result of the write-down of our remaining methanol Telecom Backup Power intangible assets and property, plant and equipment in the first quarter of 2016.

Stock-based compensation expense included in research and product development expense for the three and nine months ended September 30, 2016 was $0.3 million and $0.8 million, respectively, relatively consistent with the corresponding periods of 2015.

General and administrative expenses

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
General and administrative	**2016**	**2015**	$ Change	% Change
General and administrative expense	**$ 3,272**	**$ 2,342**	$ 930	40%
Less: Depreciation and amortization expense	**$ (90)**	**$ (49)**	$ (41)	(84%)
Less: Stock-based compensation expense	**$ (377)**	**$ (327)**	$ (50)	(15%)
General and Administrative (operating cost)	**$ 2,805**	**$ 1,966**	$ 839	43%

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
General and administrative	**2016**	**2015**	$ Change	% Change
General and administrative expense	**$ 9,424**	**$ 7,566**	$ 1,858	25%
Less: Depreciation and amortization expense	**$ (283)**	**$ (140)**	$ (143)	(102%)
Less: Stock-based compensation expense	**$ (1,173)**	**$ (1,210)**	$ 37	3%
General and Administrative (operating cost)	**$ 7,968**	**$ 6,216**	$ 1,752	28%

General and Administrative (operating cost) is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. General and Administrative (operating cost) adjusts General and administrative expense for depreciation and amortization expense and stock-based compensation expense. See the reconciliation of the adjustments to General and administrative expense in the Non-GAAP Measures section.

General and administrative expenses for the three months ended September 30, 2016 were $3.3 million, an increase of $0.9 million, or 40%, compared to the corresponding period of 2015. Excluding depreciation and amortization expense of ($0.1) million and nil, respectively, and excluding stock-based compensation expense of ($0.4) million and ($0.3) million, respectively, in each of the periods, general and administrative operating costs (see Supplemental Non-GAAP Measures) were $2.8 million in the third quarter of 2016, an increase of $0.8 million, or 43%, compared to the third quarter of 2015.

The $0.8 million, or 43%, increase in general and administrative operating costs (see Supplemental Non-GAAP Measures) in the third quarter of 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $0.4 million of general and administrative operating expense in the quarter, combined with higher legal, advisory and human resource expenses related to revenue growth, and higher bonus accrual expenses.

General and administrative expenses for the nine months ended September 30, 2016 were $9.4 million, an increase of $1.9 million, or 25%, compared to the corresponding period of 2015. Excluding depreciation and amortization expense of ($0.3) million and ($0.1) million, respectively, and excluding stock-based compensation expense of ($1.2) million in each of the periods, general and administrative operating costs (see Supplemental Non-GAAP Measures) were $8.0 million in the first three quarters of 2016, an increase of $1.8 million, or 28%, compared to the first three quarters of 2015.

The $1.8 million, or 28%, increase in general and administrative operating costs (see Supplemental Non-GAAP Measures) in the first three quarters of 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $1.2 million of general and administrative operating expense in the first half of 2016, combined with higher legal, advisory and human resource expenses related to revenue growth, and higher bonus accrual expenses. These cost pressures in the first three quarters of 2016 were partially offset by lower labour costs in Canada as a result of an approximate (5%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

Depreciation and amortization expense included in general and administrative expense for the *three and nine months ended September 30, 2016* was $0.1 million and $0.3 million, respectively, compared to nil and $0.1 million, respectively, for the corresponding periods of 2015 and relates primarily to depreciation expense on our office and information technology equipment.

Stock-based compensation expense included in general and administrative expense for the three and nine months ended September 30, 2016 was $0.4 million and $1.2 million, respectively, relatively consistent with the corresponding periods of 2015.

Sales and marketing expenses

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
Sales and marketing	**2016**	**2015**	$ Change	% Change
Sales and marketing expense	**$ 1,718**	**$ 1,728**	$ (10)	(1%)
Less: Depreciation and amortization expense	**$ (1)**	**$ -**	$ (1)	(100%)
Less: Stock-based compensation expense	**$ (151)**	**$ (194)**	$ 43	22%
Sales and Marketing (operating cost)	**$ 1,566**	**$ 1,534**	$ 32	2%

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
General and administrative	**2016**	**2015**	$ Change	% Change
Sales and marketing expense	**$ 5,695**	**$ 5,477**	$ 218	4%
Less: Depreciation and amortization expense	**$ (4)**	**$ -**	$ (4)	(100%)
Less: Stock-based compensation expense	**$ (463)**	**$ (608)**	$ 145	24%
Sales and Marketing (operating cost)	**$ 5,228**	**$ 4,869**	$ 359	7%

Sales and Marketing (operating cost) is a non-GAAP measure. We use certain Non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Sales and Marketing (operating cost) adjusts Sales and marketing expense for depreciation and amortization expense and stock-based compensation expense. See the reconciliation of the adjustments to Sales and marketing expense in the Non-GAAP Measures section.

Sales and marketing expenses for the three months ended September 30, 2016 were $1.7 million, consistent with the corresponding period of 2015. Excluding stock-based compensation expense of ($0.2) million in each of the periods, sales and marketing operating costs (see Supplemental Non-GAAP Measures) were $1.6 million in the third quarter of 2016, an increase of 2% compared to the third quarter of 2015.

Sales and marketing operating costs (see Supplemental Non-GAAP Measures) were effectively flat quarter over quarter, as increases in the third quarter of 2016 as a result of the acquisition of Protonex on October 1, 2015, which contributed $0.4 million of sales and marketing operating costs in the quarter, were primarily offset by cost reductions as a result of the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016 which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities including significant reductions in our sales and marketing efforts associated with this market.

Sales and marketing expenses for the nine months ended September 30, 2016 were $5.7 million, an increase of $0.2 million, or 4%, compared to the corresponding period of 2015. Excluding stock-based compensation expense of ($0.5) million and ($0.6), respectively, in each of the periods, sales and marketing operating costs (see Supplemental Non-GAAP Measures) were $5.2 million in the first three quarters of 2016, an increase of $0.4 million, or 7% compared to the first three quarters of 2015.

The $0.4 million, or 7% increase in sales and marketing operating costs (see Supplemental Non-GAAP Measures) in the first three quarters of 2016 was driven primarily by the acquisition of Protonex on October 1, 2015, which contributed $1.2 million of sales and marketing operating costs in the first three quarters of 2016. This cost pressure in 2016 was partially offset by cost reductions as a result of the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016 which were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities including significant reductions in our sales and marketing efforts associated with this market. In addition, sales and marketing expense in the first three quarters of 2016 were positively impacted by lower labour costs in Canada as a result of an approximate (5%) lower Canadian dollar, relative to the U.S. dollar, and the resulting positive impact on our Canadian operating cost base.

Stock-based compensation expense included in sales and marketing expense for the three and nine months ended September 30, 2016 was $0.2 million and $0.5 million, respectively, compared to $0.2 million and $0.6 million, respectively, for the corresponding periods of 2015. The minor overall reduction in 2016 was due primarily to the Company's rationalization and renewal initiatives undertaken in the first quarter of 2016.

