UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

o REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ý ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

Commission file number: 001-34152

WESTPORT INNOVATIONS INC.

(Exact Name of Registrant as Specified in its charter)

Alberta	**3537**	**N/A**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number (if applicable))	(I.R.S. Employer Identification Number (if applicable))

1750 West 75th Avenue, Suite 101
Vancouver, British Columbia, Canada V6P 6G2
(604) 718-2000
(Address and telephone number of Registrant's principal executive offices)

C T Corporation System
111 Eighth Avenue
New York, NY 10011
(212) 590-9070
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copies to:
Gordon Caplan
Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
(212) 728-8266

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:	**Name of Each Exchange On Which Registered:**
Common Shares, no par value	**NASDAQ Global Select Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **N/A**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **N/A**

For annual reports, indicate by check mark the information filed with this form:

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2015, 64,380,819 common shares of the Registrant were issued and outstanding.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ý Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes o No

EXPLANATORY NOTE

Westport Innovations Inc. (the "**Company**" or the "**Registrant**") is a Canadian issuer eligible to file its annual report pursuant to Section 13 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), on Form 40-F pursuant to the multi-jurisdictional disclosure system of the Exchange Act. The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3.

FORWARD-LOOKING STATEMENTS

This annual report on Form 40-F and the exhibits attached hereto contain forward-looking statements or information within the meaning of the United States Private Securities Litigation Reform Act of 1995. When used in this annual report on Form 40-F, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "project" and similar expressions, as they relate to the Company or the Company's management, are intended to identify forward-looking statements. In particular, this annual report on Form 40-F and the documents incorporated by reference herein contain forward-looking statements pertaining to the following:

- the merger (the "**Merger**") with Fuel Systems Solutions, Inc. (" **Fuel Systems**"), including, but not limited to: the terms of the Merger; the timing and anticipated receipt of required shareholder approvals for the Merger; the ability of each of the Company and Fuel Systems to satisfy the conditions to, and to complete, the Merger; the anticipated timing of completion of the Merger; and the anticipated members of our management and board of directors following completion of the Merger;
- our financing agreement with Cartesian Capital Group;
- the future demand for Cummins Westport Inc. (" **CWI**") products and Company products;
- increasing penetration within our existing markets and expansion of those markets geographically;
- continuing growth in the transportation sector and in the natural gas engine market;
- the timing of and our ability to successfully launch new technology initiatives, including in light-, medium-, and heavy-duty markets;
- our ability to exploit and protect our intellectual property;
- our capital expenditure and investment programs;
- the future desirability and use of natural gas as an alternative fuel;
- commodity prices and the fuel price differential between natural gas and diesel;
- ongoing relationships between us and our business and partners and the results of our development programs with such partners;
- our ability to continue to compete with our competitors and their technologies;
- the capital and operating costs of vehicles using our technologies relative to alternative technologies;
- profit margins and production costs of engines incorporating our technologies;
- the further development of infrastructure supporting the application of natural gas as an alternative fuel;

- increasingly stringent environmental and emissions regulations in the future;
- ongoing availability of government incentives and mandates for our technology;
- our ability to attract and retain employees;
- demand for engines incorporating our technologies;
- the timing of commissioning of liquefied natural gas (" **LNG**") refueling stations;
- production capacity methods for our methods for our LNG system;
- increasing commercialization of our technologies;
- expansion of our product offerings and markets;
- our estimates and assumptions used in our accounting policies, and accruals, including warranty accruals, and financial condition;
- our adoption, timing and ability to meet certain accounting standards;
- the ability of our products to adapt to the use of biogas, renewable natural gas and manufactured fuels, including hydrogen, as fuels;
- our compliance with environmental regulations; and
- the alignment of our business segments.

Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this annual report on Form 40-F and in the documents incorporated by reference herein and other unforeseen risks, including, without limitation:

- risks related to the Merger, including, but not limited to: failure to realize the anticipated benefits of the Merger and to successfully integrate the Company and Fuel Systems; failure of Fuel Systems to secure necessary shareholder approval or of the Company or Fuel Systems to otherwise satisfy the conditions to completion of the Merger in a timely manner or at all; and the risk that the Merger may not be completed on the terms contemplated or at all;
- risks related to the Cartesian Agreement, including, but not limited to: failure to realize the anticipated benefits of the Cartesian Agreement;
- market acceptance of our products;
- product development delays and delays in contractual commitments;
- changing environmental regulations;
- the ability to attract and retain business partners;
- the success of our business partners and original equipment manufacturers (" **OEMs**"), with whom we partner;
- future levels of government funding and incentives;
- competition from other technologies;
- price differential between compressed natural gas (" **CNG**"), LNG and liquefied petroleum gas (" **LPG**") relative to petroleum-based fuels;
- limitations on our ability to protect our intellectual property;
- potential claims or disputes in respect of our intellectual property;
- limitations in our ability to successfully integrate acquired businesses;
- limitations in the development of natural gas refueling infrastructure;
- the ability to provide the capital required for research, product development, operations and marketing;
- unforeseen claims made against us;
- exposure to factors beyond our control through our international business operations, such as currency exchange rates, changes in governmental policy, trade barriers, trade embargoes and delays in the development of international markets for our products; and
- those risks discussed under the heading "Risk Factors" in the Annual Information Form (" **AIF**") of the Company filed as Exhibit 99.1 to this annual report on Form 40-F.

You should not rely on any forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this annual report on Form 40-F, except as otherwise required by law.

CURRENCY

Unless specifically stated otherwise, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars, based upon the closing rate of exchange on December 31, 2015 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.39.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2015 is filed as Exhibit 99.1 and incorporated by reference in this annual report on Form 40-F.

AUDITED ANNUAL FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the years ended December 31, 2015, 2014 and 2013, including the reports of the independent auditors with respect thereto, are filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis is filed as Exhibit 99.3 and incorporated by reference in this annual report on Form 40-F.

TAX MATTERS

Purchasing, holding or disposing of securities of the Company may have tax consequences under the laws of the United States and Canada that are not described in this annual report on Form 40-F.

DISCLOSURE CONTROLS AND PROCEDURES

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2015, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting".

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2015, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting — Changes in Internal Control Over Financial Reporting".

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

See the audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2015, 2014 and 2013, including the reports of the independent auditors with respect thereto, filed as Exhibit 99.2 to this annual report on Form 40-F, under the heading "Report of Independent Registered Public Accounting Firm".

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2015, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting — Changes in Internal Control Over Financial Reporting".

AUDIT COMMITTEE

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act and Nasdaq Rule 5605(c)(2). The Company's Audit Committee is composed of Brenda J. Eprile, Dr. Dezsö Horváth, and Peter Yu and, all of whom, in the opinion of the directors, are independent (as determined under Rule 10A-3 of the Exchange Act and Nasdaq Rule 5605(a)(2)) and are financially literate. Please refer to the Company's AIF attached as Exhibit 99.1 to this annual report on Form 40-F for details in connection with each of these members and their qualifications.

The members of the Audit Committee do not have fixed terms and are appointed and replaced from time to time by resolution of the directors.

The Audit Committee meets with the CEO, CFO and the Company's independent auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls, as well as audit procedures and audit plans. The Audit Committee also recommends to the Board of Directors which independent registered public auditing firm should be appointed by the Company. In addition, the Audit Committee reviews and recommends to the Board of Directors for approval the annual financial statements and the Management's Discussion and Analysis of Financial Condition and Results of Operations, and undertakes other activities required by exchanges on which the Company's securities are listed and by regulatory authorities to which the Company is held responsible.

The full text of the Audit Committee Charter is disclosed in the Company's AIF, attached hereto as Exhibit 99.1, and is incorporated by reference in this annual report on Form 40-F. The Audit Committee Charter is also available on the Company's website at www.westport.com.

Audit Committee Financial Expert

The Company's Board of Directors has determined that Brenda J. Eprile qualifies as a financial expert (as defined in Item 407 of Regulation S-K under the Exchange Act) and is independent (as determined under Exchange Act Rule 10A-3 and Nasdaq Rule 5605(a)(2)).

PRINCIPAL ACCOUNTING FEES AND SERVICES — INDEPENDENT AUDITORS

Information about the Company's principal accounting fees and services can be found under "External Auditors' Service Fees" of the Company's AIF, attached hereto as Exhibit 99.1, which is incorporated by reference in this annual report on Form 40-F.

PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES PROVIDED BY INDEPENDENT AUDITORS

The Audit Committee nominates and engages the independent auditors to audit the consolidated financial statements and approves all audit, audit-related services, tax services and other services provided by the Company's external auditors. Any services provided by the Company's external auditors that are not specifically included within the scope of the audit must be pre-approved by the Audit Committee prior to any engagement. The Chairman of the Audit Committee is permitted to pre-approve work undertaken by the Company's external auditors between Audit Committee meetings. All such approvals must be formally affirmed at the next compliance meeting, or if not approved, the services must be cancelled immediately. The Audit Committee does not delegate to management its responsibilities to pre-approve services performed by the Company's external auditor.

OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet financing arrangements or relationships with unconsolidated special purpose entities.

CODE OF ETHICS

The Company has adopted a Code of Conduct (the "**Code**") for all its directors, executive officers and employees. The Code is available on the Company's website at www.westport.com.

All amendments to the Code, and all waivers of the Code with respect to any of the officers covered by it, will be posted on the Company's website, furnished to the SEC under a Current Report on Form 6-K, and provided in print to any shareholder who requests them.

There have been no amendments, waivers or implicit waivers to the Code during the year ended December 31, 2015. Shareholders may submit a request online at the Company's website www.westport.com for a free printed copy of the Code.

CONTRACTUAL OBLIGATIONS

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2015, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Contractual Obligations and Commitments".

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended December 31, 2015 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NASDAQ CORPORATE GOVERNANCE

Our common shares are quoted for trading on the Nasdaq Global Select Market under the symbol WPRT. Nasdaq Rule 5615(a)(3) permits a foreign private issuer to follow its home country practice in lieu of the Nasdaq corporate governance requirements if such issuer, amongst other requirements, makes appropriate disclosure in its annual report filed with the SEC relating to each requirement of Rule 5600 that it does not follow including a brief statement of the home country practice it follows in lieu of such Nasdaq corporate governance requirements.

A description of the significant ways in which our governance practices differ from those followed by domestic companies pursuant to Rule 5600 of the Nasdaq Rules is as follows:

Rule 5620(c) requires that each listed company provide for a quorum for any meeting of the holders of the listed company's common stock that is not less than 33 1/3% of the listed company's outstanding shares of common stock entitled to vote. The Company's bylaws provide for a quorum of at least two persons present in person and holding or representing by proxy not less than 25% of the shares entitled to vote at the meeting.

Rule 5605(d)(1)(D) requires that each listed company adopt a formal written compensation committee charter that specifies, among other things, the specific compensation committee responsibilities and authority set forth in Rule 5605(d)(3). The Company's Human Resources and Compensation Committee Charter does not specify the specific compensation committee responsibilities and authority set forth in Rule 5605(d)(3).

The foregoing is consistent with the laws, customs and practices in Canada and the rules of The Toronto Stock Exchange.

UNDERTAKING

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC's staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Company previously filed an Appointment of Agent for Service of Process and Undertaking on Form F-X with the SEC on July 22, 2008, with respect to the class of securities in relation to which the obligation to file this annual report on Form 40-F arises.

EXHIBIT INDEX

The following exhibits have been filed as part of this annual report:

Exhibit	Description
Annual Information	
99.1	Annual Information Form of the Company for the year ended December 31, 2015
99.2	Audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2015, 2014 and 2013 together with the reports of the independent auditors thereon
99.3	Management's Discussion and Analysis for the year ended December 31, 2015
Certifications	
99.4	Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
99.8	Consent of KPMG LLP regarding the financial statements of the Company
99.9	Consent of Deloitte LLP regarding the financial statements of the Company
Exhibits	
101.1	XBRL Interactive Data File

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

WESTPORT INNOVATIONS INC.

By: /s/ David R. Demers
Name: David R. Demers
Title: Chief Executive Officer

Date: March 29, 2016

WESTPORT INNOVATIONS INC.
ANNUAL INFORMATION FORM

for the year ended December 31, 2015

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Effective Date: March 29, 2016

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION 3
CURRENCY 7
CORPORATE STRUCTURE 7
GENERAL DEVELOPMENTS 8
BUSINESS OVERVIEW 14
- OPERATING BUSINESS UNITS 14
- STRATEGY 15
- OPERATIONS 18
- TECHNOLOGY 25
- INTELLECTUAL PROPERTY 29
- COMPETITIVE CONDITIONS 30
- GOVERNMENT FUNDING 30
- HUMAN RESOURCES AND POLICIES 31
- SOCIAL AND ENVIRONMENTAL POLICIES 31

DIVIDEND POLICY 34
DESCRIPTION OF CAPITAL STRUCTURE 34
MARKET FOR SECURITIES 35
DIRECTORS AND EXECUTIVE OFFICERS 37
- DIRECTOR BIOGRAPHIES 37
- EXECUTIVE OFFICER BIOGRAPHIES 41
- SHAREHOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS 37
- CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS 43
- CONFLICTS OF INTEREST 43

RISK FACTORS 45
AUDIT COMMITTEE MATTERS 61
NON-AUDIT SERVICES 63
PRINCIPAL ACCOUNTANT FEES AND SERVICES 63
LEGAL AND REGULATORY PROCEEDINGS 64
INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 64
TRANSFER AGENT AND REGISTRAR 64
MATERIAL CONTRACTS 64
INTERESTS OF EXPERTS 68
ADDITIONAL INFORMATION 68
SCHEDULE "A" AUDIT COMMITTEE CHARTER 69

FORWARD-LOOKING INFORMATION

Certain statements contained in this Annual Information Form ("AIF") and in certain documents incorporated by reference in this AIF, constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "project" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. In particular, this AIF contains forward-looking statements pertaining to the following:

- the timing and structure of the fulfilment of our obligations under the financing agreement entered into with Cartesian Capital Group ("**Cartesian**") (as set out under the heading "GENERAL DEVELOPMENTS");
- the closing of the announced transaction with Fuel Systems Solutions, Inc. (" **Fuel Systems**"), the anticipated benefits and the expected terms, including timing, thereof (as set out under the heading "GENERAL DEVELOPMENTS");
- Westport Innovations Inc. ("Westport") high pressure direct injection 2.0 (" **Westport™ HPDI 2.0**") providing original equipment manufacturers ("**OEMs**") with vertically integrated natural gas solutions with attractive price, performance and fuel economy (set out, for example, under the headings "GENERAL DEVELOPMENTS", "STRATEGY" and "OPERATIONS –WESTPORT OPERATIONS");
- Westport™ HPDI 2.0 offering ready integration into OEM operations and providing an attractive way to reach scalable volume deliveries (set out, for example, under the headings "STRATEGY" and "OPERATIONS –CORPORATE AND TECHNOLOGY INVESTMENTS");
- the future demand for Cummins Westport Inc. (" **CWI**") products and Westport Innovations Inc. ("Westport") products, increasing penetration within our existing markets and expansion of those markets geographically, and continuing growth in the transportation sector and in the natural gas engine market (set out, for example, under the heading "STRATEGY") and additionally, mid-range to heavy-duty engines (including those described under the heading, "CUMMINS WESTPORT INC. JOINT VENTURE");
- the timing of and our ability to successfully launch new technology and market initiatives, including: CWI's ISB6.7G engine; CWI's Near Zero NOx technology; Westport's natural gas system on the Ford Motor Company (" **Ford**") F-150 platform; Westport's WP580 Engine Management System ("**WP580 EMS**") applied to GAZ Group's (" **GAZ**") YaMZ-530 4.4L and 6.6L diesel engines; Westport WP580 EMS applied to Tata Motors' ("**Tata**") 5.7L engine; future commercialization of Westport gas enhanced methane diesel technology (" **Westport GEMDi™**"); the ISB6.7 G engine, including it being designed to meet United States Environmental Protection Agency ("**EPA**") and California Air Resources Board ("**CARB**") regulations in force at the time of launch; the joint development agreement with Delphi Automotive PLC (" **Delphi**"); natural gas technology for Caterpillar Inc.'s ("**Caterpillar**") off-road engines; development of large mine trucks and main line locomotives; the 13-litre heavy-duty natural gas engine with Volvo Powertrain Corporation ("**Volvo Trucks**"); the 12-litre Weichai Westport HPDI Landking engine and the natural gas locomotive; the 10 litre Weichai Westport WD10 engine; the supply of engines by CWI to large natural gas transit fleets; the supply of Westport HPDI system components to Volvo Trucks 13 litre heavy-duty natural gas engine, each as described and defined herein (set out, for example, under the headings "GENERAL DEVELOPMENTS", "OPERATIONS – CUMMINS WESTPORT INC. JOINT VENTURE", "OPERATIONS – WESTPORT OPERATIONS", "STRATEGY" and "RISK FACTORS");
- the timing and ability of Weichai Westport Inc. (" **WWI**") to successfully expand its annual production (as set out under the heading "OPERATIONS – WEICHAI WESTPORT INC. JOINT VENTURE");
- the durability and reliability levels of the Westport™ ESI combustion system (set out, for example under the heading "TECHNOLOGY");

- the manufacture of Westport™ HPDI 2.0 system components (set out, for example under the heading "OPERATIONS – CORPORATE AND TECHNOLOGY INVESTMENTS");
- CWI's focus on sales in North America with engines manufactured in Rocky Mount, North Carolina and Jamestown, New York (set out, for example under the heading "OPERATIONS – CUMMINS WESTPORT INC. JOINT VENTURE");
- the expansion of sales of compressed natural gas (" **CNG**") and liquefied petroleum gas (" **LPG**") systems and aftermarket components to customers in South America (set out, for example, under the heading "STRATEGY";
- the ability and timing of our WP580 EMS to the Russian market (set out, for example, under the headings "GENERAL DEVELOPMENTS" and "STRATEGY");
- our ability to expand, exploit and protect our intellectual property (set out, for example, under the headings "STRATEGY", "INTELLECTUAL PROPERTY", and "RISK FACTORS" particularly under the subheadings, "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success" and "We could become engaged in intellectual property litigation or disputes that may negatively affect our business");
- our capital expenditure and investment programs (set out, for example, under the headings, "RISK FACTORS" particularly under the subheadings "We may not realize the anticipated benefits from joint ventures, investments or acquisitions" and "We could be adversely affected by risks associated with acquisitions");
- the future desirability and use of natural gas as an alternative fuel and commodity prices and the fuel price differential between natural gas and diesel (set out, for example, under the headings "STRATEGY" and "RISK FACTORS", particularly, under the subheadings "Sustained negative economic factors could negatively impact our business" and "Fuel price differentials are hard to predict and may be less favourable in the future");
- ongoing relationships between us and our business partners and the results of our development programs with such partners (set out, for example under the headings "GENERAL DEVELOPMENTS", "STRATEGY", "OPERATIONS – WESTPORT OPERATIONS", "OPERATIONS – CORPORATE AND TECHNOLOGY INVESTMENTS", we make statements throughout these sections regarding such relationships, under the heading "RISK FACTORS", particularly, under the subheading "We are dependent on relationships with strategic partners", and future development program expectations under the heading "OPERATIONS – CORPORATE AND TECHNOLOGY INVESTMENTS");
- our ability to continue to compete with our competitors and their technologies, and the capital and operating costs of vehicles using our technologies relative to competing technologies (set out, for example, under the headings "STRATEGY", particularly under the subheading "Maintain Leadership as Alternative Fuel Technology Providers", and the headings "COMPETITIVE CONDITIONS" and "RISK FACTORS", particularly, under the subheading, "We currently face, and will continue to face, significant competition");
- continuing growth in the transportation sector and in the natural gas engine market (set out, for example, under the headings "STRATEGY" and "RISK FACTORS", particularly, under the subheading "A market for engines with our fuel systems may be limited or may take longer to develop than we anticipate");
- profit margins and production costs of engines incorporating our technologies (set out, for example, under the headings "STRATEGY" and "RISK FACTORS", particularly, under the subheadings "Warranty claims could diminish our margins" and "We have foreign currency risk");
- the further development of infrastructure supporting the application of natural gas as an alternative fuel (set out, for example, under the headings, "GENERAL DEVELOPMENTS", "STRATEGY" and "RISK FACTORS");
- increasing penetration of our technologies in key markets within the transportation sector and in key geographic markets (set out, for example, under the headings "STRATEGY" and "RISK FACTORS");
- increasingly stringent environmental and emissions regulations in the future (set out, for example, under the heading "RISK FACTORS");

