

BALLARD POWER SYSTEMS INC.

Consolidated Statement of Financial Position (Expressed in thousands of U.S. dollars)

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets:			
Cash and cash equivalents		\$ 72,628	\$ 40,049
Trade and other receivables	8	14,924	25,484
Inventories	9	17,228	20,369
Prepaid expenses and other current assets		2,973	1,672
Total current assets		107,753	87,574
Non-current assets:			
Property, plant and equipment	10	15,701	16,725
Intangible assets	11	18,083	16,329
Goodwill	12	40,562	40,562
Investments	13	1,191	6
Other long-term assets		156	135
Total assets		\$ 183,446	\$ 161,331
Liabilities and Equity			
Current liabilities:			
Trade and other payables	15	\$ 17,767	\$ 17,220
Deferred revenue		20,621	6,085
Provisions	16	3,568	5,368
Finance lease liability	14 & 17	569	1,011
Debt to Ballard Power Systems Europe A/S non-controlling interest	18	521	504
Total current liabilities		43,046	30,188
Non-current liabilities:			
Finance lease liability	14 & 17	6,428	6,723
Deferred gain on finance lease	17	3,398	3,829
Provisions	16	3,864	3,646
Employee future benefits	19	5,167	5,331
Total liabilities		61,903	49,717
Equity:			
Share capital	20	977,707	948,213
Contributed surplus	20	295,547	293,332
Accumulated deficit		(1,149,128)	(1,127,655)
Foreign currency reserve		718	567
Total equity attributable to equity holders		124,844	114,457
Ballard Power Systems Europe A/S non-controlling interest		(3,301)	(2,843)
Total equity		121,543	111,614
Total liabilities and equity		\$ 183,446	\$ 161,331

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Doug Hayhurst"
Director

"Ian Bourne"
Director

BALLARD POWER SYSTEMS INC.

Consolidated Statement of Loss and Comprehensive Loss

For the year ended December 31

(Expressed in thousands of U.S. dollars, except per share amounts and number of shares)

	Note	2016	2015
Revenues:			
Product and service revenues		\$ 85,270	\$ 56,463
Cost of product and service revenues		61,086	46,489
Gross margin		24,184	9,974
Operating expenses:			
Research and product development		19,827	16,206
General and administrative		12,938	10,594
Sales and marketing		7,190	7,428
Other expense	25	2,298	630
Total operating expenses		42,253	34,858
Results from operating activities		(18,069)	(24,884)
Finance income (loss) and other	26	(777)	(305)
Finance expense	26	(686)	(794)
Net finance expense		(1,463)	(1,099)
Gain (loss) on sale of assets	27	(623)	1
Gain on sale of intellectual property	11	-	19,619
Impairment charges on intangible assets and property, plant and equipment	28	(1,151)	-
Loss before income taxes		(21,306)	(6,363)
Income tax expense	29	(381)	(211)
Net loss		(21,687)	(6,574)
Other comprehensive income (loss):			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gain (loss) on defined benefit plans	19	(361)	168
		(361)	168
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		268	560
		268	560
Other comprehensive income (loss), net of tax		(93)	728
Total comprehensive loss		\$ (21,780)	\$ (5,846)

See accompanying notes to consolidated financial statements.

BALLARD POWER SYSTEMS INC.

Consolidated Statement of Loss and Comprehensive Loss (cont'd)

For the year ended December 31

(Expressed in thousands of U.S. dollars, except per share amounts and number of shares)

	2016	2015
Net loss attributable to:		
Ballard Power Systems Inc.	\$ (21,112)	\$ (5,815)
Ballard Power Systems Europe A/S non-controlling interest	(575)	(759)
Net loss	<u>\$ (21,687)</u>	<u>\$ (6,574)</u>
Total comprehensive loss attributable to:		
Ballard Power Systems Inc.	\$ (21,322)	\$ (5,351)
Ballard Power Systems Europe A/S non-controlling interest	(458)	(495)
Total comprehensive loss	<u>\$ (21,780)</u>	<u>\$ (5,846)</u>
Basic and diluted loss per share attributable to Ballard Power Systems Inc.		
Loss per share	<u>\$ (\$0.13)</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding	<u>163,449,737</u>	<u>140,393,579</u>

See accompanying notes to consolidated financial statements.

BALLARD POWER SYSTEMS INC.