Other expense (recovery) for the three and nine months ended September 30, 2016 was $0.3 million and $2.6 million, respectively, compared to $0.5 million and ($0.2) million, respectively for the corresponding periods of 2015. The following tables provide a breakdown of other expense (recovery) for the reported periods:

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
	2016	2015	$ Change	% Change
Impairment loss (recovery) on trade receivables	**$ 320**	**$ 151**	$ 169	112%
Restructuring expense (recovery)	**20**	**-**	20	100%
Acquisition charges	**-**	**340**	(340)	(100%)
Other expenses (recovery)	**$ 340**	**$ 491**	$ (151)	(31%)

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
	2016	2015	$ Change	% Change
Impairment loss (recovery) on trade receivables	**$ 69**	**$ (860)**	$ 929	108%
Restructuring expense	**2,535**	**(13)**	2,548	19,600%
Acquisition charges	**43**	**640**	(597)	(93%)
Other expenses (recovery)	**$ 2,647**	**$ (233)**	$ 2,880	1,236%

Net impairment loss (recovery) on trade receivables of for the three and nine months ended September 30, 2016 was $0.3 million and $0.1 million, respectively, compared to $0.2

million and ($0.9) million, respectively, for the corresponding periods of 2015. Net Impairment recoveries in the first three quarters of 2015 of ($0.9) million resulted from the collection of outstanding receivables principally in Asia that were previously considered impaired and written down in a previous period. In the event that we are able to recover on an impaired trade receivable through legal or other means, the recovered amount is recognized in the period of recovery as a reversal of the impairment loss.

Restructuring expenses of $2.5 million for the nine months ended September 30, 2016 relate to cost reduction initiatives that included the elimination of approximately 50 positions including the elimination of three executive level positions, as well as estimated costs associated with the expected closure of the contract manufacturing facility in Tijuana, Mexico. These cost reduction initiatives were primarily focused on reducing our operating cost base associated with methanol Telecom Backup Power activities as we continued to review strategic alternatives for these assets prior to the transaction with CHEM.

Acquisition charges for the nine months ended September 30, 2015 of $0.6 million relate to costs incurred prior to the closing of the acquisition of Protonex on October 1, 2015. Acquisition costs are expensed as incurred.

Finance income (loss) and other for the three and nine months ended September 30, 2016 was ($0.2) million and ($0.1) million, respectively, compared to $0.5 million and $0.6 million, respectively, for the corresponding periods of 2015. The following tables provide a breakdown of finance and other income (loss) for the reported periods:

(Expressed in thousands of U.S. dollars)	Three months ended September 30,			
	2016	2015	$ Change	% Change
Employee future benefit plan expense	**$ (71)**	**$ (71)**	$ -	-
Pension administration expense	**(97)**	**(58)**	(39)	(67%)
Investment and other income (loss)	**32**	**37**	(5)	(14%)
Foreign exchange gain (loss)	**(88)**	**626**	(714)	(114%)
Finance income (loss) and other	**$ (224)**	**$ 534**	$ (758)	(142%)

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,			
	2016	2015	$ Change	% Change
Employee future benefit plan expense	**$ (215)**	**$ (215)**	$ -	-
Pension administration expense	**(102)**	**(76)**	(26)	(34%)
Investment and other income	**33**	**99**	(66)	(67%)
Foreign exchange gain (loss)	**207**	**837**	(630)	(75%)
Finance income (loss) and other	**$ (77)**	**$ 645**	$ (722)	(112%)

Employee future benefit plan expense for the three and nine months ended September 30, 2016 were ($0.1) million and ($0.2) million, respectively, consistent with the corresponding periods of 2015. Employee future benefit plan expense primarily represents the excess of expected interest cost on plan obligations in excess of the expected return on plan assets related to a curtailed defined benefit pension plan for certain former United States employees. Pension administration expense of approximately ($0.1) million for the three and nine months ended September 30, 2016 and 2015 represent administrative costs

incurred in managing the plan.

Foreign exchange gains (losses) for the three and nine months ended September 30, 2016 were ($0.1) million and $0.2 million, respectively, compared to $0.6 million and $0.8 million, respectively, for the corresponding periods of 2015. Foreign exchange gains and losses are attributable primarily to the effect of the changes in the value of the Canadian dollar, relative to the U.S. dollar, on our Canadian dollar-denominated net monetary position and on any outstanding foreign exchange currency contracts that are marked to market each reporting period if not qualified for hedge accounting treatment. Foreign exchange gains and losses are also impacted by the conversion of Ballard Power Systems Europe A/S' assets and liabilities from the Danish Kroner to the U.S. dollar at exchange rates in effect at each reporting date.

Investment and other income for the three and nine months ended September 30, 2016 and 2015 were nominal and were earned primarily on our cash, cash equivalents and short-term investments.

Finance expense for the three and nine months ended September 30, 2016 was ($0.2) million and ($0.5) million, respectively, compared to ($0.2) million and ($0.6) million, respectively, for the corresponding periods of 2015. Finance expense relates primarily to the sale and leaseback of our head office building in Burnaby, British Columbia which was completed on March 9, 2010. Due to the long term nature of the lease, the leaseback of the building qualifies as a finance (or capital) lease.

Gain on sale of Intellectual Property for the nine months ended September 30, 2015 of $14.2 million resulted from the sale of the automotive-related patents and patent applications of the UTC Portfolio which were previously acquired by us from UTC in 2014 and subsequently transferred to Volkswagen in the first quarter of 2015 on the closing of the initial tranche of the Volkswagen IP Agreement. On the closing of the sale of this initial tranche in the first quarter of 2015, we recognized a gain on sale of intellectual property of $14.2 million on net proceeds received of $29.5 million. On the closing of this initial transaction on February 23, 2015, Ballard transferred ownership of the automotive-related patents and patent applications of the UTC Portfolio in exchange for gross proceeds of $40 million. This receipt triggered a 25%, or ($10.0) million, license fee payment to UTC. Although ownership of the patents and patent applications was transferred to Volkswagen, Ballard received a royalty-free back-license to all the transferred patents and patent applications for use in all non-automotive applications, in bus applications and in certain limited pre-commercial automotive applications. The gain on sale of intellectual property of $14.2 million represents gross proceeds received on the sale of the automotive-related patents and patent applications from Volkswagen of $40.0 million, net of the license fee paid to UTC of ($10.0) million, transaction costs of approximately ($0.5) million, and the ascribed cost of the patents and patent applications in the UTC Portfolio of approximately ($15.3) million.

Impairment (Loss) on Intangible Assets and Property, Plant and Equipment for the nine months ended September 30, 2016 of ($1.2) million consists of a ($0.8) million impairment charge on intangible assets and a ($0.4) million impairment charge on property, plant and equipment as we wrote-down certain methanol Telecom Backup Power assets to

their estimated net realizable value of $nil. The impairment charges were incurred during the first quarter of 2016 while we continued to review strategic alternatives for our methanol Telecom Backup Power assets prior to concluding the transaction with CHEM in the second quarter of 2016.

Gain (Loss) on sale of assets for the nine months ended September 30, 2016 of ($0.4) million and was recognized on the closing of the transaction with CHEM. During the second quarter of 2016, we completed the sale of certain of our methanol Telecom Backup Power business assets to CHEM for a purchase price of up to $6.1 million, of which $3 million was paid on closing. The remaining potential purchase price of up to $3.1 million consists of an earn-out arising from sales of methanol Telecom Backup Power systems by CHEM during the 18-month period to November 2017 derived from the sales pipeline transferred to CHEM on closing. The remaining potential purchase price of up to $3.1 million has been recorded as proceeds receivable at its estimated fair value of $1.8 million. The final gain (loss) on sale arising from the CHEM transaction is subject to change depending upon the final earn-out amount actually received by Ballard through November 2017. No developments have occurred to date to cause us to reassess the fair value of the remaining potential proceeds at $1.8 million. On the closing of this transaction, CHEM received certain assets related to the methanol Telecom Backup Power line of our business, including intellectual property rights and physical assets such as inventory and related product brands.