- ongoing availability of government incentives and mandates for our technology (as set out, for example, under the headings "GENERAL DEVELOPMENTS", "GOVERNMENT FUNDING" and under "RISK FACTORS", particularly, under the subheading, "Business benefits from availability of government incentives");
- our ability to attract and retain employees (as set out under the heading "HUMAN RESOURCES AND POLICIES" and "RISK FACTORS", particularly, under the subheadings, "We may have difficulty managing the expansion of our operations" and "We could lose or fail to attract the human capital necessary to run our business");
- demand for engines incorporating our technologies (as set out under the headings "GENERAL DEVELOPMENTS", "STRATEGY" and "RISK FACTORS", particularly, under the subheading, "A market for engines with our fuel systems may be limited or may take longer to develop than we anticipate");
- the timing of commissioning of liquefied natural gas (" **LNG**") refuelling stations (as set out under the heading "RISK FACTORS");
- increasing commercialization of our technologies and expansion of our product offerings and markets (as set out for example under the headings "GENERAL DEVELOPMENTS" where we refer to an agreement with ENN Group ("**ENN**") and orders of over 900 natural gas buses powered by our 8.9 litre ISL G engine (the "**ISL G**");
- our estimates and assumptions used in our accounting policies, accruals, including warranty accruals, and financial condition, and our adoption, timing and ability to meet certain accounting standards (as set out in Schedule "A" entitled "AUDIT COMMITTEE CHARTER" and in our quarterly and annual financial statements);
- the ability of our products to adapt to the use of renewable natural gas (" **RNG**") and manufactured fuels, including hydrogen, as fuels (as set out under the heading "STRATEGY");
- our compliance with environmental regulations and regulatory policies and our ongoing assessments of targets for improving our commitment to environmental and social responsibilities (as set out under the headings "SOCIAL AND ENVIRONMENTAL POLICIES" and "RISK FACTORS", particularly, under the subheading, "We could become liable for environmental damages resulting from our research, development or manufacturing activities"); and

Such statements reflect management's current views with respect to future events and are subject to certain risks and uncertainties and are based upon a number of factors and assumptions. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this AIF and in the documents incorporated by reference into this AIF and other unforeseen risks. Such risks, uncertainties, factors and assumptions include, without limitation:

- market acceptance of our products (as set out, for example, under "RISK FACTORS", particularly, under the subheadings "Sustained negative economic factors could negatively impact our business" and "Certain of our products may not achieve widespread adoption");
- product development delays and delays in contractual commitments (as set out, for example, under "RISK FACTORS", particularly, under the subheadings "We are dependent on relationships with strategic partners", "We are dependent on relationships with our suppliers" and "Our limited production trials, commercial launch activities and field tests could encounter problems");
- changing environmental regulations (as set out, for example, under "RISK FACTORS", particularly, under the subheading "Changes in environmental and regulatory policies could hurt the market for our products");
- the ability to attract and retain business partners (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We are dependent on relationships with strategic partners" and "We are dependent on our relationship with Cummins for CWI profits and cash flows");
- the success of our business partners and OEMs with whom we partner (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "We are dependent on relationships with strategic partners");

- future levels of government funding and incentives (as set out, for example, under the heading "RISK FACTORS", particularly, under the subheadings "We may be unable to raise additional capital", "Potential fluctuations in our financial results make financial forecasting difficult", "Business benefits from availability of government incentives – United States" and "Business benefits from availability of government incentives – The rest of the world");
- competition from other technologies (as set out, for example, under the heading, "RISK FACTORS", particularly under the subheading "We currently face, and will continue to face, significant competition");
- price differential between CNG, LNG and LPG relative to petroleum-based fuels (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "Fuel price differentials are hard to predict and may be less favourable in the future");
- limitations on our ability to protect our intellectual property (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success");
- potential claims or disputes in respect of our intellectual property (as set out, for example, under the heading "RISK FACTORS", in particular under the subheadings "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success" and "We could become engaged in intellectual property litigation or disputes that may negatively affect our business");
- limitations in our ability to successfully integrate acquired businesses (as set out, for example, under the heading "RISK FACTORS", in particular under the subheadings "We may not realize the anticipated benefits from joint ventures, investments or acquisitions" and "We could be adversely affected by risks associated with acquisitions");
- limitations in the development of natural gas refuelling infrastructure (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "Our growth is dependent on natural gas refuelling infrastructure that may not be built and commissioned");
- the ability to provide the capital required for research, product development, operations and marketing (as set out, for example, under the heading "RISK FACTORS");
- there could be unforeseen claims made against us (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We could become subject to product liability claims", "We could become liable for environmental damages resulting from our research, development or manufacturing activities", "We could become engaged in intellectual property litigation or disputes that may negatively affect our business" and "Natural gas, LPG, hydrogen and products that use these gases entail inherent safety and environmental risks that may result in substantial liability to us");
- our international business operations could expose us to factors beyond our control such as currency exchange rates, changes in government policy, trade barriers, trade embargoes, and delays in the development of international markets for our products (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We have foreign currency risk", "If we do not properly manage foreign sales and operations, our business could suffer", "We could be adversely affected by the operations of our joint ventures and joint venture partners" and "Economic Sanctions may Impact on the Business of Certain of our Foreign Subsidiaries and Joint Ventures");
- other risks relating to our common shares (" **Common Shares**") discussed in more detail in this AIF under the heading "RISK FACTORS" particularly under the subheadings "Our Common Share price may fluctuate", "We do not currently intend to pay any cash dividends on our Common Shares in the foreseeable future; therefore, our shareholders may not be able to receive a return on their Common Shares until they sell them", "If we are characterized as a passive foreign investment company, U.S. holders may be subject to adverse U.S. federal income tax consequences", "As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to our U.S. shareholders", "We

may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses to us," and "U.S. investors may not be able to obtain enforcement of civil liabilities against us"; and

- risks related to the Merger with Fuel Systems, including, but not limited to: failure to realize the anticipated benefits of the Merger with Fuel Systems and to successfully integrate the Company and Fuel Systems; failure of each of the Company and Fuel Systems to secure necessary shareholder approval or otherwise satisfy the conditions to completion of the Merger with Fuel Systems in a timely manner or at all; and the risk that the Merger may not be completed on the terms contemplated or at all.

You should not rely on any forward-looking statements. Any forward-looking statement is made only as of the date of this AIF. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. The forward-looking statements in this AIF are expressly qualified by this cautionary statement.

CURRENCY

Unless specifically stated otherwise, all dollar amounts set forth in this AIF are in United States ("**U.S.**") dollars. On December 31, 2015, the Bank of Canada closing rate for one Canadian dollar was $0.72 U.S. dollars.

CORPORATE STRUCTURE

In this AIF, references to "Westport", "the Company", "we", "us" and "our" refer to Westport Innovations Inc., its subsidiaries and its joint ventures, collectively, unless the context otherwise requires.

Westport Innovations Inc.'s governing corporate statute is the *Business Corporations Act* (Alberta). Our head office and principal place of business is at 1750 West 75th Avenue, Suite 101, Vancouver, British Columbia V6P 6G2. Our registered office is at 4500, 855 2nd Street SW Calgary, Alberta T2P 4K7.

On July 21, 2008, Westport amended its articles to provide for the consolidation of its issued and outstanding Common Shares on the basis of one new Common Share for each three and one-half Common Shares issued and outstanding, with all such fractional shares being rounded down to the nearest whole number of Common Shares.

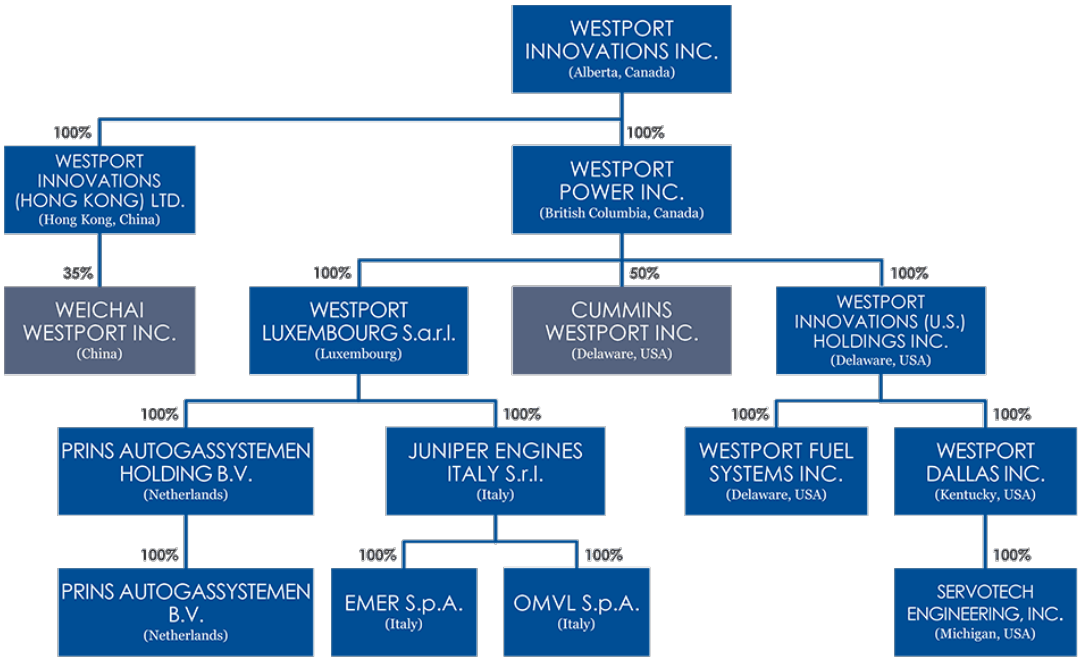
We have two material subsidiaries: Westport Power Inc. ("**WPI**"), which is wholly-owned by Westport, and incorporated pursuant to the *Business Corporations Act* (British Columbia); and Westport Fuel Systems Inc., a Delaware corporation, which is wholly-owned by Westport Innovations (U.S.) Holdings Inc., a Delaware corporation, which is wholly-owned by WPI. Also, through Westport U.S., we own 100% of the voting securities of Westport Dallas Inc. ("**Westport Dallas**", formerly known as BAF Technologies, Inc. ("**BAF**")), a Kentucky corporation. Westport Dallas owns 100% of the voting securities of ServoTech Engineering, Inc. ("**ServoTech**"), a Michigan corporation.

In addition, we own 100% of the voting securities of Westport Innovations (Hong Kong) Ltd. ("**Westport HK**"), a Hong Kong, China corporation. Westport HK owns 35% of the voting securities of WWI, a Chinese corporation.

WPI owns 50% of the voting securities of CWI, a Delaware corporation.

Westport, through WPI, owns 100% of the voting securities of Westport Luxembourg S.a.r.l. ("**Westport Lux**"). Westport Lux owns 100% of the voting securities of Juniper Engines Italy S.r.l. ("**Juniper**"), an Italian corporation. Juniper owns 100% of the voting securities of Emer S.p.A. ("**Emer**"), an Italian corporation, and 100% of the voting securities of OMVL S.p.A. ("**OMVL**"), an Italian corporation.

Westport Lux also owns 100% of the voting securities of Prins Autogassystemen Holding B.V. (" **Prins**"), a Netherlands company, which owns 100% of the voting securities of Prins Autogassystemen B.V., a Netherlands company.



GENERAL DEVELOPMENTS

2016

On March 7, 2016, the Company signed an Amendment to the Agreement and Plan of Merger in relation to the proposed business combination between the Company and Fuel Systems (the "**Merger with Fuel Systems**"). The exchange ratio has been amended to include a collar mechanism. In the event that the NASDAQ volume weighted average price ("VWAP") of the Company common shares during a specified measuring period is equal to or greater than $2.37, then Fuel Systems stockholders will receive 2.129 Company common shares per Fuel Systems share on closing of the Merger and through the exchange process. In the event that the Company's VWAP is equal to or less than $1.64, then Fuel Systems stockholders will receive approximately 3.08 Company common shares per Fuel Systems share on closing of the Merger and through the exchange process. In the event that the Company's VWAP is greater than $1.64 and less than $2.37, then Fuel Systems stockholders would receive a number of Company common shares per Fuel Systems share equal to dividing $5.05 by the Company's VWAP, rounded to four decimal places. The measuring period will be the ten consecutive trading days ending on and including the trading day five business days prior to the anticipated closing date.

On March 18, 2016, the Company announced that its shareholders approved the issuance of such number of Company common shares as required to complete the Merger. The Merger requires certain regulatory approvals

and approval by a majority of the shareholders of Fuel Systems. All substantive regulatory approvals have been received. The Merger is currently anticipated to close in April 2016.

On January 11, 2016, the Company announced that it has entered into an agreement with Cartesian for up to $71.3 million in financing to support global growth initiatives. The financing agreement immediately provided $17.5 million in non-dilutive capital with additional capital contingent on reaching key milestones and establishing new investment opportunities. This financing package includes a contingent payment (derived substantially from future HPDI product sales), a convertible note, non-core asset sales, and incremental funding capacity to support future product development. As part of the financing agreement, Peter Yu, Managing Partner and Founder of Cartesian, has been appointed to Westport's Board of Directors.

2015

On December 18, 2015 the Company and AVL List GmbH., the world's leading independent company for development, simulation and testing technology of powertrains for global OEMs, announced that they have entered into an agreement to deliver next-generation HPDI gas technology.

On December 9, 2015 the Company announced with the Gas Technology Institute, that it has been awarded US $0.9 million towards a program to advance state-of-the-art natural gas combustion technology. The work will feature Westport's enhanced spark ignited natural gas engine technology and demonstrate "High Frequency Corona Discharge Ignition" on an OEM partner's engine. The engine has a displacement of between 1 and 1.5 liters per cylinder and is targeted at medium duty commercial vehicle applications.

On November 16, 2015 the Company's board composition and governance was restructured in preparation for the previously announced Merger with Fuel Systems. In connection with this process, Warren Baker, an existing Director, has been appointed Chairman of the board by Westport's Board of Directors. Jill Bodkin, a board member since 2008 and Chairman of the Board since 2014, has resigned as Chairman and remains as a director. Additionally, Doug King, a board member since 2012 and Chair of Audit Committee, has resigned from the board.

On November 2, 2015 the Company announced an update to its Westport High Pressure Direct Injection (" **Westport™ HPDI**") second generation or "**HPDI 2.0**" development program. Early production design intent components, including the latest generation injector from Delphi, are undergoing engine testing at Westport, and were delivered to OEM customers for validation and vehicle testing in December 2015. The Company expects to deliver production design intent components to OEM customers in mid-2016 for vehicle integration, engine testing and certification, and initial customer field testing. Full commercial production will follow in accordance with the Company's OEM customer launch plans.

On October 30, 2015 the Company announced that its aftermarket parts division, Westport Parts + Service, has formed a distribution partnership with Alliant Power. With an initial focus on Class 1-5 light-duty vehicles through select Alliant Power distributors, Westport Parts + Service creates a single source for natural gas aftermarket service and maintenance parts.

On October 16, 2015 the Company announced the appointment of KPMG LLP as its auditors, replacing Deloitte LLP.

On October 8, 2015 the Company and Gazprom’s subsidiary, Gazprom Gazomotornoye Toplivohave, signed a market development agreement focused on expanding the use of natural gas vehicles in Russia and the localization of manufacturing of Westport’s Emer brand natural gas products.

On October 5, 2015 CWI announced the new ISL G Near Zero NOx natural gas engine is the first, medium duty engine in North America to receive emission certifications from both U.S. Environmental Protection Agency and Air Resources Board in California that meet the 0.02 g/bhp-hr optional Near Zero NOx Emissions standards for medium-duty truck, urban bus, school bus and refuse applications.

On September 23, 2015, the Company announced the delivery of the first 2016 Volvo V60 Bi-Fuel cars to key customer Sunfleet, a Volvo Car Group ("Volvo Car") car sharing organization in Sweden. The 2016 Volvo Car Bi-Fuel is based on Volvo's new two-litre, direct injection, four-cylinder Drive-E powertrain family. Part of the Volvo Car Engine Architecture family—ranked as one of the best engine families in the world – this engine offers 245 HP and 350NM in torque with emissions as low as 38g CO2/km (according to the Swedish Transport Administration's calculation method for biomethane), and is considered one of the greenest, most powerful passenger car natural gas engines in the world.

On September 1, 2015, the Company and Fuel Systems jointly announced that the companies have entered into a merger agreement to create a premier alternative fuel vehicle and engine company (the "**Merger with Fuel Systems**"). Under the terms of the Merger with Fuel Systems, Westport will acquire all of the outstanding shares of Fuel Systems common stock in a stock-for-stock transaction under which Fuel Systems shareholders will receive Common Shares for each share of Fuel Systems common stock they own at the closing date. On March 7, 2016, Westport announced that the merger agreement had been amended to, amongst other matters, alter the number of Common Shares issuable to Shareholders of Fuel Systems based on a variable exchange ratio. The transaction is subject to regulatory approvals, including expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and other customary closing conditions. Subsequent to September 30, 2015 the Company disclosed that it satisfied the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. There is no further antitrust clearance required to close the transaction. The transaction is also subject to the required approval of both Fuel Systems and Westport's shareholders.

On July 28, 2015, the Company announced that CWI is introducing the 2016 ISB6.7 G, a 6.7-liter MidRange, factory-built, dedicated natural gas engine, to the Type C School bus market. The ISB6.7 G natural gas engine is based on the Cummins ISB6.7 diesel engine platform and is fueled by CNG, LNG or RNG, utilizing CWI's proprietary spark-ignited, stoichiometric combustion with cooled Exhaust Gas Recirculation ("**SEGR**") technology. Currently in field trials, the ISB6.7 G will be in full production by mid-2016.

On July 7, 2015, the Company announced it will offer dedicated, liquid propane systems for 2016 Ford 5.0L F-150 trucks. This new liquid propane system will be offered in addition to Westport's CNG package for 2016 Ford F-150 trucks. Both fuel options are part of the Westport WiNG™ Power System and are expected to be certified to EPA and CARB standards.

On May 6, 2015, CWI announced it will begin field tests this year in California in transit buses with a spark ignited natural gas engine capable of producing Near Zero NOx emissions well before the 2023 California Near Zero NOx schedule for Low NOx vehicles. CWI believes its proprietary Stoichiometric EGR Spark Ignited ("**SESI**") natural gas engine technology as released on its ISL G and ISX12 G engines is ideally suited to continue to provide an economic and efficient solution to California air quality improvement initiatives. While commercial availability will be announced at a later date, the Near Zero NOx technology in the ISLG engine will be made available as a first fit engine with transit and refuse OEMs and as an engine replacement for existing ISL G vehicles resulting in an immediate NOx emission reduction well before the 2023 Near Zero NOx goals set in California.

On May 5, 2015, the Company announced plans to offer 2016 Ford F-150 trucks for use with the CNG Westport WiNG™ Power System. Designed to transport passengers and cargo, the 2016 Ford F-150 offers a 5.0-liter gaseous prep engine with improved emissions compared to gasoline. The Ford F-150 pickup truck is available with a 17 gasoline gallon equivalent ("**GGE**") or 23 GGE tank.