Consolidated Statement of Changes in Equity

(Expressed in thousands of U.S. dollars except per share amounts and number of shares)

Ballard Power Systems Inc. Equity						Ballard Power Systems Europe A/S	
	Number of shares	Share capital	Contributed surplus	Accumulated deficit	Foreign currency reserve	Non-controlling interests	Total equity
Balance, December 31, 2014	132,104,116	\$ 914,786	\$ 288,533	\$ (1,121,671)	\$ 280	\$ (2,694)	\$ 79,234
Net loss	-	-	-	(5,815)	-	(759)	(6,574)
Non-dilutive financing (note 21)	-	-	3,347	-	-	-	3,347
Net Offering proceeds (note 20)	9,343,750	13,389	-	-	-	-	13,389
Acquisition (note 7)	11,415,704	13,699	-	-	-	-	13,699
Private placement (note 20)	3,322,479	4,987	-	-	-	-	4,987
DSUs redeemed (note 20)	83,619	354	(520)	-	-	-	(166)
RSUs redeemed (note 20)	119,627	203	(345)	-	-	-	(142)
Options exercised (note 20)	322,892	627	(239)	-	-	-	388
Warrants exercised (note 20)	125,000	168	-	-	-	-	168
Share distribution plan	-	-	2,556	-	-	-	2,556
Ballard Power Systems Europe NCI adjustment for cancellation of Azure shares	-	-	-	(337)	-	337	-
Other comprehensive income (loss):							
Defined benefit plan actuarial loss	-	-	-	168	-	-	168
Foreign currency translation for foreign operations	-	-	-	-	287	273	560
Balance, December 31, 2015	156,837,187	\$ 948,213	\$ 293,332	\$ (1,127,655)	\$ 567	\$ (2,843)	\$ 111,614
Net loss	-	-	-	(21,112)	-	(575)	(21,687)
Net Offering proceeds (note 20)	17,250,000	28,199	-	-	-	-	28,199
DSUs redeemed (note 20)	146,211	299	(565)	-	-	-	(266)
RSUs redeemed (note 20)	80,945	161	(283)	-	-	-	(122)
Options exercised (note 20)	435,287	835	(339)	-	-	-	496
Share distribution plan	-	-	3,402	-	-	-	3,402
Other comprehensive income:							
Defined benefit plan actuarial loss	-	-	-	(361)	-	-	(361)
Foreign currency translation for foreign operations	-	-	-	-	151	117	268
Balance, December 31, 2016	174,749,630	\$ 977,707	\$ 295,547	\$ (1,149,128)	\$ 718	\$ (3,301)	\$ 121,543

See accompanying notes to consolidated financial statements.

BALLARD POWER SYSTEMS INC.

Consolidated Statement of Cash Flows

For the year ended December 31

(Expressed in thousands of U.S. dollars)

	Note	2016	2015
Cash provided by (used in):			
Operating activities:			
Net loss for the year		\$ (21,687)	\$ (6,574)
Adjustments for:			
Share-based compensation	20	3,024	2,950
Employee future benefits		235	278
Employee future benefits plan contributions		(760)	(740)
Depreciation and amortization		4,544	4,375
(Gain)/loss on decommissioning liabilities		218	(602)
(Gain)/loss on sale of assets	27	623	(1)
Gain on sale of intellectual property	11	-	(19,619)
Impairment charges on intangible assets and property, plant and equipment	28	1,151	-
Impairment loss on trade receivables	25	390	456
Unrealized (gain)/loss on forward contracts		(151)	162
		<u>(12,413)</u>	<u>(19,315)</u>
Changes in non-cash working capital:			
Trade and other receivables		(771)	410
Inventories		(2,339)	(5,550)
Prepaid expenses and other current assets		(1,322)	(166)
Trade and other payables		1,010	(1,344)
Deferred revenue		14,536	4,213
Warranty provision		(2,605)	(3,612)
		<u>8,509</u>	<u>(6,049)</u>
Cash used in operating activities		<u>(3,904)</u>	<u>(25,364)</u>
Investing activities:			
Additions to property, plant and equipment	10	(2,778)	(2,282)
Net proceeds on sale of property, plant and equipment and other	27	3,009	1
Additions to intangible assets	11	(4,103)	(1,604)
Net proceeds on sale of intangible assets	11	9,244	29,475
Cash and cash equivalents acquired on acquisition of Protonex	7	-	1,464
Acquisition of Protonex	7	-	(3,772)
Investment in associated companies	4(a)&13	(180)	-
Cash provided by (used in) investing activities		<u>5,192</u>	<u>23,282</u>
Financing activities:			
Non-dilutive equity financing	21	3,347	-
Net payment of finance lease liabilities		(1,042)	(845)
Net proceeds on issuance of share capital from underwritten Offering	20	-	13,389
Net proceeds on issuance of share capital from private placement	20	28,199	4,987
Net proceeds on issuance of share capital from stock option exercises	20	496	388
Net proceeds on issuance of share capital from warrant exercises	20	-	168
Cash provided by financing activities		<u>31,000</u>	<u>18,087</u>
Effect of exchange rate fluctuations on cash and cash equivalents held		291	373
Increase (decrease) in cash and cash equivalents		32,579	16,378
Cash and cash equivalents, beginning of year		40,049	23,671
Cash and cash equivalents, end of year		\$ 72,628	\$ 40,049

Supplemental disclosure of cash flow information (note 31).

See accompanying notes to consolidated financial statements.