Net loss attributed to non-controlling interests for the three and nine months ended September 30, 2016 was ($0.2) million and ($0.8) million, respectively, compared to ($0.2) million and ($0.9) million, respectively, for the corresponding periods of 2015. Amounts primarily represent the non-controlling interest of Dansk Industri Invest A/S in the losses of Ballard Power Systems Europe A/S (formerly named Dantherm Power A/S) as a result of their 43% total equity interest in Ballard Power Systems Europe A/S and were relatively consistent period over period.

SUMMARY OF QUARTERLY RESULTS FROM CONTINUING OPERATIONS

The following table provides summary financial data for our last eight quarters from continuing operations:

(Expressed in thousands of U.S. dollars, except per share amounts and weighted average shares outstanding which are expressed in thousands)	Quarter ended,			
	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015
Revenues from continuing operations	$ 20,635	$ 17,647	$ 16,304	$ 19,986
Net income (loss) attributable to Ballard from continuing operations	$ (4,187)	$ (5,810)	$ (9,994)	$ (1,355)
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.03)	$ (0.04)	$ (0.06)	$ (0.01)
Weighted average common shares outstanding	165,193	156,889	156,851	155,188

	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Revenues	$ 16,037	$ 11,177	$ 9,263	$ 15,647
Net income (loss) attributable to Ballard	$ (4,135)	$ (7,342)	$ 7,017	$ (17,467)
Net income (loss) per share attributable to Ballard from continuing operations, basic and diluted	$ (0.03)	$ (0.06)	$ 0.05	$ (0.13)
Weighted average common shares outstanding	141,253	132,595	132,276	132,104

Summary of Quarterly Results: There were no significant seasonal variations in our quarterly results from continuing operations. Variations in our net loss for the above periods were affected primarily by the following factors:

- **Revenues**: Variations in fuel cell revenues reflect the demand and timing of our customers' fuel cell vehicle, bus and fuel cell product deployments as well as the demand and timing of their engineering services projects.

  Variations in fuel cell revenues also reflect the timing of work performed and the achievements of milestones under long-term fixed price contracts including the contract with Volkswagen which commenced in the first quarter of 2013, the Azure Bus Licensing Agreement which commenced in the third quarter of 2013 and the Azure Telecom Backup Power Licensing Agreement which commenced in the second quarter of 2014 prior to breaches by Azure of both the Azure Bus Licensing Agreement and the Azure Telecom Backup Power Licensing Agreement in the fourth quarter of 2014. Revenues were positively impacted as of the fourth quarter of 2015 by the acquisition of Protonex on October 1, 2015. Revenues were negatively impacted as of the second quarter of 2016 by the CHEM transaction whereby we disposed certain assets related to our methanol Telecom Backup Power line of our business including intellectual property rights and physical assets such as inventory and related product brands.

- **Operating expenditures**: Operating expenses were negatively impacted in the first quarter of 2016 by restructuring expenses of ($2.2) million related to cost reduction initiatives that included the elimination of approximately 50 positions including the elimination of three executive level positions. Operating expenses were negatively impacted as of the fourth quarter of 2015 by the acquisition of Protonex and the

assumption of its cost base on October 1, 2015, including the incurrence of acquisition related expenses totaling $1.5 million incurred in the second and third quarters of 2015. Operating expenses were positively impacted in the first quarter of 2015 by net recoveries of previously impaired trade receivables of $1.0 million. Operating expenses were negatively impacted in the fourth quarter of 2014 by impairment losses on trade receivables of ($6.2) million consisting of a ($4.4) million impairment charge as a result of material breaches by Azure of the Azure Telecom Backup Power Licensing Agreement and the Azure Bus Licensing Agreement, and by additional impairment charges of ($1.8) million related to non-collection of certain of our customers primarily in Asia. Impairment losses on trade receivables are recognized in other income (expense). Operating expenses also include the impact of changes in the value of the Canadian dollar, versus the U.S. dollar, on our Canadian dollar denominated expenditures.

- **Net income (loss):** Net income for the first quarter of 2016 was negatively impacted by impairment losses on intangible assets and property, plant and equipment totaling ($1.2) million as a result of the write-down of certain Telecom Backup Power assets to their estimated net realizable value of $nil. Net income for the first quarter of 2015 was positively impacted by a gain on sale of intellectual property of $14.2 million resulting from the sale of the automotive-related patents and patent applications of the UTC Portfolio transferred to Volkswagen on the closing of the initial tranche of the Volkswagen IP Agreement. Net income for the fourth quarter of 2015 was positively impacted by a gain on sale of intellectual property of $5.4 million resulting from the sale of a copy of the automotive-related know-how of the UTC Portfolio to Volkswagen on the closing of the second and final tranche of the Volkswagen IP Agreement.

CASH FLOWS

Cash and cash equivalents were $68.1 million at September 30, 2016, compared to $40.0 million at December 31, 2015. The $28.1 million increase in cash and cash equivalents in 2016 was driven by net proceeds received in the third quarter of 2016 from the Broad-Ocean strategic equity investment of $28.1 million, net proceeds of $9.2 million received in the first quarter of 2016 as a result of the fourth quarter of 2015 sale of the automotive-related know-how of the UTC Portfolio to Volkswagen pursuant to the second and final tranche of the Volkswagen IP Agreement, by net proceeds of $3.3 million (Canadian $4.6 million) as we agreed to a settlement agreement with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement, by the initial net proceeds received of $3.0 million related to the CHEM transaction, and by net working capital inflows of $1.7 million. These 2016 inflows were partially offset by a net loss (excluding non-cash items) of ($13.5) million, purchases of property, plant and equipment of ($2.6) million, finance lease repayments of ($0.9) million, and by investments in fuel cell technology intangible assets of ($1.1) million.

For the three months ended September 30, 2016, cash used by operating activities was ($0.5) million, consisting of cash operating losses of ($2.4) million, partially offset by net working capital inflows of $1.9 million. For the three months ended September 30, 2015, cash used by operating activities was ($4.1) million, consisting of cash operating losses of ($3.4) million and net working capital outflows of ($0.7) million. The $3.7 million reduction in cash used by operating activities in the third quarter of 2016, as compared to the third

quarter of 2015, was driven by the relative improvement in cash operating losses of $1.0 million, combined with the relative reduction in working capital requirements of $2.7 million. The $1.0 million decline in cash operating losses in the third quarter of 2016 was due primarily to the $0.9 million reduction in Adjusted EBITDA loss.

In the third quarter of 2016, net working capital inflows of $1.9 million were driven by higher deferred revenue of $3.2 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed, and by lower accounts receivable of $2.5 million primarily as a result of the timing of Material Handling, Technology Solutions and Portable Power revenues and the related customer collections. These third quarter of 2016 working capital inflows were partially offset by higher inventory of ($3.7) million primarily to support expected Heavy-Duty Motive shipments to customers in the last quarter of 2016 and into 2017.

In the third quarter of 2015, net working capital cash outflows of ($0.7) million were driven by higher inventory of ($2.6) million to support expected Heavy-Duty and Backup Power shipments to customers in the last quarter of 2015 and into 2016, partially offset by higher accounts payable and accrued liabilities of $1.7 million due primarily to the timing of purchases and supplier payments.

For the nine months ended September 30, 2016, cash used in operating activities was ($11.9) million, consisting of cash operating losses of ($13.5) million partially offset by net working capital inflows of $1.7 million. For the nine months ended September 30, 2015, cash used in operating activities was ($14.8) million, consisting of cash operating losses of ($14.7) million and net working capital outflows of ($0.1) million. The $2.9 million reduction in cash used by operating activities in the first three quarters of 2016, as compared to the first three quarters of 2015, was driven by the relative improvement in cash operating losses of $1.2 million, combined with the relative reduction in working capital requirements of $1.8 million. The $1.2 million decline in cash operating losses in the first three quarters of 2016 was due primarily to the $0.7 million reduction in Adjusted EBITDA loss.