On May 5, 2015, CWI unveiled the ISB6.7 G, a 6.7 litre medium-duty, factory built, dedicated natural gas engine for school bus, shuttle bus, medium duty truck and vocational applications. The new ISB6.7 G is currently in field trials with full production expected to commence in mid 2016. The ISB6.7 G will operate exclusively on natural gas (CNG or LNG) utilizing Cummins Westport's proprietary spark-ignited, SEGR technology, first introduced with the 8.9 litre ISL G.

On March 11, 2015, Westport announced the introduction of its new combustion technology in Volvo Car Company's new Drive-E powertrain bi-fuel engine that will offer customers a competitive, high performance, and low emissions product at OEM standards. Volvo Cars is the first OEM to feature the new Westport system. It will be used on Volvo's new two-litre, direct injection, four-cylinder Drive-E powertrain family, which will be available on the Volvo V60 and V70 2016 models. Westport has already seen strong interest and orders for the 2016 models. Production and vehicle shipments began in Q3 2015.

On January 8, 2015, the Company announced it received certification from the U.S. EPA for its 2015 Ford Transit Van. As Ford's largest qualified vehicle modifier ("**QVM**"), Westport is offering the 2015 Ford Transit Van as a dedicated compressed natural gas Westport WiNG™ Power System vehicle. Westport received CARB certification in 2015.

2014

On December 2, 2014, Westport acquired Netherlands based Prins for a base purchase price of EUR 12.2 million ($15.0 million). Westport paid cash of EUR 2.5 million ($3.1 million) and assumed debt of EUR 9.7 million ($11.9 million).

On October 6, 2014, CWI announced that Rob Neitzke, General Manager of the Construction Segment of Cummins off-highway engine business, was appointed as President of CWI, effective January 1, 2015.

On September 30, 2014, Westport provided an update on its Westport HPDI second generation or Westport™ HPDI 2.0 development program and identified plans to further refine investment programs to align with its OEM customers and the global pace of natural gas vehicle adoption and related infrastructure build out. In line with the pace of market adoption, Westport updated its near-term revenue outlook for the year ended December 31, 2014.

On September 23, 2014, Westport unveiled its newest proprietary technology, the first generation of enhanced spark-ignited (" **ESI**") natural gas system. This revolutionary approach to natural gas combustion technology is designed to provide vehicle and engine OEMs with a "downsized" natural gas solution that is cost competitive while providing similar levels of power, torque, and fuel economy to a larger diesel engine. Using 100% dedicated natural gas as fuel, the ESI technology optimizes the combustion and thermal efficiencies of the engine by taking advantages of the positive properties of natural gas.

On August 14, 2014, Westport announced that Jill Bodkin was elected Chairman of the Board. Former Chairman, John Beaulieu, remains on the Board as a director and was awarded the title "Chairman Emeritus". Joseph Caron, formerly of Westport's Advisory Board, was appointed to the Board.

On June 27, 2014, Westport announced that it extended the maturity date of its 9% unsecured subordinated non-convertible debentures formerly due September 22, 2014 to September 15, 2017, and secured an additional C$19 million in debentures on the same terms, bringing the total outstanding principal amount of debentures to C$55 million.

On June 5, 2014, Westport announced that Ashoka Achuthan was appointed as Chief Financial Officer (" **CFO**") of Westport.

On May 6, 2014, Westport announced it was working in cooperation with The Kroger Company (" **Kroger**"), one of the world's largest retailers with over 2,600 supermarkets in the US, to meet their industry-leading environmental sustainability goals. Kroger placed an order for 31 Westport iCE PACK systems to be integrated onto their Freightliner natural gas trucks, which also feature the Cummins Westport ISX12 G engine.

On May 5, 2014, Westport announced that the only CARB and EPA certified 2014 model year Ford F-150, featuring the Westport WiNG™ Power System, was being debuted and was on display, during the Alternative Clean Transportation Expo in Long Beach, California, from May 6 to 8.

On April 28, 2014, Westport announced the launch of final customer validation units of the next generation Westport™ HPDI 2.0 on the Weichai Westport WP12 engine platform. The Weichai Westport WP12 HPDI is China's first engine featuring Westport HPDI technology, designed to deliver the power and performance of the base diesel engine, while replacing up to 95% of diesel fuel with cleaner burning, less expensive natural gas. The WP12 with Westport™ HPDI 2.0 received China V emissions certification from the National Passenger Car Quality Supervision & Inspection Center (Tianjin Automotive Test Center).

On March 3, 2014, Westport announced a joint development agreement with Delphi to further support Westport™ HPDI as a leading natural gas technology platform for heavy-duty engine applications. Through the agreement, Westport and Delphi have agreed to combine their intellectual property and engineering strengths to co-develop and manufacture high-pressure natural gas fuel injectors designed for multiple engine OEMs.

On February 12, 2014, Westport and Tata launched a new SI natural gas 3.8L turbocharged engine featuring the WP580 EMS. Designed to support many engine configurations, WP580 EMS is now being used by Tata of India and will be used by other engine OEMs such as GAZ for their truck and bus applications. Westport also unveiled its Westport GEMDi™ technology, which enables engine OEMs to offer a fully integrated, high performance engine optimized for dual-fuel operation. Westport GEMDi™ technology has been co-developed with Tata on their next generation 5L engine that is targeted for medium-duty trucks and buses in India. Upon successful completion of the development phase, commercialization with Tata is expected to follow, with Westport supplying key natural gas engine components.

2013

On December 10, 2013, Westport unveiled the next generation of its HPDI technology platform, Westport™ HPDI 2.0. This new generation of natural gas technology is designed to provide global vehicle and engine OEMs with a vertically integrated natural gas solution with attractive price, performance, and fuel economy.

On September 25 and 26, 2013, Westport announced that it was offering to sell 6,000,000 Common Shares in the U.S. and Canada at a price of $25.39 per share. The offering was completed on October 1, 2013 for gross proceeds of $152.3 million.

On August 1, 2013, Westport announced that it would offer natural gas fuel systems for the Ford F-150 3.7 litre engine . Ford is no longer offering this vehicle model.

On June 28, 2013, Westport acquired Westport Dallas (formerly known as BAF) and its subsidiary, ServoTech, each subsidiaries of Clean Energy Fuels Corp. ("**Clean Energy**") for $25 million in Westport Common Shares based on the volume weighted average price of such Common Shares ($27.4 million based on the closing price on the day of grant). Westport and Clean Energy also announced a $5 million co-marketing program.

On June 11, 2013, Westport announced that Volvo Car unveiled its new Volvo V60 Bi-Fuel car in conjunction with the NGV 2013 Gothenburg event held from June 11 to 13 at the Swedish Exhibition Centre in Gothenburg, Sweden. First deliveries were in December 2013.

On June 5, 2013, Westport announced the launch of an LNG tender product solution, designed to supply fuel to an adjacent natural gas-powered locomotive, with an order for four tenders from Canadian National Railway Company ("**CN**").

On May 30, 2013, Westport announced an agreement with GAZ Group, the leader of the Russian commercial vehicles market, to design and develop SI natural gas systems for a new range of GAZ Group CNG commercial vehicles. Westport's WP580 EMS will be applied to GAZ Group's YaMZ-530 4.4L and 6.6L diesel engines and will incorporate Westport proprietary components and technology in the multi-year development and supply agreement. Production of GAZ Group's YaMZ-530 4.4L and 6.6L diesel engines is expected to start production in July 2015.

On March 21, 2013, CWI announced that it had received certification for its Cummins Westport ISX12 G engine from the EPA, meeting both the EPA 2013 regulations and the new greenhouse gas ("**GHG**") and fuel-efficiency rules that took effect in 2014. The engine subsequently commenced production in April 2013.

On March 19, 2013, Westport and Clean Energy announced a joint marketing program to encourage the use of natural gas vehicles ("**NGVs**") and the establishment of the growing fuelling infrastructure across North America. The companies are currently offering a fuel and tank system package to qualified customers.

On February 28, 2013, Westport announced an agreement with leading global clean energy provider ENN aimed at the proliferation of natural gas and LNG transportation solutions and fuel for on-road, off-road, rail and marine applications. ENN is one of China's largest private companies with more than 30,000 employees.

On February 5, 2013, CWI announced an order for over 900 natural gas buses powered by its ISL G. In January 2013, LA Metro announced its plans to order 550 New Flyer Xcelsior natural gas buses, powered with the ISL G, to be deployed in 2014 and 2015, with an option to purchase an additional 350 buses in 2016 for both its own fleet and contract operators. In December 2012, the San Diego Metropolitan Transit System announced its decision to purchase up to 350 Gillig 40-foot low floor buses and 118 New Flyer 60-foot low floor articulated buses, all powered with the ISL G. LA Metro is now in its second year of the 550 unit order with New Flyer Xcelsior and San Diego Metropolitan Transit System has taken delivery of all of its initial orders with New Flyer and Gillig.

BUSINESS OVERVIEW

We are a leading provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. Our technology and products enable light- (less than 5.9 litre), medium- (5.9 to 10 litre), heavy-duty (10 to 16 litre) and high-horsepower (greater than 16 litre) petroleum-based fuel engines and vehicles to use primarily gaseous fuels such as natural gas, giving users a cleaner and generally less expensive alternative fuel based on a more abundant natural resource. Through our partnerships and direct sales efforts, we sell natural gas and propane engines, fuel systems, and components to customers globally. Our strategic relationships with OEMs and key automotive component suppliers provide us with access to their manufacturing capacity, supply chain and global distribution networks without incurring the considerable investment associated with these assets. We commercialize our technology throughout the world where demand for clean, low emission engines exists.

Since our founding in 1995, we have invested over $863 million towards the research, development and commercialization of our proprietary technologies and related products. Conversely, our research and development ("**R&D**") efforts and investments have resulted in a substantial patent portfolio that serves as the foundation for our differentiated technology offerings and competitive advantage. Our technologies and related products enable combustion engines to use gaseous fuels, such as natural gas, propane, RNG or hydrogen. The substitution of natural gas for petroleum-based fuel drives a reduction in harmful combustion emissions, such as particulate matter and greenhouse gases, in addition to providing a favorable fuel price from a more plentiful natural resource.

The principal focus and responsibilities of our operations are summarized below.

OPERATING BUSINESS UNITS

During the first quarter of 2015, Westport realigned the structure of the Company's internal organization. The realignment combines, our historical operating segments, Westport Applied Technologies, Westport On-Road Systems and Westport Off-Road Systems into a single operating segment, Westport Operations. This change reflects the manner in which operating decisions and assessing business performance is currently managed by the Chief Operating Decision Makers (the Chief Executive Officer and the Chief Operating Officer "**CODMs**"). As Westport narrows its focus within certain business units, including its investments in joint ventures, and defers certain products and related programs, the CODMs manage the combined businesses as a whole. Therefore, the Westport Operations segment provides more meaningful information to readers of Westport's financial statements.

Westport Operations

Westport Operations designs, manufactures and sells CNG, LNG, and LPG components and systems to over 20 global OEMs, including Fiat, Volkswagen, Tata, GAZ, Chrysler, General Motors, Ford, PACCAR Inc., Volvo Car, Hyundai and Kia and to aftermarket customers in over 79 countries. Sales from Westport's wholly-owned Italian subsidiaries, OMVL and Emer, including Emer's wholly-owned subsidiary Valtek S.p.A., Westport's Australian operations, and Netherlands based Prins are made either directly to OEMs or through one of their many global distributors. These subsidiaries design and manufacture a range of components, including pressure regulators, injectors, electronic control units, valves and filters; sell monofuel, bi-fuel and dual-fuel diesel blend conversion kits; and also offer full engine management systems and solutions that can be launched quickly at a competitive price. These subsidiaries provide Westport with high volume, scalable manufacturing and assembly. Westport Operations has a strong customer base in Europe and North America and is growing in Asia, South America, and Africa.

Westport supports customers with natural gas and propane vehicle conversions through the Ford QVM program for Ford vehicles including transit, cargo shuttle and taxi vehicles. Sold under the Westport WiNG™ Power System brand, product offerings include natural gas and propane systems for the Ford Transit Van dedicated, F-250/F-350 bi-fuel (CNG and gasoline) and dedicated, F-450 to F-650, F-59 dedicated, E-450 dedicated and Transit Connect bi-

fuel vehicle models. Westport also provides aftermarket conversion products, alternative fuel systems and application engineering.

Other products include Volvo Car bi-fuel systems (CNG and gasoline) for the V60 and V70 bi-fuel wagon; Westport JumpStart mobile fuel services; Westport iCE PACK™ LNG Tank System for spark-ignited ("**SI**") engines, LNG tender products for the rail market and Westport industrial engines sold to Clark Material Handling and Cummins Western Canada for forklift and oilfield applications.

Corporate and Technology Investments Business Unit

Corporate and Technology Investments is responsible for investments in new research and development programs as well as revenues and expenses related to development programs with OEMs, corporate oversight and general administrative duties. Corporate and Technology Investments focuses on long-term product development and future return on investments. Once a product is commercially available, the revenue is recognized under operating business units.

Cummins Westport Joint Venture

CWI, our 50:50 joint venture with Cummins, Inc. (" **Cummins**"), serves the medium and heavy-duty engine markets. CWI engines are offered by many OEMs for use in transit, school and shuttle buses, conventional trucks and tractors, and refuse collection trucks, as well as specialty vehicles such as short-haul port drayage trucks and street sweepers. The fuel for CWI engines is typically carried as CNG or LNG on the vehicles. CWI engines are produced at certain of Cummins' plants, allowing CWI to leverage Cummins' manufacturing footprint without incurring additional capital costs. CWI also utilizes Cummins' supply chain, back office systems and distribution and sales networks. CWI is the leading supplier of natural gas engines to the North American medium- and heavy-duty truck and transit bus industries.

Weichai Westport Joint Venture

WWI is a joint venture between Westport (35% interest), Weichai Holding Group Co. Ltd. (" **Weichai**") (40% interest) and Hong Kong Peterson (CNG) Equipment Ltd. ("**Hong Kong Peterson**") (25% interest) focusing on the Chinese market. WWI develops, manufactures, and sells advanced, alternative fuel engines and parts that are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally.

STRATEGY

We believe that gaseous fuels such as natural gas provide the best near-term alternative for oil in transportation and industrial applications, offering environmental, energy security and attractive economic benefits. Moreover, the technology and infrastructure plans for wide scale adoption already exist. Our objective is to enhance and protect our position as a leading global provider of alternative fuel systems technology for diesel or petroleum-based applications using gaseous fuels such as natural gas, LPG, RNG or hydrogen. In order to achieve this goal, we focus our efforts on the following business strategies.

Develop Valuable Strategic and Business Alliances

We have established several strategic or customer relationships with key industry engine and truck OEMs, as well as joint ventures, including CWI and WWI, and have a strategic relationship or co-marketing agreement with several natural gas fuel providers. These relationships provide strategic value in leveraging our partners' global market access and distribution channels. Our goal is to foster market demand by nurturing early customers and removing possible barriers to adoption by working directly with strategic partners that participate in different areas of the industry.

Partner with Leading Global OEMs to Scale Westport™ HPDI Systems

Westport's first generation HPDI systems were in development starting in 1999 and went through extensive testing and field trials in Canada, Australia and California. In March 2007, we began commercial delivery of the HPDI systems for heavy-duty trucks. Since launching the product in North America and Australia, we have sold over 1,200 Westport first generation HPDI systems to Peterbilt and Kenworth.

In December 2013, Westport unveiled Westport™ HPDI 2.0. This new generation of natural gas technology is designed to provide global vehicle and engine OEMs with a vertically integrated natural gas solution with attractive price, performance, and fuel economy. Developed to OEM quality standards, Westport™ HPDI 2.0 system components will be manufactured in high-quality facilities, offer ready integration into OEM operations globally, and provide an attractive way to reach scalable volume deliveries as natural gas markets mature and grow. Westport currently has several engine development programs underway with multiple OEMs who we believe are attracted to the unique Westport™ HPDI "diesel-like" power, torque and fuel economy benefits of a true compression ignition engine powered by natural gas.

Through our relationships with a major global truck OEM and the leading domestic truck engine OEM in China, as well as other relationships in various stages of development, we have access to what we believe to be every major target market for heavy-duty trucks and engines in the world. In China, WWI is integrating Westport™ HPDI technology to create the new 12-litre Weichai Westport HPDI Landking engine designed to deliver the same power, torque, and performance as that of the original diesel engine.

Partnering with OEMs by offering a complete systems solution, including development services, while leveraging the manufacturing, distribution, sales, and aftermarket service capability of our partners allows Westport to optimize a vertically integrated approach to achieve economies of scale. We are continuing discussions with additional leading truck and engine OEMs to integrate our products into existing truck plus engine configurations and expand our existing relationships.

Partner with Leading Global OEMs to Develop Natural Gas Technologies for High-Horsepower Applications

There are a number of high-horsepower applications (16 litre or greater) that would benefit from utilizing Westport technologies such as locomotives, mine trucks and marine vessels. These demanding engine applications consume large amounts of fuel and often operate in regions where LNG offers a significant cost advantage over diesel, thereby providing favourable economics for natural gas use. Moreover, this sector is more attractive because there is a concentrated target group of OEMs and customers. We are working with Caterpillar to co-develop natural gas technology for off-road equipment. In June 2013, Westport announced an LNG tender product with an order for four tenders from CN. These LNG tenders are designed to supply fuel to an adjacent natural-gas powered dual-fuel locomotive operating on mainline service. Westport collaborated with a manufacturer of cryogenic transportation equipment on these tenders. All tenders were delivered to CN as of the end of 2014.

Westport has successfully completed the previously-announced HPDI locomotive demonstration project with consortium members CN, Electro-Motive Diesels ("**EMD**"), and Gaz Métro, partially funded by Sustainable Development Technology Canada (" **SDTC**").

Accelerate Market Penetration of Westport in Light-Duty Markets

Westport targets the high volume light-duty vehicle and engine segments for automotive and industrial markets with sales directly to OEMs and through sales in the aftermarket. Westport intends to grow its business through expansion of OEM relationships, expansion of existing relationships and entering new geographies by leveraging its capabilities and assembly facilities in Italy, Sweden, Argentina, Australia, South Korea, the Netherlands and the U.S. that today supply Europe, Asia, Africa and the Americas. We will continue to pursue select strategic investments in new markets and develop OEM-class products and capabilities in order to allow Westport to

compete for leadership in the light-duty alternative fuels market, with North American fleet vehicles being a significant target market. According to the U.S. Department of Energy's Transportation Energy Data Book, there were 8.6 million fleet vehicles in the U.S. in 2012, of which 4.4 million were cars and 4.2 million were trucks.

Leverage Production Economies of New and Existing Partners and Suppliers

We seek to partner with the largest tier one automotive component suppliers, allowing us to benefit from their economies of scale, pre-existing manufacturing capacity, proven production capability, and developed supply chains, thus reducing our cost structure and investment in fixed assets while further enhancing product quality. To date, we have focused on developing strong supply chain relationships by partnering or collaborating with leading suppliers, such as Delphi, in order to offer an attractive economic payback to the end customer.

Focus on Geographic Expansion by Penetrating Key Markets in North America, Asia-Pacific, Africa, and Europe

We focus our market development efforts in regions where natural gas vehicle sales are growing. These countries generally share at least one of the following common attributes that serve to promote the shift to natural gas for transportation:

- lack of domestic oil reserves or insufficient refining capacity to meet transportation demands with petroleum fuels only;
- domestically available and cost advantageous natural gas resources;
- favorable natural gas fuel price differentials compared to petroleum fuels;
- well-established gas transmission and distribution networks coincident with major transport routes;
- urban air quality concerns; and
- regulations and policies for either GHG mitigation or energy security purposes that either mandate alternative fuels or incentivize their use.

China is one of the world's largest markets for all types of vehicles, and its heavy-duty truck (greater than 16 tonnes) market is already approximately as large as those in Europe and North America combined. We believe China is focused on moderating the environmental impact of rapid urbanization and vehicle growth. WWI revenue decreased $432.5 million, or 70% , from $618.5 million in 2014 to $186.0 million in 2015. WWI shipped 15,956 units in 2015 compared with 51,006 units for the year ended December 31, 2014. Westport's WWI results are in-line with general market conditions in China and in-line with diesel truck sales. Truck demand remains subdued, as demonstrated by the decrease of recent monthly commercial vehicle sales in China year-over-year, according to China Association of Automotive Manufacturers ("CAAM").

WWI sold 51,006 units for the year ended December 31, 2014, and 38,138 units for the year ended December 31, 2013. WWI revenue in 2013 was $466 million.

We also focus on promising markets in other parts of Asia, such as India, one of the world's largest commercial vehicle markets. We launched the WP580 EMS on Tata's SI natural gas 3.8L turbocharged engine in February 2014 and other engine OEMs such as GAZ will use the WP580 for their truck and bus applications. Westport is also demonstrating its newest proprietary technology, Westport GEMDi™ technology on Tata's next generation 5L engine that is targeted for medium-duty trucks and buses in India. Minda Emer Technologies Limited ("**Minda Emer**"), a 50:50 joint venture between Minda Group and Westport, through our subsidiary Emer, supplies Suzuki Maruti, a leading manufacturer of passenger cars in India.

Since its inception in 2001, CWI has sold over 65,000 engines in North America and internationally. Many of the engines sold internationally have been to Chinese bus OEMs for domestic service and also for export, primarily to South America. In addition, Westport sells CNG and LPG systems and aftermarket components to customers in

multiple countries in South America. Supported by our assembly facility in Buenos Aires, we expect to continue to expand sales in this region.

European regulators have implemented some of the most aggressive responses to air quality issues and climate change concerns and are concurrently promoting increased use of natural gas in vehicles. We believe the opportunities are strong in Europe's automotive, transit, refuse, urban truck, and heavy-duty vehicle markets. Westport has been selling CNG and LPG components into the light-duty market in Russia since 2010. In May 2013, Westport announced an agreement to design and develop SI natural gas systems for a new range of GAZ Group CNG commercial vehicles. This will allow Westport to introduce WP580 EMS to the Russian market for the first time. GAZ Group is the largest manufacturer of commercial vehicles in Russia. Since our acquisition of Prins, we have expanded our reach in Europe to include Turkey, as well as Africa.

Maintain Leadership as Alternative Fuel Technology Providers

Alternative fuel system technology is the foundation of our business and our ability to commercialize our products globally. We believe the combination of our considerable investment in research and development and team of world-class engineers is responsible for driving innovation in gaseous fuel systems and combustion engine technology since our founding in 1995. Leading global engine producers and OEMs utilize our differentiated intellectual property, thereby allowing us to commercialize our products worldwide.

We believe that our global patent portfolio has been pivotal to our market-leading position and that it continues to serve as a significant barrier to new entrants. In addition to protecting our competitive position in the market, our intellectual property also allows us to generate an additional revenue stream through licensing agreements. In order to support our business objectives, we expect our intellectual property portfolio to expand as we file new patent and trademark applications to capture value generated by new technological advances.

In order to maintain technology leadership in gaseous fuel utilization, we continue to explore product improvements and new product opportunities in each of the segments we serve. This is to ensure that our products maintain best in class status and that they evolve to meet market dynamics. Today, our products are built on an alternative fuel platform that leverages the abundant global supply of natural gas and LPG. Over the longer term, if alternative renewable energy sources such as RNG or manufactured fuels, including hydrogen, hydrogen-natural gas blends, and dimethyl ether, emerge as cost-competitive options, we expect that our gaseous-fuelled engine technologies, systems and experience will position us to exploit such new low-carbon fuels as they emerge.

OPERATIONS

During the first quarter of 2015, Westport realigned the structure of the Company's internal organization. The realignment combines, our historical operating segments, Westport Applied Technologies, Westport On-Road Systems and Westport Off-Road Systems into a single operating segment, Westport Operations. This change reflects the manner in which operating decisions and assessing business performance is currently managed by the CODMs. As Westport narrows its focus within certain business units, including its investments in joint ventures, and defers certain products and related programs, the CODMs manage the combined businesses as a whole. Therefore, the Westport Operations segment provides more meaningful information to readers of Westport’s financial statements.

Westport Operations

PRODUCTS

- Designs and manufactures a range of components including pressure regulators, injectors, electronic control units, valves and filters; sells monofuel, bi-fuel and dual-fuel conversion kits; as well as offering full engine management solutions and systems for LPG, CNG and LNG applications
- Bi-fuel Westport WiNG™ Power System product offerings are available in the MY2015 F-250/F-350 and Transit Connect vehicle models

- Dedicated CNG Westport WiNG™ Power System product offerings are available for MY2015 in the F-250/F-350, F-450/F-550, F-650, F-59, E-450 and Transit Van vehicle models
- Volvo Car bi-fuel systems (CNG and gasoline) for the Volvo V60 and V70 bi-fuel wagons
- Westport iCE PACK™ LNG Tank System
- Westport™ JumpStart mobile fuel services
- Westport LNG Tender car for rail applications that provides storage and supply of natural gas for up to two natural gas powered locomotives
- Westport™ 2.4L industrial engine sold for forklift and oilfield applica tions

Westport™ HPDI

First-generation Westport™ HPDI systems have been delivered on more than 1,200 Peterbilt and Kenworth trucks since its launch in 2007. Westport's production focus has shifted from an upfit model to vertical integration of Westport next generation HPDI systems, called Westport™ HPDI 2.0, with truck OEMs. We ceased taking orders for the first generation of Westport HPDI systems in November 2013. Westport is committed to the continuation of its support for all our existing customers with the first generation of HPDI.

Westport WiNG™ Power System Production

From our full line of natural gas and propane systems for Ford Super Duty trucks, service bodies, and chassis cabs to passenger vans, cargo vans, shuttle and cutaway chassis, Westport offers more than 10 products including bi-fuel and dedicated systems. All our vehicles are EPA and/or CARB certified.

Sold under the Westport WiNG™ Power System product brand, bi-fuel and dedicated CNG/LPG Ford systems are available for customers to order at Westport authorized Ford Dealer/Distributors.

The bi-fuel and dedicated CNG WiNG Systems are developed and engineered at our Dallas, Texas production facility. Our WiNG System undergoes the same rigorous testing for safety and durability required for all Ford OEM products.

Ford vehicles arrive at the Dallas facility or authorized installer location with gaseous prep engines from the Ford production plants for integration of the bi-fuel or dedicated CNG/LPG WiNG System. Once integration of the WiNG Systems on customer vehicles is complete, they are shipped directly to the dealer through a carrier, making delivery faster for the end customer.

Westport AB Bi-Fuel System Production

The Volvo V70 and V60 Bi-Fuel Wagons run on either CNG/biomethane or petrol (gasoline), with the natural gas fuel system engineered and installed by Westport. The fuel system for Volvo V60 and V70 Bi-Fuel wagons is assembled and tested in Gothenburg, Sweden, within the Volvo Car plant.

Westport iCE PACK™ LNG Tank System Production and Distribution

The Westport iCE PACK™ LNG Tank System is an onboard LNG tank system customized for use with SI engines, such as those used by CWI, and designed to meet the demands of today's trucking fleets by providing increased range, longer hold times, better dynamic response, and faster fueling times when used with cold LNG. Through a series of sensors, Westport iCE PACK monitors fuel pressure and when needed activates a pump to deliver reliable fuel pressure to the engine. Westport iCE PACK is designed to deliver the right amount of fuel, regardless of engine size and operating demands, ensuring peak performance of SI engines.

Westport iCE PACK is currently available in single or dual tank configurations with up to 120 diesel equivalent gallon capacity and provides a range between 550 and 600 miles depending on the LNG fueling station pressure on cold LNG fuel. Westport iCE PACK can be ordered through the OEM dealer networks. The system is manufactured at our Brescia, Italy factory then installation of the system is performed through our installation partner network.

Westport™ JumpStart Services

The Westport JumpStart program offers customers a mobile, flexible and economic solution to fleets that need easy and consistent access to LNG refueling. Westport JumpStart provides in-yard fleets convenient refueling in the absence of a permanent LNG solution. Westport JumpStart offers refueling via portable Orca LNG trailers for Westport fleet customers and fuel providers.

Westport LNG Tender Production and Distribution

The Westport LNG Rail Tender is designed to operate with one or two duel fuel rail locomotives and may be ordered directly through Westport. Westport has been collaborating with a manufacturer of cryogenic transportation equipment on multiple pressure LNG tenders.

Westport™ 2.4 Litre Alternative Fuel Engine & Fuel System Production

Both the LPG and CNG 2.4 litre engines are certified to EPA 2007 Tier II Off-road LSI Engine and CARB 2010 Off-road LSI Regulations.

The fuel system for the Westport 2.4 litre engine is assembled in Westport's Pernumia, Italy, plant, and the base engines are manufactured by Hyundai in South Korea. Final engine assembly and testing is performed in Busan, South Korea.

PRODUCTION AND DISTRIBUTION

Italy

Products are manufactured in Italy in the cities of Brescia, Pernumia, and Albinea. Our combined Italian manufacturing facilities occupy approximately 220,000 square feet and are certified to ISO TS 16949. The plants have automatic assembly lines, sophisticated lathes, milling and cutting equipment, robots to perform machining of critical components, and automatic testing capabilities; the plants operate on a multi-shift basis. Products are sold to OEMs and aftermarket customers predominantly in Europe, Asia and in South America where we have a wholly owned factory.

The Netherlands

Our recently acquired operation, Prins, is a global supplier of alternative fuel systems and components for automotive, bus, heavy-duty vehicles, industrial and marine applications. With established distribution channels in over 50 countries worldwide, Prins has a vast network of dedicated professionals available to provide after-sales customer support and technical service.

Prins' products are assembled and packaged in the Netherlands with manufacturing done by companies with special competencies. The Netherlands facility covers 53,820 square feet (5,000m^2), which encompasses a workshop, assembly area, test facilities and storage area. The products are sold to OEMs and aftermarket customers predominantly in Europe, but also in Asia, Africa and North America.

Prins is NEN-EN-ISO-9001:2008 certified.

Australia and Rest of the World

We have an engineering and electronics manufacturing centre in Perth, Australia, specializing in EMS hardware and software development, providing engine and vehicle EMS integration services to OEMs and aftermarket customers. We also have an assembly facility in Buenos Aires, Argentina. We work directly with OEMs but also through dealers and distributors globally. We have a production center in Kunshan (near Shanghai) China which has QC and engineering laboratories for LNG tank and pump systems for both low pressure applications for spark ignited natural engines and for HPDI systems. This center is used for LNG pump assembly and testing, HPDI pump and tank assemblies for the local market, and distributing ATG components to local markets.

REVENUES

WESTPORT OPERATIONS REVENUES		
	Year Ended	
(Expressed in thousands of dollars)	**December 31, 2015**	**December 31, 2014**
Product Revenue	$ 96,923	$ 117,985
Service Revenue	3,185	9,003
Total	**$ 100,108**	**$ 126,988**

Corporate and Technology Investments

PRODUCTS UNDER DEVELOPMENT

In December 2013, Westport unveiled its next generation of HPDI technology, Westport™ HPDI 2.0. This new generation of our natural gas technology will provide global vehicle and engine OEMs with a vertically integrated natural gas solution with attractive price, performance, and fuel economy. Developed to OEM quality standards, Westport™ HPDI 2.0 system components are expected to be manufactured in high-quality facilities, offer ready integration into OEM operations globally, and provide an attractive way to reach scalable volume deliveries as natural gas markets mature and grow. A key component of the Westport™ HPDI 2.0 system is a brand new family of high pressure fuel injectors, co-developed with Delphi, designed to provide better cost, smaller size and improved packaging compared to prior generation Westport™ HPDI injector designs. The new generation injectors are currently running in engine and vehicle tests.

Westport and Delphi have entered into a joint development agreement which will combine our intellectual property and engineering strengths to co-develop and manufacture high-pressure natural gas fuel injectors designed for multiple engine OEMs. The first in a family of injectors to be developed will be one of the core components of Westport's recently announced HPDI 2.0 fuel system. Delphi is one of a few global injector manufacturers capable of producing fuel system components demanded by heavy-duty diesel engine OEMs.

Westport and Caterpillar are co-developing natural gas technology for off-road equipment, as announced in June 2012. The focus of current activity is primarily related to the development of locomotives and mine trucks, however, the agreement allows for the development of other applications such as electric power generation, industrial, marine and petroleum extraction applications worldwide. Caterpillar and Westport are combining technologies and expertise, including Westport HPDI technology and Caterpillar's industry leading off-road engine and machine product technology, to develop the natural gas fuel system. As part of this agreement, Westport expects to supply key components to Caterpillar for these products. Locomotive prototypes have been developed with commercialization expected to be after 2018 pending customer demand.

Westport is developing a technology that enables engine OEMs to offer a fully integrated, high performance engine optimized for dual-fuel operation, Westport GEMDi™. Westport GEMDi™ technology has been co-developed with Tata on their next generation 5L engine that is targeted for medium-duty trucks and buses in India. This technology provides fuel flexibility, ideal for regions where natural gas infrastructure is emerging, such as India, and is designed to meet Euro IV and V emissions standards.

Westport is developing a new electronic control unit, Westport WP580 EMS, which has been specifically developed for spark ignited, dedicated natural gas engine applications and can be integrated with a wide range of proprietary Westport fuel system components for flexible vehicle design and production. Its advanced combustion control technology is designed to optimize the engine for improved fuel economy, torque, and power while meeting Euro V and Euro VI emissions standards.

Westport has unveiled the first generation of an **ESI** natural gas engine system. Westport's new revolutionary approach to natural gas combustion technology is designed to provide vehicle and engine OEMs with a "downsized" natural gas solution that is cost competitive while providing similar levels of power, torque, and fuel economy to a larger diesel engine. Using 100% dedicated natural gas as fuel, Westport's new technology optimizes the combustion and thermal efficiencies of the engine by taking advantage of the positive properties of natural gas. The Westport™ ESI combustion system is targeted at sub 9L engines for Class 6 and 7 truck applications and is also adaptable for sub 2L applications for use in automotive and non-automotive applications.

Westport has been developing an EPA/CARB certified 3.8 litre industrial engine that operates on either LPG or natural gas. Capable of producing 100 kilowatts of power and 347 N-m of torque, Westport's 3.8L engine offers durability, high performance, fuel economy and low emissions using advanced automotive technology. Based on the Hyundai's 3.8L V6 automotive engine platform, with the Westport fuel system installed in South Korea, this industrial engine is available for use on forklifts, mechanical and hydraulic oilfield applications, power generators, irrigation pumps, construction vehicles (such as small front-end loaders and excavators) and municipal equipment, such as street sweepers.

REVENUES

CORPORATE AND TECHNOLOGY INVESTMENTS REVENUES		
	Year Ended	
(Expressed in thousands of dollars)	**December 31, 2015**	**December 31, 2014**
Product Revenue	$ 921	$ 29
Service Revenue	2,275	3,552
Total	**$ 3,196**	**$ 3,581**

Cummins Westport Inc. Joint Venture

CWI is a Delaware corporation owned 50% by WPI, a wholly-owned subsidiary of Westport, and 50% by Cummins. The board of directors of CWI is comprised of three representatives from each of Westport and Cummins. On February 19, 2012, Westport, Cummins and CWI entered into a Second Amended and Restated Joint Venture Agreement (the "**Amended JVA**") governing the operations of CWI and which amended the focus of CWI's future product development investments to North American markets, including engines for on-road applications between the displacement range of 5.9 litres through 12 litres, and to have these engines manufactured in Cummins' North American plants.

The purpose of the joint venture is to engage in the business of selling, marketing and developing SI natural gas or propane engines for on-highway use. The joint venture term is scheduled to end in February 2022.

PRODUCTS

CWI has six engines in commercial production today: ISL G, ISC8.3 G, C Gas Plus, B Gas Plus, ISB5.9 G, and ISX12 G targeted at the principal markets of urban transit, shuttle bus, refuse collection, vocational and dump trucks, medium and heavy-duty truck and tractor applications, school bus, street-sweepers, and delivery vehicles.

ISL G

The 8.9 litre ISL G was introduced in 2007 and was the world's first medium-duty engine for bus and truck applications to meet the 2010 EPA and CARB on-highway emissions levels. The ISL G incorporates SESI combustion technology and emissions control technologies to offer all of the advantages of previous lean-burning natural gas engines with an increase in performance and fuel efficiency, while meeting the strict 2010 EPA and CARB emissions standards. The ISL G is certified to the EPA 2014, as well as Euro V, EEV (Enhanced Environmentally Friendly Vehicle) and Euro VI standards.

ISC8.3 G, C Gas Plus, B Gas Plus and ISB5.9G

The ISC8.3 G, C Gas Plus, B Gas Plus and ISB5.9G engines use lean burn combustion technology and are sold outside of North America, primarily in Asia and South America where they meet local emissions standards. The ISC8.3 G and the C Gas Plus are 8.3 litre lean burn natural gas engines with ratings from 250 to 280 horsepower. The ISC8.3 G engine is certified to the Euro IV and V standards, and the C Gas Plus is certified to Euro III and IV emissions standards.

The B Gas Plus engine is 5.9 litres in displacement and is suitable for shuttle bus, vocational and other truck applications that require less power and a smaller package size than the C Gas Plus. Launched in October 2002, the B Gas Plus is certified to Euro V and EEV emissions standards and has power ratings from 195 to 230 horsepower.

The ISB5.9 G is also 5.9 litres in displacement and is certified to Euro V and EEV emission standards with Euro Onboard Diagnostic Stage II certification. The ISB5.9 G has power ratings from 195 to 230 horsepower.

ISX12 G

The ISX12 G engine is an 11.9 litre heavy-duty, dedicated natural gas engine for regional haul truck / tractor, vocational and refuse applications. The ISX12 G natural gas engine is based on the Cummins ISX12 diesel engine platform and operates exclusively on CNG, LNG or RNG utilizing CWI's proprietary SESI technology, first introduced with the ISL G. The ISX12 G was introduced in April 2013 and is certified to EPA 2014 and CARB emissions standards. The engine is available with up to 400 horsepower and 1,450 lb-ft of torque.

PRODUCTS UNDER DEVELOPMENT

In October 2012, CWI announced the start of development of the 6.7 litre ISB6.7 G natural gas engine. This engine will be based on the Cummins ISB6.7 diesel engine and will use CWI's SESI technology and three-way catalyst. The engine will operate on either CNG or LNG. The ISB6.7 G is expected to be in production by 2016 and will be designed to meet EPA and CARB regulations in force at the time of launch.

In October 2015, CWI announced the development of the ISL G Near Zero (" **NZ**") NOx natural gas engine. It is the first medium duty engine in North America to have received emission certifications from both U.S. **EPA** and Air Resources Board (" **ARB**") in California that meet the 0.02 g/bhp-hr optional Near Zero NOx Emissions standards for medium-duty truck, urban bus, school bus and refuse applications.

Cummins Westport ISL G NZ exhaust emissions will be 90% lower than the current EPA NOx limit of 0.2 g/bhp-hr and will also meet the 2017 EPA greenhouse gas emission requirements. ISL G NZ meets the ARB certification 8 years in advance of the 2023 California Near Zero NOx schedule contributing to California Clean Air initiatives. ARB has defined this certified Near Zero emission level as equivalent to a 100% battery truck using electricity from a modern combined cycle natural gas power plant. In addition to the reduction in NOx, the ISL G NZ will feature Closed Crankcase Ventilation ("**CCV**") reducing engine related methane emissions by 70%. Production of the ISL G NZ is expected to begin in April 2016.