In the first three quarters of 2016, net working capital inflows of $1.7 million were driven by higher deferred revenue of $10.7 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed, and by higher accounts payable and accrued liabilities of $2.8 million due primarily to restructuring and wage accrual expenses which will be paid over 2016 and into 2017. These first three quarters of 2016 working capital inflows were partially offset by higher inventory of ($8.8) million primarily to support expected Heavy-Duty Motive shipments to customers in the fourth quarter of 2016 and into 2017, and by higher accounts receivable of ($1.3) million primarily as a result of the timing of Material Handling, Technology Solutions and Portable Power revenues and the related customer collections.

In the first three quarters of 2015, net working capital outflows of ($0.1) million were driven by higher inventory of ($6.5) million to support expected Heavy-Duty Motive and Backup Power shipments to customers in the fourth quarter of 2015 and into 2016, combined with lower accrued warranty provisions of ($2.3) million due primarily to Heavy-Duty Motive warranty contract expirations and customer service related expenses incurred in our Backup Power market in Asia. These first three quarter of 2015 working capital outflows were

effectively offset by higher deferred revenue of $5.5 million as we collected pre-payments on certain Heavy-Duty Motive and Technology Solutions contracts in advance of work performed, and by lower accounts receivable of $2.8 million primarily as a result of the timing of revenues and the related customer collections.

Investing activities resulted in net cash inflows (outflows) of ($1.6) million and $8.6 million, respectively, for the three and nine months ended September 30, 2016, compared to net cash inflows (outflows) of ($1.1) million and $26.8 million, respectively, for the corresponding periods of 2015. Investing activities in the first three quarters of 2016 of $8.6 million consist primarily of net proceeds of $9.2 million received in the first quarter of 2016 as a result of the fourth quarter of 2015 sale of the automotive-related know-how of the UTC Portfolio to Volkswagen, the initial net proceeds of $3.0 million received in the second quarter of 2016 from the CHEM transaction, partially offset by capital expenditures of ($2.6) million, and by investments in fuel cell technology intangible assets of ($1.1) million. Investing activities in the first three quarters of 2015 of $26.8 million consist primarily of net proceeds received on the sale of intellectual property of $29.5 million on the closing of the initial tranche of the Volkswagen IP Agreement, partially offset by capital expenditures of ($1.7) million, and by investments in fuel cell technology intangible assets of ($1.0) million.

Financing activities resulted in net cash inflows of $28.3 million and $31.0 million, respectively, for the three and nine months ended September 30, 2016, compared to net cash inflows of $13.2 million and $13.2 million, respectively, for the corresponding periods of 2015. Financing activities in the first three quarters of 2016 of $31.0 million consist of net proceeds received from the Broad-Ocean strategic equity investment of $28.1 million, net proceeds of $3.3 million (Canadian $4.6 million) received pursuant to a settlement agreement with Superior Plus as to the full and final amount payable to us under the Indemnity Agreement, proceeds from employee share purchase option exercises of $0.4 million, partially offset by capital lease payments of ($0.9) million. Financing activities in the first three quarters of 2015 of $13.2 million consist of net proceeds received from the July 2015 Offering of $13.3 million, net proceeds from share purchase warrant exercises of $0.2 million, proceeds from employee share purchase option exercises of $0.3 million, offset by capital lease payments of ($0.7) million.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2016, we had total Liquidity of $68.1 million. We measure Liquidity as our net cash position, consisting of the sum of our cash, cash equivalents and short-term investments of $68.1 million, net of amounts drawn on our $7 million Canadian demand revolving facility (“Operating Facility”) of nil. The Operating Facility is occasionally used to assist in financing our short term working capital requirements and is secured by a hypothecation of our cash, cash equivalents and short-term investments.

We also have a $1.8 million Canadian capital leasing facility (“Leasing Facility”) which is occasionally used to finance the acquisition and / or lease of operating equipment and is secured by a hypothecation of our cash, cash equivalents and short-term investments. At September 30, 2016, $0.1 million Canadian was outstanding on the Leasing Facility.

Our Liquidity objective is to maintain cash balances sufficient to fund at least six quarters of

forecasted cash used by operating activities at all times. Our strategy to attain this objective is to continue our drive to attain profitable operations that are sustainable by executing a business plan that continues to focus on Fuel Cell Products and Services revenue growth, improving overall gross margins, minimizing Cash Operating Costs, managing working capital requirements, and securing additional financing to fund our operations as needed until we do achieve profitable operations that are sustainable. As a result of our recent actions to bolster our cash balances including the net proceeds received pursuant to the Broad Ocean strategic equity investment, the Volkswagen IP Agreement, the July 2015 Offering, the November 2015 Nisshinbo equity investment, and the settlement of the Superior Plus Indemnity Agreement, along with the improvement in our financial performance, we believe that we have adequate liquidity in cash and working capital to meet this Liquidity objective and to finance our operations.

Failure to achieve or maintain this Liquidity objective could have a material adverse effect on our financial condition and results of operations including our ability to continue as a going concern. There are also various risks and uncertainties affecting our ability to achieve this Liquidity objective including, but not limited to, the market acceptance and rate of commercialization of our products, the ability to successfully execute our business plan, and general global economic conditions, certain of which are beyond our control. While we continue to make significant investments in product development and market development activities necessary to commercialize our products, and make increased investments in working capital as we grow our business, our actual liquidity requirements will also vary and will be impacted by our relationships with our lead customers and strategic partners, our success in developing new channels to market and relationships with customers, our success in generating revenue growth from near-term product, service and licensing opportunities, our success in managing our operating expense and working capital requirements, foreign exchange fluctuations, and the progress and results of our research, development and demonstration programs.

In addition to our existing cash reserves of $68.1 million at September 30, 2016, there are 0.1 million warrants outstanding (expire on March 27, 2018) from the March 2013 underwritten offering each of which enables the holder to purchase one common share at a fixed price of $1.50 per common share, and 1.7 million warrants outstanding (expire on October 9, 2018) from the October 2013 underwritten offering each of which enable the holder to purchase one common share at a fixed price of $2.00 per common share. If any of these warrants are exercised, our liquidity position would be further augmented. We may also choose to pursue additional liquidity through the issuance of debt or equity in private or public market financings. To enable such an action and to allow the exercise of warrants, we filed a new short form base shelf prospectus (“Prospectus”) in June 2016 ahead of the expiry of our existing short form base shelf prospectus in each of the provinces and territories of Canada, except Quebec, and a corresponding shelf registration statement on Form F-10 (“Registration Statement”) with the United States Securities and Exchange Commission. These filings enable offerings of equity securities during the effective period (to July 2018) of the Prospectus and Registration Statements. However, no assurance can be given that any such additional liquidity will be available or that, if available, it can be obtained on terms favorable to the Company.

2016 BUSINESS OUTLOOK

We expect to end 2016 with year-over-year revenue growth and a strengthened balance sheet. On revenue, we anticipate significant full-year top-line revenue growth given performance to date and the strength of our order book. On a year-to-year basis, we also continue to expect to improve gross margin and rationalize certain operating costs. We expect to see revenue growth in our Heavy-Duty Motive market as well as a full-year contribution from our Portable Power market. On gross margin improvement, we plan to generate further product cost reductions and improve operating efficiencies while realizing benefits from expected increased volumes and improved product mix, including important contributions from Portable Power, Technology Solutions and Heavy-Duty Motive. Finally, on operating costs, we have now completed the review of strategic alternatives for our methanol Telecom Backup Power business culminating with the CHEM transaction in the second quarter of 2016, and have completed the corresponding rationalization of our methanol Telecom Backup Power engineering, sales and executive team cost structures.