ENGINE PRODUCTION AND DISTRIBUTION

CWI engines have historically been manufactured in two different locations: a Cummins engine plant in Rocky Mount, North Carolina, and by Cummins India Limited in Pune, India. Pursuant to the terms of the Amended JVA, CWI will focus on sales in North America with engines that are manufactured in Cummins' North American engine plants in Rocky Mount, North Carolina and Jamestown, New York. Engines are sold to truck and bus OEMs for installation onto new vehicles. The fuel storage systems are installed at the OEM factory or at a third party location, such as a truck-body builder (i.e., refuse) or at a fuel system integrator.

REVENUES

CUMMINS WESTPORT INC. REVENUES		
	Year Ended	
(Expressed in thousands of dollars)	December 31, 2015	December 31, 2014
Product Revenue	274,033	283,551
Parts Revenue	57,849	53,683
Total	331,882	337,234

Weichai Westport Inc. Joint Venture

WWI was established in July 2008 as a joint venture between Westport (35% interest), Weichai (40% interest) and Hong Kong Peterson (25% interest), focusing on the Chinese market. WWI develops, manufactures, and sells advanced, alternative fuel engines and parts that are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally.

WWI is based in China and occupies 34,000 m^2 of manufacturing facilities. With strong demand for natural gas engines in China, WWI doubled its annual production capacity from 50,000 to 100,000 engines in 2014, with plans to expand to 150,000 engines by the end of 2015. WWI also doubled its testing facilities in 2014 and has a total of 25 test cells. The site includes a research and development centre and testing facilities.

PRODUCTS

WWI engines are based on Weichai's diesel platforms, featuring SI alternative fuel technology. WWI has six engines in commercial production today: WP5NG, WP6NG, WP7NG, WP10NG, WP12NG and WP13NG targeted at the principal markets of city bus, coach, and heavy-duty truck applications. These engines meet emissions compliance of China III, China, IV or China V standards.

PRODUCTS UNDER DEVELOPMENT

WWI is integrating Westport™ HPDI technology to create the new 12-litre Weichai Westport Landking engine featuring Westport™ HPDI 2.0 technology designed to deliver the same power, torque, and performance as that of the original diesel engine. The Weichai Westport HPDI 12-litre engine has recently received China V emissions certification from the National Passenger Car Quality Supervision & Inspection Center (Tianjin Automotive Test Center).

In addition, Westport has licensed HPDI to Weichai to develop the 10 litre Weichai Westport WD10 engine with Westport™ HPDI 2.0. Due to commonality with the WP12, the program is expected to take approximately two years with product availability planned for 2018.

ENGINE PRODUCTION AND DISTRIBUTION

WWI engines are manufactured at WWI's engine plant in Weifang, China. Engines are sold to truck and bus OEMs for installation onto new vehicles.

REVENUES

The decrease in WWI revenues is due to weak demand for trucks in China during 2015.

WEICHAI WESTPORT INC. REVENUES		
	Year Ended	
(Expressed in thousands of dollars)	**December 31, 2015**	**December 31, 2014**
Product Revenue	185,967	618,465

TECHNOLOGY

We have invested over $800 million towards the research, development and commercialization of our proprietary technologies, which allow engines to operate on natural gas and other gaseous fuels while preserving the key performance benefits of gasoline or diesel engines.

We strive to develop and integrate the technologies that best fit the requirements of our target applications. As a result, Westport uses different fuel system and engine technologies across its range of applications. Generally, our technologies encompass vehicle and engine fuel systems, combustion and control approaches, as well as exhaust emissions treatment.

Light-Duty Applications

Light-duty applications include fork lift applications, small industrial engines, passenger cars and larger commercial vehicles such as pick-up trucks and utility vans.

FUEL SYSTEM COMPONENTS

Westport, through its Emer, OMVL and Prins subsidiaries, develops and manufactures safe, certified, reliable, fuel system components that enable gasoline engines to be adapted to natural gas or LPG operation. Fuel system components include CNG tank valves, which are designed to provide multiple layers of safety, fill nozzles, gaseous fuel lines, manual and electrically operated shut-off valves, single and double-stage pressure regulators, fuel gauges, high and low pressure fuel filters, integrated fuel rails and injectors, and customized electronic control units.

STOICHIOMETRIC MULTI-POINT INJECTION SPARK IGNITION

Westport fuel system components can be integrated on engines to allow sequential multipoint port injection of natural gas or LPG. These engines are SI, operate with a closed-loop controlled stoichiometric air/fuel ratio, and rely on a conventional three-way catalyst for emissions control. These engines can operate as bi-fuel engines (operation with either gasoline or gaseous fuel is possible) or dedicated to just one type of fuel. Most passenger car applications today are bi-fuel, whereas engines used in industrial applications such as forklifts and oilfields are dedicated to one type of fuel.

Westport is making fully-integrated, cost-effective solutions available for industrial and light-duty vehicle applications, such as the Westport WiNG™ Power System—an advanced, integrated, dedicated CNG, or bi-fuel (natural gas/gasoline) system for fleet customers of passenger and commercial vehicles.

Westport evaluates opportunities and conducts R&D to improve fuel system components and engine operating methods to offer gaseous fueled engines and vehicles that offer the highest level of safety, reliability, durability, performance, emissions and efficiency.

DIRECT INJECTION ENGINES

An increasing portion of light-duty gasoline engines are relying on direct gasoline injection. Westport is active in developing technology to integrate natural gas fuel systems on such direct injection gasoline engines. Furthermore, Westport is investigating natural gas direct injection in SI engines.

Medium- and Heavy-Duty Applications

Medium-duty ("**MD**") and heavy-duty ("**HD**") applications include medium HD vehicles such as transit buses, refuse trucks, coaches, urban delivery vans, beverage delivery and school buses (vehicles that have a gross vehicle weight between 26,000 and 33,000 lbs, categorized as Class7). HD trucks include larger tractor-trailer combination and dump trucks that have gross vehicle weight above 33,000 lbs and are categorized as Class 8.

In these classes of vehicles, Westport and its partners are providing lean burn and stoichiometric SI engines to address the needs of different markets.

LEAN BURN SPARK IGNITION

Lean burn SI ("**LBSI**") gaseous-fuelled engines use Otto-cycle combustion with large amounts of excess air to maintain relatively low combustion temperatures resulting in low nitrogen oxides ("**NOx**") and low particulate matter ("**PM**") output. This architecture relies on robust traditional spark plug technology to ignite a pre-mixed air/fuel charge, which can accommodate most gaseous fuels including natural gas, propane, hydrogen, and blended fuels. MD and HD SI engine technologies are integrated with a robust diesel engine platform and a dedicated control strategy to create a clean-burning alternative fuel engine with excellent performance, reliability, and durability characteristics. WWI offers LBSI for example in China to power HD trucks, coaches and transit buses.

STOICHIOMETRIC SPARK IGNITION WITH EXHAUST GAS RECIRCULATION

CWI's SESI technology builds upon the LBSI approach, but uses high rates of cooled exhaust gas recirculation ("**EGR**") in the combustion process in place of large amounts of excess air. The use of cooled EGR allows the creation of oxygen-free exhaust, which then allows for the use of a simple, passive three-way catalyst. SESI technology delivers ultra-low emissions, below EPA 2010 levels, with increased thermal efficiency and higher low-speed torque compared with today's LBSI engines. CWI's very successful ISL G engine that is used in North American transit buses, refuse trucks and day cab trucks is based on the SESI technology. The Cummins Westport ISX12 G brings this technology into heavier duty truck applications. With modifications to the catalyst and engine operation, SESI technology has been certified to CARB Near-Zero NOx optional standard, which is 10 times lower than EPA 2010 NOx standard.

ESI NATURAL GAS SYSTEM

Westport's proprietary ESI technology, for the first time, provides vehicle and engine OEMs with a natural gas solution that exceeds the power and torque of the diesel engine upon which it is based. This allows for engine downsizing resulting in a smaller, lighter, more powerful, more fuel efficient and lower emissions package. Using 100% dedicated natural gas as fuel, this newest technology optimizes the combustion system and thermal management of the engine by taking full advantage of the ultra-high octane performance fuel properties of natural gas. Developed to meet the highest level of OEM quality standards, Westport's new combustion system and components have been undergoing testing and offer ready integration into OEM applications globally. Its durability and reliability levels are expected to meet an OEM's extensive engine development program. The Westport™ ESI combustion system is targeted at sub 10L engines for Class 6 and 7 truck applications and is also adaptable for sub 2L applications for use in automotive and non-automotive applications.

GAS ENHANCED METHANE DIESEL ("GEMDi")

Westport GEMDi™ technology is an improvement over typical dual-fuel technology. A dual-fuel engine typically relies on an unmodified and conventional diesel engine configuration, partly because dual-fuel engines are meant to be capable of reverting back to 100% diesel operation over the entire engine operating range if required. Under dual-fuel operation, natural gas is introduced at low pressure and mixed with the intake air. Diesel fuel is introduced directly into the combustion chamber near the end of compression stroke and is used to ignite a lean mixture of natural gas and air (i.e. no spark plugs are required). Due to the engine not being designed for operation on gas, dual-fuel engines usually result in limited substitution, varying between 30% and 70%, and in compromises in emissions and performance depending on the level of added diagnostic and control. In GEMDi, the base diesel engine is more optimized for dual-fuel operation through fuel and combustion system modification and sophisticated engine monitoring and control. GEMDi technology has proven to have power and torque similar to its base diesel engine performance, and is designed to deliver improved fuel economy and emissions compared to conventional dual-fuel technology.

Westport also provides fuel systems and engines enabling HPDI of natural gas as described below.

WESTPORT HIGH PRESSURE DIRECT INJECTION

Westport™ HPDI technology emulates the robust and efficient characteristics of diesel combustion but with the fuel being mostly natural gas. Engines with Westport™ HPDI use small diesel pilot sprays and larger natural gas jets injected late in the compression cycle. Westport™ HPDI retains the compression ratio and un-throttled operation of diesel engines, enabling high cycle efficiency and low end torque capability. It requires no special pistons, cams, ignition system, gas mixer, intake manifolds, exhaust sensors or port injectors. For high use applications, the diesel is, on average, approximately 10% of the total fuel energy input and is used to start the combustion process just prior to the main injection of natural gas. Due to the lower flame temperature of natural gas, engine out NOx emissions can be cut by 30% to 50% compared to diesel equipped with no or moderate exhaust gas recirculation. Due to the lower carbon content of gas compared to diesel, Westport™ HPDI leads to engine out PM emissions reduction of 60% to 80%, and to engine-out GHG emissions reduction of 15% to 25% inclusive of methane emissions. Westport™ HPDI technology has been demonstrated on Cummins, Volvo, MAN Truck & Bus AG Detroit Diesel, Weichai, EMD, Daimler and other heavy-duty engines and could be applied to any modern HD direct injection diesel engine, given sufficient development. Westport™ HPDI is well suited to large on-highway trucks and to high-horsepower applications where performance and part load fuel consumption are critical.

HIGH PRESSURE GASEOUS FUEL INJECTORS

Our Westport™HPDI fuel injectors are designed to be incorporated into a diesel engine with no or limited head modifications and minimized changes to the engine hardware beyond replacing a diesel injector with our Westport™ HPDI fuel injector. These injectors enable late-cycle, high pressure direct injection of natural gas, ensuring diffusion-type combustion. Westport™ HPDI fuel injectors are common-rail, diesel-actuated and electronically controlled.

We have developed fuel injectors capable of handling the special challenges presented by compressible fuels. For instance, our injectors are designed to manage the high volumetric flow rates required for a fuel much less dense than diesel, the reduced cushioning associated with the low viscosity of gaseous fuels, and the critical sealing between gas and pilot fuel within the injectors.

We design and test our own natural gas direct injection fuel injectors. Westport has access to high volume scale production capability through our partnership with one of the world's largest diesel injector manufacturers, Delphi, to supply Westport™ HPDI fuel injectors.

The engine fuel system also includes gas and diesel control modules that filter, measure and regulate the fuels prior to admission to the engine, and electronic modules that control the various components of the fuel system.

CRYOGENIC TANKS AND PUMPS

Our cryogenic technologies enable our customers to use LNG for mobile applications of HPDI, where durability is important, space is limited and excess weight is costly. Our designs for compact cryogenic pumps and storage vessels are well suited to on-road applications that have higher vibration profiles than stationary applications. Our LNG pump is designed to be fitted within a cryogenic vessel to provide rapid engine fuelling capability, minimize heat leak and external exposure of cryogenic parts.

CRYOGENIC SYSTEM FOR SI ENGINES

Westport has also extended its cryogenic technologies to provide LNG systems with increased fuelling rate capability to SI engines used in certain high load applications. This technology is used in our Westport iCE PACK product in North America and in a similar product developed for the China domestic market and provides a number of benefits. It enables the use of colder and denser LNG which results in approximately 10% more energy being stored in a full tank of LNG, improving vehicle range between fills. The colder and denser LNG avoids the need for expensive equipment otherwise required at the station to increase the temperature and pressure of the LNG, which is typically being done today as a requirement for proper operation of SI engines. The Westport iCE PACK tank systems rely on a pump that enables continuous high flow delivery of LNG at the required pressure to SI engines, a capability that traditional LNG systems do not have.

High Horsepower Applications

Westport is applying and tailoring some of its technologies for high horsepower applications. The HPDI and high pressure gaseous fuel injector technologies are being readily applied to large engines with appropriate scaling, calibration and verification. Our cryogenic tank and pump technologies require significant adaptation for these applications.

For rail applications, Westport has been developing fuel control modules to be integrated on LNG tenders that include significantly larger high pressure cryogenic pumps along with the adequate fuel vaporizer and fuel control system.

For mining truck applications, similar large cryogenic pumps are being integrated in specially purposed LNG tanks that are configured for efficient integration on-board mining trucks.

Advanced Combustion and Fuel System Concepts

Westport continues to explore new combustion and fuel system concepts to explore the potential of gaseous fuels in diverse applications. We have evaluated technologies such as:

HOT SURFACE IGNITION ("**HSI**")

Westport has demonstrated concept vehicles operating with natural gas direct injection and HSI. Specially shielded ceramic glow plugs were used for the ignition. Fast-response direct actuation common rail injectors were used to provide rate shaped injection or multiple gas injections. Emissions were drastically reduced because of the natural gas, but diesel-cycle diffusion combustion retains the power, torque, and efficiency of the diesel engine.

ON-BOARD GAS COMPRESSOR

We have developed vehicle booster-compressors to meet the fuel system's need to provide high-pressure natural gas to the injectors from CNG tanks. This compressor technology is modular and scalable to adapt to varying flow rates, gas pressures and packaging requirements. This was used, for example, on the concept vehicles operating with HSI.

HOMOGENEOUS COMBUSTION DIRECT INJECTION

Westport has demonstrated concept power generation engines operating with some of the natural gas being pre-mixed with the intake air prior to ingestion into the combustion chamber and some of the natural gas being direct injected. The pre-mixed natural gas burned in a homogeneous charge compression ignition manner. We have developed methods to control the ideal timing of the start of combustion through signal processing of engine mounted accelerometers.

EXHUAST AFTERTREATMENT SYSTEMS

As a natural gas engine and fuel system developer, we have investigated and developed aftertreatment systems for natural gas engine technologies. We have worked with oxidation catalysts, methane-specific catalysts, three-way catalysts, lean NOx adsorbers, diesel particulate filters, and selective catalytic reduction systems. Novel systems and methods, applicable to both natural gas and diesel engines, have been developed.

HYDROGEN DIRECT INJECTION AND HYDROGEN NATURAL GAS BLENDS

Westport has demonstrated the operation of transit buses fueled with blends of hydrogen and natural gas. Westport has worked with OEM partners and with certain laboratories to investigate hydrogen direct injection.

In addition, Westport continues in collaboration with partner universities and laboratories to investigate certain fundamental aspects of gaseous fuel combustion and emissions catalysis.

INTELLECTUAL PROPERTY

The goal of our intellectual property strategy is to capture, protect, and utilize our intellectual property in coordination with our business and technology plans and to best enable the successful commercialization of our proprietary products. Our intellectual property strategy is designed to be adaptive to our target markets and the products intended for those markets, to support the commercial launch of new products, and to sustain a long-term competitive edge in the markets. We rely on a combination of patents, trade secrets, trademarks, copyrights and contracts to protect our proprietary technology.

We are committed to our strategy of building an intellectual property portfolio that encompasses a variety of intellectual property rights and protects our key intellectual assets. We believe these intellectual property assets will enable us to remain competitive in our industry.

We use patents as the primary means of protecting our technological advances and innovations, which include proprietary claims to components, materials, operating techniques, and systems. We have a proactive approach to identifying, evaluating and choosing strategic inventions that we seek to protect through the timely filing and prosecution of patent applications. We have a comprehensive invention disclosure program involving written invention memoranda and maintenance and preservation of supporting laboratory records. Patent applications are filed in various jurisdictions internationally, which are carefully chosen based on the likely value and enforceability of intellectual property rights in those jurisdictions, and to strategically reflect our anticipated major markets. Patents provide us with a potential right to exclude others from incorporating our technical innovations into their products and processes. Where appropriate, we license third party technologies to provide us with the flexibility to adopt preferred technologies.

As of December 31, 2015, we have filed over 1200 patent applications worldwide relating to over 290 inventions, and we held more than 430 issued patents worldwide, including more than 95 issued U.S. patents. We also have more than 250 patent applications pending in the U.S. and other countries and under the international Patent Cooperation Treaty, which preserves for at least 30 months our right to file corresponding patent applications in all of the major industrial countries that are of interest to us. These issued patents and pending patent applications cover various aspects of our technology.

We believe we have developed a significant international patent portfolio, which establishes a broad foundation for our ongoing research activities and continues to yield new and patentable developments. Our strategy is directed not only to capturing improvements that we make to our current technologies and extending the window for such technologies, but also to capturing future technologies that we believe could supplant current technologies. Accordingly, we believe that we are continuously renewing our patent portfolio to support the growth of our business in both the short and long term. We expect to file new patent applications each year as our patent portfolio expands to strengthen our role as a leading developer of gaseous-fuelled engine technology. We expect activities relating to assertion and enforcement of our intellectual property rights to increase as the market for our products develops, and we also expect that our growing patent portfolio, especially when coupled with a strong enforcement program, will provide us with a significant advantage over our competitors.

Portions of our know-how are protected as trade secrets and through contractual agreements with our employees, suppliers, partners and customers. We take measures to carefully protect our intellectual property rights in our collaboration agreements and attempt to capture maximum value from our products to ensure a competitive advantage. We are supporting the ongoing development of our market image and branding strategy by seeking timely registration of our trademarks in strategically chosen jurisdictions.

COMPETITIVE CONDITIONS

We are a leading provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. We believe we are one of the few companies that is focused in the development and commercialization of these technologies. Our R&D effort and investment have resulted in a substantial patent portfolio that serves as the foundation for our differentiated technology offerings and competitive advantage.

Westport's products and its related technologies compete with:

- Conventional established technologies, such as engines powered by diesel fuel and gasoline. These incumbent technologies, from a fairly large number of global manufacturers, hold a very large market share in our target applications.
- Alternative-fuel engines and related technologies using broadly the same technical approaches as Westport's products, such as spark-ignited natural gas ("**SING**") and dual-fuel engines, LNG tanks, and new and aftermarket fuel-system components. These Westport products compete head-to-head with conceptually-similar products from other companies.
- Alternative engine and related technologies using fundamentally different technical approaches, such as hybrid and fully-electric vehicles, which Westport does not offer.

Competitors can range in size, technical expertise, and resources from the largest automotive OEMs to individual inventors. Increasing interest in the alternative-fuels marketplace in recent years has increased the number of fast-follower new entrants, and increased the quality and number of offerings from established competitors. In particular, we see increased competition from SING-engine OEMs in China, to aftermarket kit providers in Europe and in natural gas tanks. Current oil price volatility and low prices will likely make for challenging market dynamics for alternative fuels and technologies.

GOVERNMENT FUNDING

Westport and CWI have won significant funding awards from U.S. and Canadian government agencies and from trade groups for technology development and demonstration projects. In some cases, the government or trade-group funding may be repayable, in whole or in part, depending on the success of the technology. Some of the more significant awards are described below.