Given the early stage of fuel cell market development and adoption rate and consistent with our approach in 2015, we have decided not to provide specific financial performance guidance for 2016. While our strategic focus on multiple fuel cell product markets, engineering services and intellectual property monetization serves to mitigate risk, the resulting cadence in customer demand can be uneven through the early stages of market development. As such, our financial results on a quarterly basis are subject to a high degree of variability.

Our outlook for 2016 is based on our internal forecast which reflects an assessment of overall business conditions and takes into account actual sales and financial results in the first three quarters of 2016, sales orders received for units and services to be delivered in the remainder of 2016, an estimate with respect to the generation of new sales and the timing of deliveries in each of our markets for the balance of 2016, and assumes an average U.S. dollar exchange rate in the mid 70's in relation to the Canadian dollar for the remainder of 2016. The primary risk factors to our business outlook expectations for 2016 are delays from forecast in terms of closing and delivering expected sales primarily in our Heavy-Duty Motive and Portable Power markets, potential adverse macro-economic conditions negatively impacting our Chinese customer's access to capital and program plans which could adversely impact our Heavy-Duty market, potential disruptions in the Material Handling market as a result of our reliance on a single customer in this market and that customer's internal stack development and commercialization plans, and fluctuations in the Canadian dollar, relative to the U.S. dollar, as a significant portion of our Technology Solutions revenues (including the technology development and engineering services agreement with Volkswagen) are priced in Canadian dollars.

Furthermore, potential fluctuations in our financial results make financial forecasting difficult. The Company's revenues, cash flows and other operating results can vary significantly from quarter to quarter. Sales and margins may be lower than anticipated due to general economic conditions, market-related factors and competitive factors. Cash receipts may also vary from quarter to quarter due to the timing of cash collections from customers. As a result, quarter-to-quarter comparisons of revenues, cash flows and other operating results may not be meaningful. In addition, due to the early stage of development

of the market for hydrogen fuel cell products, it is difficult to accurately predict future revenues, cash flows or results of operations on a quarterly basis. It is likely that in one or more future quarters, financial results will fall below the expectations of securities analysts and investors. If this occurs, the trading price of the Company's shares may be materially and adversely affected.

OFF-BALANCE SHEET ARRANGEMENTS & CONTRACTUAL OBLIGATIONS

Periodically, we use forward foreign exchange and forward platinum purchase contracts to manage our exposure to currency rate fluctuations and platinum price fluctuations. We record these contracts at their fair value as either assets or liabilities on our balance sheet. Any changes in fair value are either (i) recorded in other comprehensive income if formally designated and qualified under hedge accounting criteria; or (ii) recorded in profit or loss if either not designated, or not qualified, under hedge accounting criteria. At September 30, 2016, we had outstanding foreign exchange currency contracts to purchase a total of Canadian $11.25 million at an average rate of 1.31 Canadian per U.S dollar, resulting in a nominal unrealized gain at September 30, 2016. The outstanding foreign exchange currency contracts are not qualified under hedge accounting.

At September 30, 2016, we did not have any other material obligations under guarantee contracts, retained or contingent interests in transferred assets, outstanding derivative instruments or non-consolidated variable interests.

At September 30, 2016, we had the following contractual obligations and commercial commitments:

(Expressed in thousands of U.S. dollars) **Contractual Obligations**	**Total**	Payments due by period, Less than one year	1-3 years	4-5 years	After 5 years
Operating leases	**$ 10,803**	$ 2,399	$ 4,843	$ 1,904	$ 1,657
Capital leases	**9,880**	1,107	2,160	2,435	4,179
Asset retirement obligations	**4,478**	-	2,784	-	1,694
Total contractual obligations	**$ 25,161**	$ 3,506	$ 9,787	$ 4,339	$ 7,530

In addition, we have outstanding commitments of $5.0 million related primarily to purchases of capital assets at September 30, 2016. Capital expenditures pertain to our regular operations and are expected to be funded through cash on hand.

In connection with the acquisition of intellectual property from UTC on April 24, 2014, we retain a royalty obligation to pay UTC a portion (typically 25%) of any future intellectual property sale and licensing income generated from our intellectual property portfolio for a period of 15-years expiring in April 2029.

As at September 30, 2016, we retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of Canadian $5.4 million) on sales of certain fuel cell products for commercial distributed utility applications. No royalties have been incurred to date as a result of this agreement. We also retain a previous funding obligation to pay royalties of 2% of revenues (to a maximum of Canadian $2.2 million) on sales of certain fuel cell products for commercial transit applications. No royalties have been incurred to date as a result of this agreement.

In the ordinary course of business or as required by certain acquisition or disposition agreements, we are periodically required to provide certain indemnities to other parties.

At September 30, 2016, we have not accrued any amount owing, or receivable, as a result of any indemnity agreements undertaken in the ordinary course of business.

RELATED PARTY TRANSACTIONS

Related parties include shareholders with a significant ownership interest in either us or Ballard Power Systems Europe A/S (formerly Dantherm Power A/S), together with their subsidiaries and affiliates. Revenues and costs recognized from such transactions reflect the prices and terms of sale and purchase transactions with related parties, which are in accordance with normal trade practices at fair value. For the three and nine months ended September 30, 2016 and 2015, related party transactions and balances are limited to transactions between Ballard Power Systems Europe A/S ("BPS Europe") and its non-controlling interests as follows:

(Expressed in thousands of U.S. dollars)	Three Months Ended September 30,	
Transactions with related parties	**2016**	2015
Purchases	**$ -**	$ 21
Finance expense on BPS Europe debt to BPS Europe non-controlling interests	**$ 8**	$ 9

(Expressed in thousands of U.S. dollars)	Nine Months Ended September 30,	
Transactions with related parties	**2016**	2015
Purchases	**$ 5**	$ 111
Finance expense on BPS Europe debt to BPS Europe non-controlling interests	**$ 24**	$ 22

(Expressed in thousands of U.S. dollars)	As at September 30,	
Balances with related parties	**2016**	2015
Trade accounts payable	**$ -**	$ 30
Interest payable	**$ 96**	$ 64
BPS Europe debt to BPS Europe non-controlling interests	**$ 449**	$ 446

Ballard holds a controlling 57% ownership interest in BPS Europe, as compared to a 43% interest held by Dansk Industri Invest A/S. As of September 30, 2016, the outstanding BPS Europe debt (including interest) to BPS Europe's non-controlling interests totals $0.5 million, bears interest at 6.0% per annum, is non-convertible, and is repayable by December 31, 2018.

OUTSTANDING SHARE DATA

As at October 25, 2016	
Common share outstanding	174,670,154
Warrants outstanding	1,797,563
Options outstanding	5,577,729
DSU's outstanding	1,081,610
RSU's and PSU's outstanding (subject to vesting criteria)	1,590,312

CRITICAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Our consolidated financial statements are prepared in accordance with IFRS, which require us to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical Judgments in Applying Accounting Policies:

Critical judgments that we have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements is limited to our assessment of the Corporation's ability to continue as a going concern (See Note 2 (e) to our condensed consolidated interim financial statements).

Our significant accounting policies are detailed in note 4 to our annual consolidated financial statements for the year ended December 31, 2015.

Key Sources of Estimation Uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the reported amount of assets, liabilities, income and expenses within the next financial year.