In calendar year 2015:

- Westport was awarded $900,000 from the Gas Technology Institute (“ **GTI**”) to advance state-of-the-art natural gas combustion technology featuring Westport's ESI natural gas engine technology and demonstrate “High Frequency Corona Discharge Ignition”. The funding is provided by the California Energy Commission and the Southern California Gas Company.
- Westport realized the final payment of $ 230,283 as the final installment of the SDTC award of $2.3 million announced in 2011 for the development of the Westport™ HPDI system for high horsepower applications.

In calendar year 2015, CWI received additional payments to previously announced awards.

Amounts received in 2015 were:

- $454,685 ($359,100 +$89,000) from the Gas Technology Institute (" **GTI**") for development funding for the ISB 6.7B G engine program. The funding was provided by the California Energy Commission through the Public Interest Energy Research program.
- $363,685 from the U.S. DOE’s National Renewable Energy Laboratory (" **NREL**"), GTI with funding originating from the California Energy Commission ("**CEC**"), and Utilization Technology Development, a division of GTI, for multiple engine programs, but primarily related to the development of the Cummins Westport ISX12 G engine.

HUMAN RESOURCES AND POLICIES

Westport has attracted a highly educated and experienced team of professionals focused on the development and commercialization of our technologies. We actively recruit skilled individuals with diverse backgrounds from around the world and provide them with specific training relating to our technology, and retain consultants and contract workers with specific expertise when appropriate.

In an effort to reduce costs and align expenses with revenues and income—we have proactively streamlined our business since reaching our peak global headcount in 2013.

In December 2015 our full-time equivalent headcount worldwide reached a three-year low of 725 employees. Our employee base consists mostly of engineers and technicians. In addition to the total number of Westport full-time employees, we have 62 contract or part-time staff in Canada, Argentina, Australia, China, France, Italy, Korea, Sweden, the Netherlands, the United Kingdom, and throughout the United States. In addition, CWI has 95 full-time employees, of which 89 employees and one contract staff are seconded from Cummins and six employees are seconded from Westport.

Our employees are not represented by a labour union, except in Italy and Sweden.

We believe that our relationships with our employees are good. Each new employee is required to execute confidentiality and proprietary rights agreements as well as a code of conduct certification as part of the employee's terms of employment. To encourage focus on achievement of medium- to long-term performance goals, virtually all of our employees are eligible for annual bonuses that are tied to achievement of performance milestones.

SOCIAL AND ENVIRONMENTAL POLICIES

Westport is committed to the protection of the environment and the prevention of pollution and strives to be an industry leader in mitigating the environmental impacts of fuel system research, development, testing and assembly. The following Environmental Policy Statement outlines the standards to which our operations are held:

- Westport will work to ensure that its operations comply with all applicable environmental legislation, industry codes and standards;

- Westport will work to collaborate with partners and industry stakeholders in the protection of the environment, the conservation of resources and the implementation of pollution mitigating practices;
- Westport will continue to research, design, and develop alternative fuel engine technologies that preserve environmental health and safeguard employees, customers and the general public from injuries or health hazards;
- Westport determines, evaluates, and strives to mitigate the environmental impacts of our existing operations and will work to conduct a thorough environmental assessment and risk analysis prior to the implementation of new projects;
- Westport will abide by internally established standards to utilize energy and other resources efficiently in its operations, including emissions and waste management programs that exceed current legislative requirements;
- Westport will strive to be an environmentally responsible neighbour in the communities where we operate and to act promptly and responsibly to correct incidents or conditions that endanger health, safety or the environment;
- In conjunction with external response agencies, Westport will respond to environmental emergencies promptly and effectively via a trained and coordinated on-site Emergency Response Team;
- Westport will work to fully investigate all environmental incidents or unplanned releases and to communicate findings as necessary to all affected parties;
- Westport will endeavour to train its employees on their individual responsibility to protect the environment, to adhere to this Environmental Policy Statement, and to cooperate with Westport's efforts in this regard. On-site contractors and others acting on behalf of Westport are expected to abide by the same environmental code of conduct;
- Westport will strive to evaluate its environmental performance through regular auditing and assessment of its regulatory compliance and adherence to this policy. We will strive to communicate the appropriate information to our stakeholders including our Board of Directors, employees, shareholders, governmental agencies and the general public; and
- Westport will strive to continuously improve our environmental management system and measure the environmental impacts of our operations. Westport will implement this policy through a comprehensive plan with measurable goals/targets and a rigorous analysis of performance. Westport will work to provide a candid discussion of our environmental achievements and challenges in its annual sustainability report published on its website.

Our commitment to corporate responsibility is evident not only in the development of our products and technologies, but also in our ongoing efforts to enhance the social benefits derived from our business activities and minimize the environmental footprint of our operations. Every year, we review our operations, assess our environmental footprint and set targets for improvement.

We published our first sustainability report at the end of fiscal 2008 to highlight aspects of our safety, environment, and community engagement performance. Our sustainability report, which will be published within our fiscal 2015 annual report, has been self-declared to be in accordance with the Global Reporting Initiative G3 Core framework.

We are committed to providing a discrimination and harassment-free workplace. Our expectations for individual integrity and ethical, moral, and legal conduct are outlined in our Code of Conduct which applies to everyone in Westport, including directors, officers, employees, contractors, agents and consultants who act of behalf of Westport in any business dealings. The Code of Conduct is reviewed and signed annually by all directors, officers and employees. We have also implemented an ethics hotline to provide an avenue for employees to raise concerns about corporate conduct. The Whistleblower Policy includes the reassurance that individuals will be protected from reprisals or victimization for "whistle blowing" in good faith.

Our employees demonstrate an active desire to contribute to our community. We have supported the United Way of the Lower Mainland with a spirited and employee-driven workplace campaign since 2002. Since that time, our employees have donated more than C$1.2 million to the United Way, and our campaigns have been recognized as leading efforts in the British Columbia high-tech sector.

IMPACT is an employee leadership team established by Westport employees to drive community engagement and community enrichment. Launched in 2007, IMPACT brings together the various volunteer activities, events, and initiatives that employees were already involved with into one coordinated effort. IMPACT's vision of community is broad and encompasses the actual communities in which we live and work, our immediate neighbours and our workplace. IMPACT has an ambitious and inspiring mandate to have its activities leave a positive and measurable impact on the community. Community leadership is a core value of ours and to support this, every employee is given 16 hours of paid leave per year to volunteer with a charitable organization of his or her choosing.

To further expand our sustainability networks, we are a member of Business for Social Responsibility.

We have been listed on the Jantzi Social Index ("**JSI**") since August 2000. The JSI is a socially-screened market capitalization-weighted common stock index modeled on the S&P/TSX 60 consisting of 60 Canadian companies that pass a set of broadly based environmental, social and governance rating criteria. The JSI has begun to generate the first definitive data on the effects of social screening on financial performance in Canada.

DIVIDEND POLICY

To date, we have not paid out any dividends on our Common Shares. The future payment of dividends will be dependent on our ability to pay, including factors such as cash on hand, sustainable cash flow and achieving profitability, the financial requirements to fund growth, our general financial condition, and other factors that the Board may consider appropriate in the circumstances. Under our bank credit facilities, any dividends, shareholder loan repayments and other capital withdrawals require prior consent from our bank.

DESCRIPTION OF CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares ("**Preferred Shares**") issuable in series with no par value. As at December 31, 2015, our issued share capital consisted of 64,380,819 Common Shares and no Preferred Shares. Our Board may at any time issue any Preferred Shares in one or more series, each series to consist of such number of Preferred Shares as may be determined by the Board. The Board may determine at the time of issuance the designation, rights, privileges, restrictions, and conditions attaching to each series of Preferred Shares.

As more fully described below under "Description of Common Shares", the holders of our Common Shares are entitled to notice of, to attend and to one vote per Common Share at all meetings of our shareholders. The holders of our Preferred Shares shall have no right to receive notice of or to be present at or vote either in person, or by proxy, at any of our general meetings by virtue of or in respect of their holding of Preferred Shares.

Subject to any rights, privileges, restrictions and conditions that may have been determined by the directors to apply to any series of Preferred Shares or any restrictions in any of our debt agreements, the directors shall have complete uncontrolled discretion to pay dividends on any class or classes of shares or any series within a class of shares issued and outstanding in any particular year to the exclusion of any other class or classes of shares or any series within a class of shares out of any or all profits or surplus available for dividends.

On our winding-up, liquidation or dissolution or upon the happening of any other event giving rise to a distribution of our assets other than by way of dividend amongst our shareholders for the purposes of winding-up its affairs, subject to any rights, privileges, restrictions and conditions that may have been determined by the Board to attach to any series of Preferred Shares, the holders of all Common Shares and Preferred Shares shall be entitled to participate *pari passu*.

DESCRIPTION OF COMMON SHARES

The holders of our Common Shares are entitled to one vote per Common Share at meetings of shareholders, to receive such dividends as declared by the Board, and to receive Westport's remaining property and assets upon dissolution or winding up. The Common Shares are not subject to any future call or assessment, and there are no exchange, pre-emptive, conversion, redemption or retraction rights attached to the Common Shares. The following table provides additional information regarding the outstanding Common Shares, options, PSUs, and RSUs.

OUTSTANDING COMMON SHARES, OPTIONS, PSUs, & RSUs		
	December 31, 2015	
	Number	Weighted Average Exercise Price ($)
Shares Outstanding	64,380,819	
Performance Share Units		
Outstanding[1]	3,561,433	N/A
Exercisable	—	—
Restricted Share Units		
Outstanding	6,096,488	N/A
Exercisable	1,150,294	N/A

1. *The PSU's have payout levels ranging from 0% to 150% based on achieving the required performance criteria over the measurement period. The vesting of 2,695,000 PSU's granted in 2015 is conditional upon Shareholders of Westport approving an increase in the number of awards available for issuance pursuant to the Westport Omnibus Plan.*

MARKET FOR SECURITIES

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange under the trading symbol "WPT". The following table sets forth the market price ranges and the aggregate volume of trading of the Common Shares on the Toronto Stock Exchange for the periods indicated:

TORONTO STOCK EXCHANGE (WPT)				
Period	**High (C$)**	**Low (C$)**	**Close (C$)**	**Volume**
January 2015	4.59	3.82	4.22	1,176,900
February 2015	8.41	4.26	6.90	3,698,700
March 2015	7.42	4.80	4.98	2,270,900
April 2015	5.96	4.92	5.46	748,700
May 2015	7.46	5.35	6.58	1,147,200
June 2015	7.36	5.70	5.89	616,700
July 2015	6.61	4.97	5.24	1,955,900
August 2015	5.14	3.98	4.63	680,100
September 2015	4.85	3.29	3.32	453,000
October 2015	5.18	3.23	4.07	598,400
November 2015	4.81	3.17	3.17	707,400
December 2015	3.66	2.34	2.78	985,400
January 2016	3.30	1.79	2.70	1,024,800
February 2016	2.77	2.11	2.52	287,300
March 1–22, 2016	3.99	2.52	3.73	568,700

The outstanding Common Shares are additionally listed and posted for trading on the NASDAQ Global Select Market under the trading symbol "WPRT". The following table sets forth the market price ranges and the aggregate volume of trading of the Common Shares on the NASDAQ Global Select Market for the periods indicated:

NASDAQ GLOBAL SELECT MARKET (WPRT)				
Period	**High ($)**	**Low ($)**	**Close ($)**	**Volume**
January 2015	3.91	3.24	3.35	10,753,900
February 2015	6.74	3.37	5.51	32,039,300
March 2015	5.97	3.82	3.94	12,664,100
April 2015	4.93	3.90	4.53	7,638,900
May 2015	6.18	4.47	5.29	16,508,700
June 2015	5.95	4.58	4.74	8,816,700
July 2015	5.10	3.80	4.01	8,599,800
August 2015	4.00	3.00	3.54	6,046,300
September 2015	3.67	2.47	2.49	7,004,800
October 2015	4.01	2.42	3.10	6,954,000
November 2015	3.64	2.42	2.46	6,562,900
December 2015	2.66	1.70	2.01	9,821,100
January 2016	2.32	1.30	1.92	12,076,400
February 2016	2.00	1.51	1.87	4,588,800
March 1–22, 2016	3.09	1.88	2.87	6,975,800

In the twelve-month period ended March 29, 2016, Westport granted the following performance share units ("**PSUs**") and restricted share units ("**RSUs**") pursuant to the Westport Omnibus Plan.

WESTPORT OMNIBUS PLAN			
Date	**Number of Securities Granted (RSUs)**	**Number of Securities Granted (PSUs)**	**Per Share Market Value of Shares Underlying Securities at Time of Unit Issuance ($)**
May 28, 2015 (1)	2,683,632	2,695,000	6.82
September 3, 2015	78,988	—	4.74
November 12, 2015	99,010	—	3.91

1. *The vesting of the 2,695,000 PSU's granted in 2015 is conditional upon Shareholders of Westport approving an increase in the number of awards available for issuance pursuant to the Westport Omnibus Plan and achievement of the related performance criteria. As a result these PSU's are being treated as a liability until this condition is met.*

PRIOR SECURITIES ISSUED

No securities of Westport not listed or quoted on any exchange were issued during the year ended December 31, 2015, other than RSUs and PSUs. Additional information with respect to the issuance of securities under Westport's equity compensation plans by Westport during the most recently completed financial year will be contained in Westport's Management Information Circular in respect of its annual and special meeting of shareholders, which will be made available on SEDAR at www.sedar.com.

DIRECTORS AND EXECUTIVE OFFICERS

Our shareholders elect the members of our Board at each annual general meeting. Directors typically hold office until their successor is appointed or until the next annual general meeting of shareholders at which time they may be re-elected or replaced.

The following tables set forth the names and municipalities of residence of all of the members of our Board and executive officers as of December 31, 2015, as well as the positions and offices held by such persons, their principal occupations, and number of Common Shares held as of March 29, 2016 (the number of common shares held by Directors and Executive Officers vary in shareholding positions primarily due to purchase price or grant amounts at varying times and share prices).

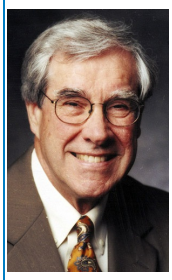
On January 11, 2016, Westport announced that Peter Yu was appointed to the Board.

On March 17, 2016, Westport announced that Rodney (Rod) Nunn, President and CEO of KSR International Co. (KSR)-a leading Tier One automotive supplier-was appointed to Westport's Board of Directors as part of a nomination agreement between Westport and certain entities affiliated with Westport's largest shareholder, Kevin Douglas ("the Douglas Group"). In connection with Westport's entry into the nominating agreement, Jill Bodkin, one of Westport's current directors, has agreed to step down from the Westport Board.

DIRECTOR BIOGRAPHIES

DR. WARREN J. BAKER (2)(3)

DIRECTOR



Citizenship:
U.S.

Resides in:
Avila Beach, California, USA

Director since:
September 2002

Common Shares:
58,331

Options:
4,285

Principal Occupation for Last 5 years:
Retired from California Polytechnic State University since 2010. President, California Polytechnic State University (1979-2010)

Dr. Warren J. Baker (77), a US citizen, of Avila Beach, California, USA, joined the Board of Directors in September of 2002. He is currently Chairman of the Board and Chair of the Nominating & Corporate Governance Committee. Helping drive Westport's innovation and technology path, Dr. Baker has led a distinguished career in science and technology including as a member of the US National Science Board appointed by President Reagan, serving from 1985 to 1994 including as Chair of the Programs and Plans Committee, and the Polar Research Committee. More recently, Dr. Baker retired as President Emeritus of California Polytechnic State University in San Luis Obispo, California, having served as President from 1979 until August 1, 2010. Dr. Baker is a Fellow of the American Society of Civil Engineers, a former Fellow in the Engineering Society of Detroit, a former member of the board of directors of the California Council for Science and Technology, a former member of the California Council for Environmental and Economic Balance, and a former member of the US Business-Higher Education Forum. Dr. Baker has served as Chair of the board of directors of the ASCE Civil Engineering Research Foundation. From 1994 to September 2012, Dr. Baker was a member of the board of directors of John Wiley & Sons, Inc. of Hoboken, New Jersey, a New York Stock Exchange listed global publisher of print and electronic products, specializing in scientific, technical, and medical books and journals, where he also served terms as Chair of the Audit Committee, the Governance Committee, and Human Resources and Compensation Committee. Dr. Baker also served on the board of directors of the Society of Manufacturing Engineers' Education Foundation, and is recent past Chair of the Board of Governors, the US/Mexico Foundation for Science (FUMEC).

M.A. (JILL) BODKIN

DIRECTOR Until March 17, 2016



Citizenship: Canadian

Resides in: Vancouver, British Columbia, Canada

Director since: July 2008

Common Shares: 11,218

Share Units: 20,168

Principal Occupation for Last 5 years: Chair and Chief Executive Officer of Golden Heron Enterprises since 1996; Director of Canadian Development for KCTS 9 Television (2004–2011)

M.A. (Jill) Bodkin (72), a Canadian citizen, of Vancouver, British Columbia, Canada, joined the Board of Directors in July of 2008. Ms. Bodkin brings a significant amount of public company and venture capital markets expertise and a distinguished background with the BC Securities Commission and Ernst & Young LLP. She has been Corporate Director and Chair and Chief Executive Officer of Golden Heron Enterprises since 1996. A director of public and private companies, Ms. Bodkin is also the President of Yaletown Venture Partners VCC, Vancouver, and on boards of Valemount Glacier Destinations, Exro Technologies, Syracuse University's Maxwell School of Citizenship and Public Affairs, and Vancouver Opera. From 2004 to 2011, Ms. Bodkin was Director for Canada for KCTS 9 Television, the Seattle based Pacific Northwest PBS station. She is a Governor and former Chair of the Vancouver Board of Trade, as well as a former Director of the Laurentian Bank of Canada and President of the Board of Pacific Coast Public Television. She has served on the Audit Oversight Council for the Canadian Institute of Chartered Accountants, advisory boards on investment and trade to Canadian and British Columbia Cabinet Ministers, and as a Trustee of policy think tanks, including the Thailand Development Research Institute, the Institute for Research in Public Policy in Canada, and the Canada West Foundation. After her early career in trade and finance in Canada's capital, Ms. Bodkin was appointed, in 1981, British Columbia's first woman Deputy Minister, responsible for financial institutions, then served as founding Chair of the BC Securities Commission. From 1987 to 1996, she was a Corporate Finance Partner with Ernst & Young LLP, advising on financing technology companies and capital projects in North America and Asia. Her mid-career graduate studies were in public finance at the Maxwell School, and she has been an Executive in Residence at UBC's Faculty of Business.

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JOSEPH P. CARON (2)

DIRECTOR



Citizenship: Canadian

Resides in: West Vancouver, British Columbia, Canada

Director since: August 2014

Common Shares: 10,211

Share Units: 11,899

Principal Occupation for Last 5 years: President, Joseph Caron Inc., a consulting firm Mr. Caron established in 2010. Held various positions related to Asian and international economic affairs for the Canadian Government including High Commissioner to India (2008 to 2010)

Joseph P. Caron (68), a Canadian citizen, of West Vancouver, British Columbia, Canada, joined the Board of Directors in August, 2014. Mr. Caron provides an international business and government perspective with a career including as Canadian Ambassador to the People's Republic of China (2001-2005), Canadian Ambassador to Japan (2005-2008) and High Commissioner to India (2008-2010). With operations on five continents and 10 countries, Mr. Caron's experience is a great addition. Mr. Caron began his international relations career in 1972 as a member of the Trade Commissioner Service. His knowledge of the Japanese language led to assignments in Japan for over 17 years in government and business, including the Canadian Embassy as Minister Plenipotentiary and Head of Chancery. He also subsequently held several positions related to Asian and international economic affairs for the Canadian Government, including serving the Foreign and Defence Policy Secretariat of the Privy Council Office. From 2001 to 2005, he served as Canadian Ambassador to the People's Republic of China with concurrent accreditation in the Democratic People's Republic of Korea (North Korea) and Mongolia. In 2005, he was named Canadian Ambassador to Japan and, in 2008, he served as High Commissioner to the Republic of India. Mr. Caron has been awarded an Honorary Doctorate from Meiji Gakuin University in Tokyo and has also been named a Distinguished Fellow of the Asia Pacific Foundation of Canada as well as a Honorary Fellow of the Institute of Asian Research of the University of British Columbia. Mr. Caron is a Board member of Manulife Financial Corporation and Vancouver International Airport. Mr. Caron was also Strategic Advisor, Asia Pacific at Heenan Blaikie LLP. Mr. Caron obtained a Bachelor of Arts degree with Honours from the University of Ottawa in 1970.