REVENUE RECOGNITION

Revenues are generated primarily from product sales and services, the license and sale of intellectual property, and the provision of engineering services. Product and service revenues are derived primarily from standard equipment and material sales contracts and from long-term fixed price contracts. Intellectual property license and sale revenues are derived primarily from licensing and sale agreements and from long-term fixed price contracts. Engineering service revenues are derived primarily from cost-plus reimbursable contracts and from long-term fixed price contracts.

On standard equipment and material sales contracts, revenues are recognized when (i) significant risks and rewards of ownership of the goods has been transferred to the buyer; (ii) we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the sale will accrue to us; and (v) the costs incurred, or to be incurred, in respect of the transaction can

be measured reliably. Provisions are made at the time of sale for warranties. Revenue recognition for standard equipment and material sales contracts does not usually involve significant estimates.

On standard licensing and sale agreements, revenues are recognized on the transfer of the rights to the licensee if (i) the rights to the assets are assigned to the licensee in return for a fixed fee or a non-refundable guarantee; (ii) the contract is non-cancellable; (iii) the licensee is able to exploit its rights to the asset freely; and (iv) the Company has no remaining obligations to perform. Otherwise, the proceeds are considered to relate to the right to use the asset over the license period and the revenue is recognized over that period. Revenue recognition for license and sale agreements does not usually involve significant estimates.

On cost-plus reimbursable contracts, revenues are recognized as costs are incurred, and include applicable fees earned as services are provided. Revenue recognition for cost-plus reimbursable contracts does not usually involve significant estimates.

On long-term fixed price contracts, revenues are recorded on the percentage-of-completion basis over the duration of the contract, which consists of recognizing revenue on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the balance sheet date by the sum of incurred and anticipated costs for completing a contract.

- The determination of anticipated costs for completing a contract is based on estimates that can be affected by a variety of factors such as variances in the timeline to completion, the cost of materials, the availability and cost of labour, as well as productivity.
- The determination of potential revenues includes the contractually agreed amount and may be adjusted based on the estimate of our attainment on achieving certain defined contractual milestones. Management's estimation is required in determining the probability that the revenue will be received and in determining the measurement of that amount.

Estimates used to determine revenues and costs of long-term fixed price contracts involve uncertainties that ultimately depend on the outcome of future events and are periodically revised as projects progress. There is a risk that a customer may ultimately disagree with our assessment of the progress achieved against milestones, or that our estimates of the work required to complete a contract may change. The cumulative effect of changes to anticipated revenues and anticipated costs for completing a contract are recognized in the period in which the revisions are identified. If the anticipated costs exceed the anticipated revenues on a contract, such loss is recognized in its entirety in the period it becomes known.
During the three and nine months ended September 30, 2016 and 2015, there were no material adjustments to revenues relating to revenue recognized in a prior period.

ASSET IMPAIRMENT

The carrying amounts of our non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such

indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated at least annually.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, the price that would be received on the sale of an asset in an orderly transaction between market participants at the measurement date is estimated. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets. The allocation of goodwill to cash-generating units reflects the lowest level at which goodwill is monitored for internal reporting purposes. Many of the factors used in assessing fair value are outside the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments. For example, our revenue growth rate could be lower than projected due to economic, industry or competitive factors, or the discount rate used in our value in use model could increase due to a change in market interest rates. In addition, future goodwill impairment charges may be necessary if our market capitalization decreased due to a decline in the trading price of our common stock, which could negatively impact the fair value of our business.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net loss. Impairment losses recognized in respect of the cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the cumulative loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

We perform the annual review of goodwill as at December 31 of each year, more often if events or changes in circumstances indicate that it might be impaired. Based on the impairment test performed as at December 31, 2015 and our assessment of current events and circumstances, we have concluded that no goodwill impairment test was required for the three and nine months ended September 30, 2016.

In addition to the above goodwill impairment test, we perform a quarterly assessment of the carrying amounts of our non-financial assets (other than inventories) to determine whether there is any indication of impairment. During the nine months ended September 30, 2016, we recorded impairment losses on intangible assets of ($0.8) million and impairment losses on property, plant and equipment of ($0.4) million as we wrote-down

certain methanol Telecom Backup Power assets to their estimated net realizable value of $nil. The impairment charges were incurred during the first quarter of 2016 while we continued to review strategic alternatives for our methanol Telecom Backup Power assets prior to concluding the transaction with CHEM in the second quarter of 2016.

WARRANTY PROVISION

A provision for warranty costs is recorded on product sales at the time of shipment. In establishing the accrued warranty liabilities, we estimate the likelihood that products sold will experience warranty claims and the cost to resolve claims received.

In making such determinations, we use estimates based on the nature of the contract and past and projected experience with the products. Should these estimates prove to be incorrect, we may incur costs different from those provided for in our warranty provisions. During the three and nine months ended September 30, 2016, we recorded provisions to accrued warranty liabilities of $0.3 million and $0.7 million, respectively, for new product sales, compared to $0.2 million and $0.6 million, respectively, for the three and nine months ended September 30, 2015.

We review our warranty assumptions and make adjustments to accrued warranty liabilities quarterly based on the latest information available and to reflect the expiry of contractual obligations. Adjustments to accrued warranty liabilities are recorded in cost of product and service revenues. As a result of these reviews and the resulting adjustments, our warranty provision and cost of revenues for the three and nine months ended September 30, 2016 were adjusted downwards by a net amount of nil and $0.1 million, respectively, compared to a net adjustment (upwards) downwards of ($0.1) million and $0.8 million for the three and nine months ended September 30, 2015. The positive adjustments to the accrued warranty liability provisions in 2015 were due primarily due to contractual warranty expirations and improved lifetimes and reliability of our Heavy-Duty Motive products.

INVENTORY PROVISION

In determining the lower of cost and net realizable value of our inventory and establishing the appropriate provision for inventory obsolescence, we estimate the likelihood that inventory carrying values will be affected by changes in market pricing or demand for our products and by changes in technology or design which could make inventory on hand obsolete or recoverable at less than cost. We perform regular reviews to assess the impact of changes in technology and design, sales trends and other changes on the carrying value of inventory. Where we determine that such changes have occurred and will have a negative impact on the value of inventory on hand, appropriate provisions are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required. During the three and nine months ended September 30, 2016, nominal inventory adjustments were recorded as a charge to cost of product and service revenues, compared to negative inventory adjustments of ($0.2) million and ($0.3) million, respectively, for the three months and nine months ended September 30, 2015.

IMPAIRMENT RECOVERIES (LOSSES) ON TRADE RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently at amortized cost using the effective interest method, less any impairment losses. Fair value is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. In determining the fair value of our trade and other receivables and establishing the appropriate provision for doubtful accounts, we perform regular reviews to estimate the likelihood that our trade and other accounts receivable will ultimately be collected in a timely manner. Where we determine that customer collectability issues have occurred and will have a negative impact on the value of trade and other receivables, appropriate provisions are made. If there is a subsequent recovery in the value of trade and other receivables, reversals of previous write-downs to fair value are made. Unforeseen changes in these factors could result in additional impairment provisions, or reversals of previous impairment provisions, being required. During the three and nine months ended September 30, 2016, net impairment (charges) on trade receivables of ($0.3) million and ($0.1) million, respectively, were recorded in other operating income, compared to net impairment (charges) recoveries of ($0.2) million and $0.9 million, respectively, for the three and nine months and year ended September 30, 2015.

EMPLOYEE FUTURE BENEFITS

The present value of our defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. Determination of benefit expense requires assumptions such as the discount rate to measure obligations, expected plan investment performance, expected healthcare cost trend rate, and retirement ages of employees. Actual results will differ from the recorded amounts based on these estimates and assumptions.