DAVID R. DEMERS

CHIEF EXECUTIVE OFFICER AND DIRECTOR



Citizenship: Canadian

Resides in: Vancouver, British Columbia, Canada

Director since: March 1995

Common Shares: 129,332

Share Units: 2,211,207

Principal Occupation for Last 5 years: Chief Executive Officer of Westport since March 1995

David R. Demers (60), a Canadian citizen, of Vancouver, British Columbia, Canada, is a founder of Westport and has been Chief Executive Officer and a member of the Board of Directors since the Corporation was formed in March of 1995. Mr. Demers brings an entrepreneurial spirit and an unmatched drive to make Westport's technology and company a global success. Mr. Demers holds a Bachelor of Science (Physics) degree and a Juris Doctor (Law), both from the University of Saskatchewan. Mr. Demers started his career at IBM Canada and has been involved in the formation and growth of several successful technology companies. He is currently a member of the board of directors of Primero Mining Corp. (NYSE:PPP) and ECRI, a private software company, as well as several Westport subsidiaries and ventures in which Westport has an equity interest.

BRENDA J. EPRILE (1)(2)

DIRECTOR



Citizenship: Canadian

Resides in: North York, Ontario, Canada

Director since: October 2013

Common Shares: 9,200

Share Units: 17,379

Principal Occupation for Last 5 years: Managing Director at Eprile & Company since 2012; Senior Partner at PricewaterhouseCoopers LLP (2000 to 2012)

Brenda J. Eprile (61), a Canadian citizen of North York, Ontario, Canada was appointed to Westport's Board of Directors in October of 2013 and brings extensive financial experience and acumen. Ms. Eprile is Chair of the Audit Committee and a member of the Human Resources and Compensation Committee. Ms. Eprile's familiarity with Westport as a former Advisory Board member and her deep understanding of public companies is valuable to Westport as it continues to grow and business evolves. Ms. Eprile is the owner and principal at Eprile & Company Inc., a boutique consulting firm serving a wide variety of clients on a range of regulatory and compliance issues. From 2000 to 2012, Ms. Eprile was a Senior Partner at PricewaterhouseCoopers and led the Risk Advisory Services practice. From 1985 to 1997, Ms. Eprile had a distinguished career as a securities regulator in Canada, having held the positions of both Executive Director and Chief Accountant at the Ontario Securities Commission. Ms. Eprile is a Fellow Certified Professional Accountant (FCPA), and received an ICD.D from the Institute of Corporate Directors in 2013. She has an Honours Bachelor of Music from the University of Toronto, as well as a Master of Business Administration from Schulich School of Business, York University. She is a director of several other organizations including a Canadian securities dealer and War Child Canada, a not for profit organization. She is the past Chair of the Board of Canada's National Ballet School.

PHILIP B. HODGE (3)

DIRECTOR



Citizenship: Canadian

Resides in: Calgary, Alberta, Canada

Director since: June 2012

Common Shares: 20,594

Share Units: 17,379

Principal Occupation for Last 5 years: President, Chief Executive Officer and Director of Pine Cliff Energy Ltd. since January 2012; Vice President, Business Development and Vice President Acquisitions and Divestments at Penn West Exploration (2010 to 2011); Managing Director at Mackie Research Capital Corporate and J.F. Mackie & Co. (2006 to 2010)

Philip B. Hodge (50), a Canadian citizen, of Calgary, Alberta, Canada has been a member of the Board of Directors since June of 2012 and is Chair of the Nominating and Corporate Governance Committee. Mr. Hodge has returned to Westport as a director after working at Westport as Vice-President and General Counsel from 2000 to 2006. Mr. Hodge demonstrated strong leadership at Westport through developing and managing strategic partnerships with various industry partners, and acted in a key role in the Cummins Westport and Weichai Westport joint venture formation. Mr. Hodge's diverse background in finance and law, combined with his experience in the oil and natural gas industry is an asset to Westport's Board of Directors and its committees. Mr. Hodge has been President, Chief Executive Officer and a Director of Pine Cliff Energy Ltd., a Canadian junior oil and natural gas company listed on the Toronto Venture Exchange, since January 2012. Mr. Hodge most recently held the positions of Vice President, Business Development and Vice President Acquisitions and Divestments at Penn West Exploration, one of the largest conventional oil and natural gas producers in North America. Prior to that, Mr. Hodge was a Managing Director at Mackie Research Capital Corporation and J.F. Mackie & Co., Calgary based investment banks. From 2000 to 2006, Mr. Hodge was Vice-President and General Counsel of Westport where he was responsible for legal, corporate governance, strategic partnership and corporate development functions, as well as the formation and growth of the company's business in China. Prior to 2000, Mr. Hodge was a partner at Bennett Jones LLP, a Canadian national law firm, practicing in that firm's securities and mergers and acquisitions department in its Calgary office. Mr. Hodge has a Bachelor of Commerce and Bachelor of Law from the University of Alberta.

DR. DEZSÖ J. HORVÁTH (1)(2)

DIRECTOR



Citizenship: Canadian

Resides in: Toronto, Ontario, Canada

Director since: September 2001

Common Shares: 63,843

Share Units: 17,889

Options: 4,285

Principal Occupation for Last 5 years: Dean and Tanna H. Schulich Chair in Strategic Management, Schulich School of Business, York University since 1977

Dr. Dezsö J. Horváth (73), a Canadian citizen, of Toronto, Ontario, Canada, has been a member of the Board of Directors since September of 2001. Dr. Horváth's rich history in strategy and academia brings the necessary process and attention to detail that helps turn the Board and management's vision into a reality. Dr. Horváth is an internationally renowned strategist and educator. He is currently Chair of the Human Resources and Compensation Committee. He is the Dean and holds the Tanna H. Schulich Chair in Strategic Management at the Schulich School of Business at York University in Toronto, Ontario, where he has taught since 1977. He is an Electrical Engineer and holds several degrees in management (MBA, Licentiate, PhD) from Swedish universities. After an early R&D career with the Swedish multinational ASEA (now ABB) in the electrical industry, he accepted senior academic appointments at Swedish and then Canadian universities. In addition to publishing books and articles on strategic management and international business, Dr. Horváth has been engaged by major corporations and governments as a consultant in these fields. In addition to his membership on corporate boards in the past, Dr. Horváth is currently a director of Inscape Corporation (since 2003), Samuel, Son & Co. Limited (since 2007) and UBS Bank (Canada) (since 2009). He is also a director of The Toronto Leadership Centre (since 1998) and the Canada-India Business Council (C-IBC) (since 2009). As well, he is on the International Advisory Council of the St. Petersburg University School of Management, Russia (since 1996), Guanghua School of Management, Peking University, China (since 2007), Fundaçăo Dom Cabral (FDC), Brazil (since 2009). Dr. Horváth is a member of the Strategic Management Society (SMS), the Academy of Management (AOM) and the Academy of International Business (AIB). In 2004, he was named AIB International Dean of the Year. Dr. Horváth was chosen as a Member of the Order of Canada in July 2008 for his academic leadership and sustained commitment to business education in Canada. In 2012, he received the Queen's Diamond Jubilee Medal in recognition of his achievements and significant contributions to Canada.

GOTTFRIED (GUFF) MUENCH (3)

DIRECTOR



Citizenship: Canadian

Resides in: West Vancouver, British Columbia, Canada

Director since: July 2010

Common Shares: 25,563

Share Units: 16,231

Gottfried (Guff) Muench (64), a Canadian citizen, of West Vancouver, British Columbia, Canada, joined the Board of Directors in July of 2010. Mr. Muench has a strong history in the natural gas transport industry serving as the first President of Cummins Westport from 2001 to 2002. His career experience and success at Cummins, as one of the leading Cummins distributors is of great assistance to Westport and the Board of Directors as the Corporation focuses its efforts on product commercialization. Mr. Muench obtained a Masters of Business Administration degree (1981) from the University of Western Ontario, and from, 1981 to 2010, Mr. Muench held various senior positions within Cummins Inc., including Canadian General Sales Manager-Parts in Oakville, Ontario, and Vice-President, Distribution & Customer Support for Cummins Engine Company in Columbus, Indiana. In 1986, Mr. Muench became the owner and principal of Cummins British Columbia, now Cummins Western Canada, the Cummins distributor for western Canada that now serves customers in eight different provinces and territories.

Principal Occupation for Last 5 years:
Retired from Cummins since 2010; previously held various senior positions within Cummins, including Canadian General Sales Manager-Parts in Oakville, Ontario, and Vice-President, Distribution & Customer Support for Cummins Engine Company (1981–2010)

DOUGLAS G. PEARCE

DIRECTOR



Citizenship: Canadian

Resides in: Kelowna, British Columbia, Canada

Director since: April 2015

Common Shares: —

Share Units: 21,738

Doug Pearce (63), a Canadian citizen, of Kelowna, British Columbia, Canada joined the Board of Directors in April of 2015. Doug Pearce has over 35 years of experience in financial management and capital markets. Mr. Pearce was the founding Chief Executive Officer and Chief Information Officer of the British Columbia Investment Management Corporation ("**bcIMC**") from 1999 until his retirement in 2014 and also led bcIMC's predecessor as Director of Investments from 1988. bcIMC manages a globally diversified portfolio on behalf of more than 500,000 pension plan beneficiaries and clients: public sector pension plans, public trusts, and insurance funds. Mr. Pearce was responsible for the safety of these assets under management that demanded his sound investment judgment and a socially responsible perspective while growing the portfolio from C$9.4 billion in 1988 to C$114 billion by 2014. Over this time, Mr. Pearce introduced new asset types and international markets to the portfolio including infrastructure projects in Chile, real estate in China, and private equity in India, and has shown his tenacity at being able to actively respond to market changes while continuing to build for the future. Mr. Pearce brings proven leadership skills in strategy development, risk management, and strong governance practices. Mr. Pearce was the Director of the Canadian Coalition for Good Governance from 2006 to 2008 and then Chair from 2008 to 2012, and promotes standards that are fair, transparent, and informed. Doug has also served as a Director at Bentall Kennedy LLP since 2013 (previously on the board of Bentall Corporation), as an Advisory Board Member at the University of British Columbia's Sauder School of Business since 2006, and became an Advisory Board Member at the Pacific Pension Institute in 2014 where he also served as past Chairman from 2000 to 2005. The Pacific Pension Institute is a nonprofit educational organization that assists investment funds worldwide with carrying out their fiduciary responsibilities, especially with respect to Asia and the Pacific region. Mr. Pearce has a Bachelor of Commerce from the University of Calgary, has completed executive education programs at Harvard Business School and the London School of Business, and holds an ICD.D designation from the Institute of Corporate Directors in Canada.

Principal Occupation for Last 5 years:
Founding, Chief Executive Officer and Chief Information Officer of the British Columbia Investment Management Corporate ("bcIMC") from 1999 to 2014; Director of Bentall Kennedy LLP since 2013.

PETER YU (1)

DIRECTOR



Citizenship: U.S.

Resides in: New York City, New York, U.S.A.

Director since: January 2016

Common Shares: —

Share Units: —

Peter Yu (54), a U.S. citizen, is Founder and Managing Partner of Cartesian Capital Group, a global private equity firm with more than $2.4 billion under management. Mr. Yu directs a team of twenty-five professionals on four continents, managing capital for leading institutional investors around the world. Prior to founding Cartesian, Mr. Yu founded and served as President and Chief Executive Officer of AIG Capital Partners. He built AIG Capital Partners into a leading global private equity firm with $4.5 billion under management. Over his career, Mr. Yu has initiated, negotiated, and executed numerous innovative and successful investments across a wide range of industries and geographies. He has served as a director and advisor to more than two dozen industry-leading companies. Prior to founding AIG Capital Partners, Mr. Yu served President Bill Clinton as Director to the National Economic Council in the White House. In that capacity, he managed a number of domestic and international economic policy initiatives and priorities. Mr. Yu graduated *magna cum laude* from Harvard Law School, where he served as President of the Harvard Law Review. The author of numerous articles and monographs, he served as a law clerk to Justice John Paul Stevens of the United States Supreme Court and to Chief Judge Patricia Wald of the U.S. Court of Appeals for the D.C. Circuit. Mr. Yu received his B.A. degree from the Woodrow Wilson School at Princeton University.

Principal Occupation for Last 5 years:
Founder and Managing Partner of Cartesian Capital Group since 2006.

Notes:

(1) Member of the Audit Committee as at the date hereof. As at December 31, 2015, the members of the Audit Committee were Jill Bodkin, Brenda J. Eprile (Chair), Dr. Dezső Horváth and Peter Yu.

(2) Member of the Human Resources and Compensation Committee as at the date hereof. As at December 31, 2015, the members of the Human Resources and Compensation Committee were Warren J. Baker, Jill Bodkin, Joseph P. Caron, Brenda J. Eprile, Gottfried Muench, and Dr. Dezsö Horváth (Chair).

(3) Member of the Nominating and Corporate Governance Committee as at the date hereof. As at December 31, 2015, the members of the Nominating and Corporate Governance Committee were Warren J. Baker (Chair), Jill Bodkin, Philip B. Hodge and Douglas G. Pearce.

EXECUTIVE OFFICER BIOGRAPHIES

David R. Demers, see information contained under the heading "Director Biographies".

NANCY S. GOUGARTY

PRESIDENT AND CHIEF OPERATING OFFICER



Citizenship: U.S.

Resides in: Vancouver, British Columbia, Canada

Westport Since: February 2013

Common Shares: 20,475

Share units: 1,889,993

Principal Occupation for Last 5 years: President and COO of Westport since July 2013; Vice President for TRW Automotive Holdings Corp. (2005 to 2012)

Nancy S. Gougarty was appointed President and Chief Operating Officer in July of 2013. Prior to her appointment, Ms. Gougarty served on the Board from February of 2013 to July of 2013. Ms. Gougarty served as the Vice President for TRW Automotive Corporation operations in the Asia-Pacific region from 2008 to 2012. Joining TRW in 2005, her previous positions included vice president of product planning, business planning and business development, and Vice President of braking, electronics and modules for Asia Pacific. Based at the Asia- Pacific headquarters in Shanghai, China, Ms. Gougarty oversaw the operations of more than 30 plants in the region. She directed the development and implementation of strategic and operational plans and worked to enhance strategic relationships with customers and joint venture partners in the region. Ms. Gougarty's distinguished career began in 1978 when she started with GM's Packard Electric Division, first as an industrial engineer; she later took on various roles in application engineering, finance, operations, and sales and engineering with increasing responsibility. In 1997, she was named Managing Director for GM's joint venture in Shanghai, followed by a series of appointments accountable for strategic growth in Asian countries. After the successful post as the Director for Delphi Packard, Asia Pacific, Ms. Gougarty spent three years leading Delphi's largest account as Global Account Director GM, until becoming the Vice President for Delphi Automotive Systems, Japan and Korea. Ms. Gougarty is a certified Six Sigma Green Belt. She holds an EMBA degree from Case Western Reserve University and a Bachelor of Science degree in Industrial Management from the University of Cincinnati. A community service advocate, Ms. Gougarty serves as Advisor to the President of Marietta College, Ohio and is a member of the board of TriMas Corporation.

ASHOKA ACHUTHAN

CHIEF FINANCIAL OFFICER



Citizenship: U.S.

Resides in: Chicago, Illinois, U.S.A.

Westport since: November 2013

Common Shares: 2,745

Share units: 725,973

Principal Occupation for Last 5 years: Chief Financial Officer of Westport since June 5, 2014; Executive Vice President, Finance Operations of Westport from November 2013 until June 2014; Chief Financial Officer of CODA Holdings Inc. ("CODA"), a private company that designs and manufactures electric cars, from 2011 until 2013; Chief Financial Officer at Key Plastics LLC in 2010

Ashoka Achuthan was appointed as Chief Financial Officer in June 2014. Mr. Achuthan has been with Westport since November 2013 as Executive Vice President, Finance Operations. In this role, he oversaw all operational finance activities within Westport, including financial management of ongoing business operations as well as investments; financial planning, forecasting and reporting; and developing and tracking key performance metrics. Prior to joining Westport, he was CFO at CODA Holdings Inc. between 2011 and 2013, where he held full responsibility for all financial management aspects of the company including the initial public offering filing, organizational readiness for vehicle launch, supply chain management, and development of the battery based power storage business. His career includes over 20 years with Siemens in Asia, Europe and North America. His last position at Siemens was Executive Vice President and CFO of Siemens VDO Automotive Inc. where he helped drive profitability and grow the business from $1.2 billion to $3.2 billion in revenues between 2000 and 2005. Ashoka has also held roles as CFO at Cooper Power Systems Inc. between 2005 and 2008; CFO at ATC Technologies Corp between 2008 and 2010; and the CFO at Key Plastics LLC in 2010. Ashoka earned a Bachelor of Science degree from the University of Bombay, an MBA from Case Western Reserve University, and is a Chartered Accountant.

JAMES (JIM) ARTHURS

EXECUTIVE VICE PRESIDENT



Citizenship: Canadian

Resides in: North Vancouver, British Columbia, Canada

Westport since: 2011

Common Shares: 15,888

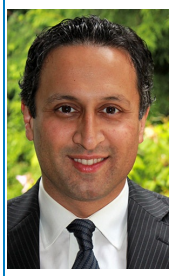
Share units: 430,831

Jim Arthurs is Executive Vice President, Heavy Duty Systems at Westport. He has responsibility for development of Westport's heavy duty engine and fuel system technologies, including the High Pressure Direct Injection system. Jim is also Chairman of Cummins Westport Inc., a joint venture company owned equally by Cummins Inc. and Westport that designs, engineers and markets spark-ignited natural gas engines for medium- and heavy-duty transportation applications such as trucks and buses. Previously, Jim was President of Cummins Westport Inc. from 2012 to 2013 and led the development of the Cummins Westport ISX12 G natural gas engine. Prior to that, Jim was Vice President, Cryogenic Systems and Vice President, Operations for Westport. Prior to joining Westport in 2011, Jim was a Managing Partner and Co-Founder of i3 Transition Partners LLP, a management consulting firm that specializes in business assessments and helping companies plan for and implement strategic change. Over his career, Jim has held senior sales, operating and executive management positions at several companies including IBM and Weyerhaeuser. Jim was CIO at the Loewen Group and Managing Director of Operations for the Jim Pattison Group. He is currently a member of the board of directors of Western Forest Products Inc., an integrated forest products company. Jim holds a BSc degree in Computer Science from the University of Calgary.

Principal Occupation for Last 5 years:
Executive Vice President of Westport since January 2014; President of Cummins Westport Inc. from 2012 to 2013; Managing Partner and Co-Founder of i3 Transition Partners LLP (2009 to 2011)

SALMAN MANKI

CHIEF LEGAL OFFICER & CORPORATE SECRETARY



Citizenship: Canadian

Resides in: North Vancouver, British Columbia, Canada

Westport since: 2010

Common Shares: 249

Share units: 240,897

Salman Manki is Chief Legal Officer &Corporate Secretary of Westport. Mr. Manki oversees Westport's global legal affairs and acts as Corporate Secretary to the Board. Mr. Manki joined Westport in 2010 following serving as Director & Legal Counsel at VANOC (Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games) and working as a corporate lawyer at two leading law firms in Vancouver. Mr. Manki holds law degrees from Oxford University and the University of British Columbia.