INCOME TAXES

We use the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized for the deferred income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences) and for loss carry-forwards. The resulting changes in the net deferred tax asset or liability are included in income.

Deferred tax assets and liabilities are measured using enacted, or substantively enacted, tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities, of a change in tax rates, is included in income in the period that includes the substantive enactment date. Deferred income tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. As of September 30, 2016 and 2015, we have not recorded any deferred income tax assets on our consolidated statement of financial position.

NEW AND FUTURE IFRS ACCOUNTING POLICIES

Recently Adopted Accounting Policy Changes:

We did not adopt any new accounting standard changes or amendments effective January

1, 2016 that had a material impact on our consolidated financial statements.

Future Accounting Policy Changes:

The following is an overview of accounting standard changes that we will be required to adopt in future years. We do not expect to adopt any of these standards before their effective dates and we continue to evaluate the impact of these standards on our consolidated financial statements.

IFRS 2 – SHARE-BASED PAYMENTS

On June 20, 2016, the IASB issued amendments to *IFRS 2 Share-based Payment*, clarifying how to account for certain types of share-based payment transactions.

The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Corporation intends to adopt the amendments to IFRS 2 in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

On May 28, 2014, the IASB issued *IFRS 15 Revenue from Contracts with Customers*, which replaces *IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate*, *IFRIC 18 Transfer of Assets from Customers*, and *SIC 31 Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much, and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The new standard is effective for annual periods beginning on or after January 1, 2018 and is available for early adoption. The Corporation intends to adopt IFRS 15 in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 – FINANCIAL INSTRUMENTS

On July 24, 2014, the IASB issued the complete *IFRS 9 Financial Instruments* ("IFRS 9 (2014)"). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Special transitional requirements have been set for the application of the new general hedging model.

The mandatory effective date of IFRS 9 (2014) is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Corporation intends to adopt IFRS 9 (2014) in its financial statements for the fiscal year beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 – LEASES

On January 13, 2016, the IASB issued IFRS 16 Leases. IFRS 16 standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply *IFRS 15 Revenue from Contracts with Customers* as at or before the date of initial adoption of IFRS 16. IFRS 16 will replace *IAS 17 Leases.* The Corporation intends to adopt IFRS 16 in its financial statements for the fiscal year beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with GAAP, we present certain supplemental non-GAAP measures. These measures are Cash Operating Costs (including its components of research and product development (operating cost), general and

administrative (operating cost) and sales and marketing (operating cost)), EBITDA and Adjusted EBITDA, and Adjusted Net Loss. These non-GAAP measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. We believe these measures are useful in evaluating the operating performance of the Company's ongoing business. These measures should be considered in addition to, and not as a substitute for, net income, cash flows and other measures of financial performance and liquidity reported in accordance with GAAP.

Cash Operating Costs

This supplemental non-GAAP measure is provided to assist readers in determining our operating costs on an ongoing cash basis. We believe this measure is useful in assessing performance and highlighting trends on an overall basis.

We also believe Cash Operating Costs is frequently used by securities analysts and investors when comparing our results with those of other companies. Cash Operating Costs differs from the most comparable GAAP measure, operating expenses, primarily because it does not include stock-based compensation expense, depreciation and amortization, impairment losses or recoveries on trade receivables, restructuring charges, acquisition costs, and financing charges. The following tables show a reconciliation of operating expenses to Cash Operating Costs for the three and nine months ended September 30, 2016 and 2015:

(Expressed in thousands of U.S. dollars)	Three months ended September 30,		
Cash Operating Costs	**2016**	2015	$ Change
Total Operating Expenses	**$ 10,198**	**$ 8,583**	$ 1,615
Stock-based compensation (expense) recovery	**(791)**	**(757)**	(34)
Impairment recovery (losses) on trade receivables	**(320)**	**(151)**	(169)
Acquisition and integration costs	**-**	**(340)**	340
Restructuring (charges) recovery	**(20)**	**-**	(20)
Financing charges	**-**	**-**	-
Depreciation and amortization	**(655)**	**(624)**	(31)
Cash Operating Costs	**$ 8,412**	**$ 6,711**	$ 1,701

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,		
Cash Operating Costs	**2016**	2015	$ Change
Total Operating Expenses	**$ 33,277**	**$ 25,555**	$ 7,722
Stock-based compensation (expense) recovery	**(2,443)**	**(2,701)**	258
Impairment recovery (losses) on trade receivables	**(69)**	**860**	(929)
Acquisition and integration costs	**(43)**	**(640)**	597
Restructuring (charges) recovery	**(2,535)**	**13**	(2,548)
Financing charges	**-**	**-**	-
Depreciation and amortization	**(1,989)**	**(1,766)**	(223)
Cash Operating Costs	**$ 26,198**	**$ 21,321**	$ 4,877

The components of Cash Operating Costs of research and product development (operating cost), general and administrative (operating cost), and sales and marketing (operating cost) differ from their respective most comparable GAAP measure of research and product development expense, general and administrative expense, and sales and marketing

expense, primarily because they do not include stock-based compensation expense and depreciation and amortization expense. A reconciliation of these respective operating expenses to the respective components of Cash Operating Costs for the three and nine months ended September 30, 2016 and 2015 is included in Operating Expense and Other Items.

A breakdown of total stock-based compensation expense for the three and nine months ended September 30, 2016 and 2015 are as follows:

(Expressed in thousands of U.S. dollars)	Three months ended September 30,		
Stock-based compensation expense	**2016**	2015	$ Change
Total stock-based compensation expense recorded as follows:			
Cost of goods sold	**$ -**	**$ -**	$ -
Research and product development expense	**263**	**236**	27
General and administrative expense	**377**	**327**	50
Sales and marketing expense	**151**	**194**	(43)
Stock-based compensation expense	**$ 791**	**$ 757**	$ 34

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,		
Stock-based compensation expense	**2016**	2015	$ Change
Total stock-based compensation expense recorded as follows:			
Cost of goods sold	**$ -**	**$ -**	$ -
Research and product development expense	**807**	**883**	(76)
General and administrative expense	**1,173**	**1,210**	(37)
Sales and marketing expense	**463**	**608**	(145)
Stock-based compensation expense	**$ 2,443**	**$ 2,701**	$ (258)

A breakdown of total depreciation and amortization expense for the three and nine months ended September 30, 2016 and 2015 are as follows:

(Expressed in thousands of U.S. dollars)	Three months ended September 30,		
Depreciation and amortization expense	**2016**	2015	$ Change
Total depreciation and amortization expense recorded as follows:			
Cost of goods sold	**$ 574**	**$ 160**	$ 414
Research and product development expense	**566**	**575**	(9)
General and administrative expense	**90**	**49**	41
Sales and marketing expense	**1**	**-**	1
Depreciation and amortization expense	**$ 1,230**	**$ 784**	$ 446

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,		
Depreciation and amortization expense	**2016**	2015	$ Change
Total depreciation and amortization expense recorded as follows:			
Cost of goods sold	**$ 1,500**	**$ 1,073**	$ 427
Research and product development expense	**1,702**	**1,626**	76
General and administrative expense	**283**	**140**	143
Sales and marketing expense	**4**	**-**	4
Depreciation and amortization expense	**$ 3,489**	**$ 2,839**	$ 650

EBITDA and Adjusted EBITDA

These supplemental non-GAAP measures are provided to assist readers in determining our operating performance. We believe this measure is useful in assessing performance and highlighting trends on an overall basis. We also believe EBITDA and Adjusted EBITDA are frequently used by securities analysts and investors when comparing our results with those of other companies. EBITDA differs from the most comparable GAAP measure, net loss attributable to Ballard, primarily because it does not include finance expense, income taxes, depreciation of property, plant and equipment, amortization of intangible assets, and goodwill impairment charges. Adjusted EBITDA adjusts EBITDA for stock-based compensation expense, transactional gains and losses, asset impairment charges, finance and other income, and acquisition costs. The following tables show a reconciliation of net loss attributable to Ballard to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2016 and 2015:

(Expressed in thousands of U.S. dollars)	Three months ended September 30,		
EBITDA and Adjusted EBITDA	**2016**	2015	$ Change
Net income (loss) attributable to Ballard	**$ (4,187)**	**$ (4,135)**	$ (52)
Depreciation and amortization	**1,230**	**784**	446
Finance expense	**172**	**182**	(10)
Income taxes	**251**	**201**	50
EBITDA attributable to Ballard	**$ (2,534)**	**$ (2,968)**	$ 434
Stock-based compensation expense (recovery)	**791**	757	34
Acquisition and integration costs	**-**	340	(340)
Finance and other (income) loss	**223**	(534)	757
Gain on sale of intellectual property	**-**	-	-
Impairment charges (recovery) on intangible assets and property, plant and equipment	**-**	-	-
Loss on sale of assets	**-**	-	-
Adjusted EBITDA	**$ (1,520)**	$ (2,405)	$ 885

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,		
EBITDA and Adjusted EBITDA	**2016**	2015	$ Change
Net income (loss) attributable to Ballard	**$ (19,991)**	$ (4,460)	$ (15,531)
Depreciation and amortization	**3,488**	2,839	649
Finance expense	**522**	586	(64)
Income taxes	**254**	212	42
EBITDA attributable to Ballard	**$ (15,727)**	$ (823)	$ (14,904)
Stock-based compensation expense (recovery)	**2,443**	2,701	(258)
Acquisition and integration costs	**43**	640	(597)
Finance and other (income) loss	**77**	(645)	722
Gain on sale of intellectual property	**-**	(14,195)	14,195
Impairment charges on intangible assets and property, plant and equipment	**1,151**	-	1,151
Loss (gain) on sale of assets	**367**	(1)	368
Adjusted EBITDA	**$ (11,646)**	$ (12,323)	$ 677

Adjusted Net Loss

This supplemental non-GAAP measure is provided to assist readers in determining our financial performance. We believe this measure is useful in assessing our actual performance by adjusting our results from continuing operations for transactional gains and losses and impairment losses. Adjusted Net Loss (formerly named Normalized Net Loss) differs from the most comparable GAAP measure, net loss attributable to Ballard, primarily because it does not include impairment losses or recoveries on trade receivables, transactional gains and losses, asset impairment charges, and acquisition costs. The following table shows a reconciliation of net loss attributable to Ballard to Adjusted Net Loss for the three and nine months ended September 30, 2016 and 2015.

(Expressed in thousands of U.S. dollars)	Three months ended September 30,		
Adjusted Net Loss	**2016**	2015	$ Change
Net (loss) attributable to Ballard	**$ (4,187)**	$ (4,135)	$ (52)
Impairment loss (recovery) on trade receivables	**320**	151	169
Acquisition and integration costs	**-**	340	(340)
Loss on sale of property, plant and equipment	**-**	-	-
Impairment charges on intangible assets and property, plant and equipment	**-**	-	-
Adjusted Net Loss	**$ (3,867)**	$ (3,644)	$ (223)
Adjusted Net Loss per share	**$ (0.02)**	$ (0.03)	$ 0.01

(Expressed in thousands of U.S. dollars)	Nine months ended September 30,		
Adjusted Net Loss	**2016**	2015	$ Change
Net (loss) attributable to Ballard	**$ (19,991)**	$ (4,460)	$ (15,531)
Impairment loss (recovery) on trade receivables	**69**	(860)	929
Acquisition and integration costs	**43**	640	(597)
Gain on sale of intellectual property	**-**	(14,195)	14,195
Loss on sale of property, plant and equipment	**372**	-	372
Impairment charges on intangible assets and property, plant and equipment	**1,151**	-	1,151
Adjusted Net Loss	**$ (18,356)**	$ (18,875)	$ 519
Adjusted Net Loss per share	**$ (0.11)**	$ (0.14)	$ 0.03

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Our disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosures. We have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the three and nine months ended September 30, 2016, there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Our design of disclosure controls and procedures and internal controls over

financial reporting includes controls, policies and procedures covering Protonex and Ballard Power Systems A/S (formerly Dantherm Power A/S).

RISKS & UNCERTAINTIES

An investment in our common shares involves risk. Investors should carefully consider the risks and uncertainties described below and in our Annual Information Form which remain substantively unchanged. The risks and uncertainties described in our Annual Information Form are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business. For a more complete discussion of the risks and uncertainties which apply to our business and our operating results, please see our Annual Information Form and other filings with Canadian (www.sedar.com) and U.S. securities regulatory authorities (www.sec.gov).

FORWARD-LOOKING STATEMENTS DISCLAIMER

This document contains forward-looking statements that are based on the beliefs of management and reflect our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Exchange Act of 1934, as amended. Such statements include, but are not limited to, statements with respect to our objectives, goals, liquidity, sources of capital and our outlook including our estimated revenue and gross margins, cash flow from operations, Cash Operating Costs, EBITDA and Adjusted EBITDA (see Non-GAAP Measures) as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. Words such as "estimate", "project", "believe", "anticipate", "intend", "expect", "plan", "predict", "may", "should", "will", the negatives of these words or other variations thereof and comparable terminology are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict.

In particular, these forward-looking statements are based on certain factors and assumptions relating to our expectations with respect to the generation of new sales, producing, delivering and selling the expected product and service volumes at the expected prices, controlling our costs, and obtaining the expected benefits arising from the Protonex acquisition. They are also based on a variety of general factors and assumptions including, but not limited to, our expectations regarding product development efforts, manufacturing capacity, product and service pricing, market demand, and the availability and prices of raw materials, labour and supplies. These assumptions have been derived from information available to the Company including information obtained by the Company from third parties. These assumptions may prove to be incorrect in whole or in part. In addition, actual results may differ materially from those expressed, implied, or forecasted in such forward-looking statements. Factors that could cause our actual results or outcomes to differ materially from the results expressed, implied or forecasted in such forward-looking statements include, but are not limited to: the condition of the global economy; the rate of mass adoption of our products; changes in product or service pricing; changes in our customers' requirements, the competitive environment and related market conditions; product development delays; changes in the availability or price of raw materials, labour and supplies; our ability to attract and retain business partners, suppliers, employees and customers; changing

environmental regulations including subsidies or incentives associated with the adoption of clean energy products; our access to funding and our ability to provide the capital required for product development, operations and marketing efforts, and working capital requirements; our ability to protect our intellectual property; risks relating to the Company's successful integration of Protonex and its operations, such as the loss of key personnel due to the transaction, the disruption to the operations of the Company and Protonex' respective businesses, the cost of integration exceeding that projected by Ballard, and the integration failing to achieve the expected benefits of the transaction; the magnitude of the rate of change of the Canadian dollar versus the U.S. dollar; and the general assumption that none of the risks identified in the Risks and Uncertainties section of this report or in our most recent Annual Information Form will materialize. Readers should not place undue reliance on Ballard's forward-looking statements.

The forward-looking statements contained in this document speak only as of the date of this Management Discussion and Analysis. Except as required by applicable legislation, Ballard does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this Management Discussion and Analysis, including the occurrence of unanticipated events.