Principal Occupation for Last 5 years: Chief Legal Officer and Corporate Secretary since April 2015. Prior to that served as Vice President, Legal Affairs.

THOMAS G. RIPPON

EXECUTIVE VICE PRESIDENT



Citizenship: Canadian

Resides in: White Rock, British Columbia, Canada

Westport since: September 2013

Common Shares: 1,372

Share units: 412,449

Thomas G. Rippon is an Executive Vice President at Westport, responsible for Global Engineering as of October 2014. Mr. Rippon joined Westport in September 2013 as Vice President, Mining and Rail. Mr. Rippon's experience includes an extensive tenure at GM in both North America and Asia. His career began in 1972 at GM on the assembly line, and from there he was successively promoted. From 2001 to 2011, Mr. Rippon held a number of executive roles responsible for powertrain activities, including building an engine plant capable of producing 350,000 engines per year. Mr. Rippon's last position at GM was Global Program Manager - Powertrain where he was responsible for overall program management of five different joint ventures located in China, Korea, India and Uzbekistan while overseeing more than $1 billion in capital investment. From January 2012 to August 2013, he held the roles of Vice President Engineering, Vice President, and PMO at CODA Automotive, where he had responsibility for program execution, standardizing process and procedures, and change management. Mr. Rippon is currently a member of the board of directors of Cummins Westport Inc. He was active in his community and has served as a volunteer for organizations such as the American Women's Club, Boy Scouts of America, and YMCA.

Principal Occupation for Last 5 years:
Vice President Engineering

SHAREHOLDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

As of March 30, 2016, our Board members and executive officers as a group beneficially owned, directly or indirectly 341,612 of our Common Shares, representing approximately 0.5% of the 63,917,009 Common Shares outstanding on such date.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

None of the directors or executive officers is, or has been in the last ten years, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued while the director, chief executive officer or chief financial officer was acting in that capacity; or (ii) was subject to such an order that was issued after such person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in such a capacity.

Other than as described below, none of the directors or executive officers is, or has been in the last ten years, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On May 1, 2013, CODA, a private company that designs and manufactures electric cars, filed a voluntary petition for bankruptcy protection under the Chapter 11 of the U.S. Bankruptcy Code in the District of Delaware. Mr. Achuthan was the Chief Financial Officer of CODA between November 2011 and July 2013. CODA has since emerged from bankruptcy.

None of the directors or executive officers has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets.

None of the directors or executive officers has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

CONFLICTS OF INTEREST

Ashoka Achuthan, Chief Financial Officer of Westport, has been serving on the board of directors of CWI since January 1, 2014 and WWI since December 2013.

James (Jim) Arthurs, an officer of Westport, has been serving on the board of directors of CWI as a director since January 1, 2014 and as Chairman since January 1, 2015.

Yang Guang, an officer of Westport, has been serving on the board of directors of WWI since December 10, 2014.

Thom Rippon, an officer of Westport, has been serving on the board of directors of CWI since January 1, 2014.

Certain of the directors and officers may currently, or in the future, also serve as directors and/or officers of other public companies that may be involved in the same industry as Westport, and therefore it is possible that a conflict may arise between their duties as directors or officers of Westport and their duties as directors and/or officers of such other companies. Westport and the directors attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such items of which they are conflicted. In appropriate cases, Westport will establish a special committee of independent directors to review a matter in which directors, or management, may have a conflict. In accordance with the *Business Corporations Act* (Alberta), the directors of Westport are required to act honestly, in good faith and in the best interests of Westport. In determining whether or not Westport will

participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to Westport, the degree of risk to which Westport may be exposed and its financial position at that time. Other than as indicated, Westport has no other procedures or mechanisms to deal with conflicts of interest. Other than as described above, there are no known existing or potential material conflicts of interest between Westport or any of its subsidiaries and any director or officer of Westport or of any of its subsidiaries.

RISK FACTORS

An investment in our business involves risk, and readers should carefully consider the risks described below and in our other filings on www.sedar.com. Our ability to generate revenue and profit from our technologies is dependent on a number of factors, and the risks identified below, if they were to occur, could have a material impact on our business, financial condition, liquidity, results of operations or prospects. While we have attempted to identify the primary known risks that are material to our business, the risks and uncertainties described below may not be the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operations or prospects.

RISKS RELATED TO OUR BUSINESS

We have incurred and continue to incur losses.

We have incurred substantial losses since our inception and continue to incur losses and experience negative cash flows. We cannot predict if or when we will operate profitably or generate positive cash flows or if we will be able to implement our business strategy successfully. Pursuing our strategy requires us to incur significant expenditures for research and product development, marketing, and general administrative activities. As a result, we need to continue to grow our revenues and gross margins to achieve and sustain profitability and positive operating cash flows, and we may need to raise additional capital.

We may be unable to raise additional capital.

Execution of our business plan and our commercial viability could be jeopardized if we are unable to raise additional funds for our commercialization plans, to fund working capital, R&D projects, sales, marketing and product development activities, and other business opportunities. We attempt to mitigate this risk by generating funds from a variety of sources including: through the sale of our commercial products, through the sale of non-core assets including long-term investments, through funding from government agencies, industry and business partners, and through the issuance of shares or debt in the public equity markets or through strategic investors. In addition, we try to maintain reserves of cash and short-term investments and seek to obtain funding commitments before we take on any significant incremental initiatives. There can be no assurance that we will be able to secure additional funding, or funding on terms acceptable to us, to pursue our commercialization plans.

Sustained negative economic factors could negatively impact our business.

Global economic factors beyond our control such as sustained and far reaching negative economic factors, more restrictive access to credit markets, current state of the energy markets and low fuel price differential, or other broad economic issues may negatively affect the NGV market, and reduce demand for our products as partners and potential customers defer replacing older vehicles or expanding their fleets. Natural gas prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of this commodity due to the current state of the world economies and other factors. Volatile natural gas prices may affect the demand for NGVs. Our bad debt expense may increase, and we may need to assist potential customers with obtaining financing or government incentives to help customers fund their purchases of our products.

Potential fluctuations in our financial results make financial forecasting difficult.

We expect our revenues and results of operations to continue to vary significantly from quarter to quarter. Sales and margins may be lower than anticipated due to timing of customer orders and deliveries, unexpected delays in our supply chain, general economic and market-related factors, product quality, performance and safety issues, and competitive factors. The current economic environment also makes projecting financial results more difficult. In addition, the continuance and timing of government funding of our R&D programs is difficult to predict and may cause quarter to quarter variations in financial results. In addition, due to our early stage of commercialization on some products, we cannot accurately predict our future revenues or results of operations or the timing of government funding on our current R&D programs. We are also subject to normal operating risks such as credit risks, foreign currency risks, and global and regional economic conditions. As a result, quarter-to-quarter comparisons of our revenues and results of operation may not be meaningful. It is likely that in one or more future quarters our results of operation will fall below the expectations of securities analysts and investors. If this happens, the trading price of our Common Shares might be materially and adversely affected.

A market for engines with our fuel systems may be limited or may take longer to develop than we anticipate.

Although we have seen strong growth in CWI revenues and interest from municipalities and private fleets, engines with natural gas fuel systems represent an emerging market, and we do not know whether end-users will ultimately want to use them or to pay for their initial incremental purchase price. The development of a mass market for our fuel systems may be affected by many factors, some of which are beyond our control, including: the emergence of newer, more competitive technologies and products; the future cost of natural gas and other fuels used by our systems; the future cost of diesel, gasoline and other alternative fuels that may be used by competitive technologies; the ability to successfully build the refuelling infrastructure necessary for our systems; regulatory requirements; availability of government incentives; customer perceptions of the safety of our products; and customer reluctance to try a new product.

If a market fails to develop or develops more slowly than we anticipate, we may be unable to recover the losses we will have incurred in the development of our products and may never achieve profitability.

Certain of our products may not achieve widespread adoption.

Our proprietary technologies have been demonstrated in heavy-duty trucks, medium-duty, light-duty vehicles and high-horsepower applications. However, we do not know when or whether we will be successful in the commercialization of products for any of our target markets. There can be no assurance that engines using our direct injection technology will perform as well as we expect or that prototypes and commercial systems will be developed and sold in commercially viable numbers.

Our Westport fuel systems presently have higher initial capital costs than the incumbent competing technologies, and manufacturing costs of some of our products at a large-scale commercial level have not been confirmed. If we are unable to produce fuel systems that are economically competitive, on a life-cycle cost basis, in terms of price, reliability and longevity, operators of commercial vehicle fleets will be unlikely to buy products containing our fuel systems.

The application of our direct injection technology in high-horsepower applications is in its infancy. Our technology may not meet all the demands of these new applications, such as ultrahigh reliability, long life, high efficiency, high performance, refuelling convenience, emissions and safety regulations. Other technologies may provide a better compromise. In these cases our market penetration may be lower than expected.

Business benefits from availability of government incentives – United States.

In past years, our business has benefited from the availability of government tax incentives, such as tax credits and grants to encourage the use of natural gas in trucks, buses and other vehicles

At the Federal level, there are no available tax credits that apply to the purchase of natural gas vehicles, however; there has been an excise tax credit applied to the purchase of natural gas. This credit has been available intermittently from year to year. In 2015, the Alternative Fuels Excise Tax Credit of $0.50 per gallon for natural gas and the Alternative Fuel Vehicle Fueling Infrastructure Credit of $30,000 were extended retroactively for all of 2015 and calendar year 2016.

In 2015 Congress passed a bill to resolve the tax inequity on LNG and from January 1, 2016 onward, LNG will be taxed at the diesel equivalent gallon rate. The passing of the Highway Bill (Fixing America's Surface Transportation Act) included a weight exemption allowance for heavy-duty natural gas vehicles that will allow natural gas trucks 2000lbs extra on Federal Highways to account for the extra weight of natural gas fuel tanks. Each state will have the option of adopting this provision. Several states also allow extra weight allowances for natural gas trucks on State highways.

In the absence of federal legislation, some states have initiated and passed bills to provide incentives to encourage the use of domestic energy sources such as natural gas. Because the incremental cost of NGVs is higher than diesel vehicles, grant funding is needed to help make the business case for some customers. Some states have incentive programs open from time to time to help offset the incremental costs of vehicles. These states include: California, Texas, Florida, Colorado and Pennsylvania.

California is a jurisdiction that has become increasingly focused on funding the purchase of Zero and Near Zero emission engines. While some natural gas engines are included in this definition, there is more focus on developing engines such as electric, fuel cell and hybrid vehicles in some vehicle classes and this has limited the available funds for natural gas vehicles that do not meet the lowest attainable NOx standards. Research and development programs have focused on the development and demonstration of low NOx engines in California in 2015 and this trend is expected to continue into the future.

Due to the variable nature of government funding and incentive programs, we are unable to ascertain if current programs will continue or be renewed or whether proposed bills will be passed and enacted into law. While we believe that even in the absence of government incentives, there are sound financial and environmental motivations for customers to buy our engines, continued uncertainty over the amount and availability of government incentives in the U.S., Canada, and Sweden could cause customers to delay making purchasing decisions as they wait for programs to become available. The absence of consistent commitment by government to promote NGVs could negatively affect the business by delaying purchasing decisions by prospective customers insofar as this uncertainty persists.

While some of our customers have been able to qualify for programs offered by federal, state and local agencies such as CARB, CEC and SCAQMD in California as well as other jurisdictions, there is no certainty that this assistance will continue into the future. In addition to customers' participation in fleet vehicle deployment incentives, Westport has entered into agreements with government agencies to help fund our R&D programs. As with the variability of vehicle deployment incentives, there can be no assurance that we will succeed in being awarded future R&D funding from any government agencies at the same levels we have received in the past or at all. Business benefits from availability of government incentives – Canada.

There are no federal incentives available for the purchase of natural gas vehicles.

There is no excise tax applied to natural gas used as a transportation fuel in Canada.

Provinces

The Province of Quebec has enacted the Capital Cost Allowance tax credit that permits an accelerated depreciation of up to 85% for LNG heavy duty trucks. This incentive has been in place from Jan 17, 2011 and is set to expire January 1, 2016. Also in Quebec, the Éco-camionnage program provides up to $15,000 per HD vehicle to promote energy efficiency and a reduction in greenhouse gases. This program runs from Feb 25, 2014 until March 31, 2017 or until funds are exhausted.

Business benefits from availability of government incentives – The Rest of the World.

Natural gas vehicle incentives in the rest of the world are primarily directed to light duty vehicles through the use of nominal tax credits and incentives for conversion systems. This is true of markets in South America such as Bolivia which has had government supported conversion programs.

The European Union aims to introduce stricter limits on pollutant emissions from light road vehicles and regulations include the possibility of introducing tax incentives, although none are available at this time. In Thailand, the government is subsidizing the cost of CNG and construction of infrastructure and purchasing natural gas transit buses, however no incentives exist yet for private fleet purchase. There are various types of nominal incentives available in regions such as Europe (tax credit for fleets in Sweden for light duty vehicles) and fuelling tax credits.

Countries such as China have policies that encourage the use of natural gas in all vehicles segments and use fuel subsidies and mandates to increase the use of natural gas vehicles for air quality improvement programs. Incentive programs in the rest of the world are not as focused on deployment of heavy-duty vehicles as in North America and the dollar value of incentives available has, according to available sources, not been as substantial as what has been available in the United States and Canada.

In general, there are fewer cash incentive or rebate programs available in other parts of the world. However, Governments are playing a role promoting cleaner fuels such as natural gas. As a result, many countries are encouraging natural gas refuelling infrastructure using CNG tax subsidies to hasten the adoption of NGVs.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, Canada's Corruption of Foreign Public Officials Act, and similar foreign anti-bribery laws.

The *U.S. Foreign Corrupt Practices Act* ("**FCPA**"), Canada's *Corruption of Foreign Public Officials Act* ("**CFPOA**") and similar anti-bribery laws in other jurisdictions prohibit companies and their directors, officers, employees and agents from promising, offering or giving anything of value, including money, to foreign officials, including employees of government owned businesses, for purposes of corruptly influencing such officials in their official duties in order to assist the company in obtaining or retaining business. During the last few years, the U.S. Department of Justice and the U.S. Securities and Exchange Commission (the "**SEC**") and the Royal Canadian Mounted Police have brought an increasing number of FCPA and CFPOA enforcement cases, many resulting in very large fines and deferred criminal prosecutions. We operate in many countries which are viewed as high risk for FCPA and CFPOA compliance. Our Code of Conduct mandates compliance with anti-bribery laws. We have instituted training programs for certain employees in various jurisdictions where we operate. Despite our training programs and compliance policies, there can be no assurance that all employees and third-party intermediaries (including our distributors and agents) will comply with anti-corruption laws. Any such violation could have a material adverse effect on our business. As part of our anti-corruption policies, in the event that we have reason to believe that our employees, agents, distributors or other third parties that transact Westport's business have or may have violated applicable anti-corruption laws, including the FCPA and CFPOA, we may investigate or have outside counsel or agents investigate the relevant facts and circumstances. We have incurred and in the future may incur additional compliance costs associated with the implementation of our FCPA and CFPOA compliance policies and training programs, which could have a material impact on our business.

In any acquisition or joint venture we engage in, we expose ourselves to the possibility that the employees and agents of such businesses may not have conducted themselves in compliance with the anti-corruption laws. In response to increasing FCPA and CFPOA enforcement actions in the U.S. and Canada, we have sought to impose contractual provisions and undertake cost appropriate due diligence. We cannot provide assurance that we will always be protected from the consequences of acts which may have violated the FCPA or CFPOA.

Violations of the FCPA or CFPOA may result in significant civil and criminal fines, as well as criminal convictions. Violations of the FCPA, CFPOA and other foreign anti-bribery laws, or allegations of such violations, could disrupt our business and cause us to suffer civil and criminal financial penalties and other sanctions, which are likely to have a material adverse impact on our business, financial condition, and results of operations.

Fuel price differentials are hard to predict and may be less favourable in the future.

The acceptance of natural gas-fuelled engines by customers depends in large part on the price differential between natural gas, diesel and gasoline fuels. Despite current oil price volatility near six year lows tied to an overabundance of supply, natural gas has generally been, and currently is, less expensive than diesel fuel in many jurisdictions. This price differential is affected by many factors, including changes in the resource base for natural gas compared with crude oil, availability of shale gas, pipeline transportation capacity for natural gas, refining capacity for crude oil, exports for refined products and government excise and fuel tax policies. There can be no assurance that natural gas will remain less expensive than diesel and gasoline fuels. This may impact upon potential customers' decisions to adopt natural gas as an energy solution in the short term.

Our growth is dependent on natural gas refuelling infrastructure that may not be built and commissioned.

For motor vehicles, natural gas must be carried on board in liquefied or compressed form, and there are few public or private refuelling stations available in many jurisdictions, including Canada and the U.S. There can be no assurance of the successful expansion of the availability of natural gas as a vehicle fuel or that companies will develop refuelling stations to meet projected demand. If customers are unable to obtain fuel conveniently and affordably, a mass market for vehicles powered by our technology is unlikely to develop.

Changes in environmental and regulatory policies could hurt the market for our products.

We currently benefit from, and hope to continue to benefit from, certain government environmental policies, mandates and regulations around the world, most significantly in the international automotive market and in the U.S. Examples of such regulations include those that provide economic incentives, subsidies, tax credits and other benefits to purchasers of low emission vehicles, restrict the sale of engines that do not meet emission standards, fine the sellers of non-compliant engines, tax the operators of diesel engines and require the use of more expensive ultra-low sulphur diesel fuel. There can be no assurance that these policies, mandates and regulations will be continued. Incumbent industry participants with a vested interest in gasoline and diesel, many of which have substantially greater resources than we do, may invest significant time and money in an effort to influence environmental regulations in ways that delay or repeal requirements for clean vehicle emissions. If these are discontinued or if current requirements are relaxed, this may have a material impact on our competitive position.

We currently face, and will continue to face, significant competition.

Our products face, and will continue to face, significant competition, including from incumbent technologies, and in particular increased competition with respect to SI natural gas engine OEMs in China and aftermarket kit providers in Europe. As the market for natural gas engine products continues to grow this competition may increase. New developments in technology may negatively affect the development or sale of some or all of our products or make our products uncompetitive or obsolete. Other companies, many of which have substantially greater customer bases, businesses, and financial and other resources than us, are currently engaged in the development of products and technologies that are similar to, or may be competitive with, certain of our products and technologies. In addition, the terms of some of our joint venture agreements allow for the potential for the introduction of competing products in certain markets by our joint venture partners.

Competition for our products may come from current power technologies, improvements to current power technologies and new alternative power technologies, including other fuel systems and in particular increased competition with respect to SI natural gas engine OEMs in China, natural gas tanks and aftermarket kit providers in Europe. Each of our target markets is currently serviced by existing manufacturers with existing customers and suppliers using proven and widely accepted technologies. Many existing manufacturers have or had natural gas engine programs and could develop new engines without our help or components, using more conventional technologies or technologies from competitive companies. Additionally, there are competitors working on developing technologies such as cleaner diesel engines, bio-diesel, fuel cells, advanced batteries and hybrid battery/internal combustion engines, and new fuels in each of our targeted markets. Each of these competitors has the potential to capture market share in various markets, which could have a material adverse effect on our position in the industry and our financial results. For our products to be successful against competing technologies, especially diesel engines, they must offer advantages in one or more of these areas: regulated or un-regulated emissions performance, including CO2 reduction; fuel economy; fuel cost; engine performance; power density; engine and fuel system weight; and engine and fuel system price. There can be no assurance that our products will be able to offer advantages in all or any of these areas.

In high-horsepower applications, there are already engine manufacturers with significant experience with utilization of natural gas, for example, in power generation and in marine applications. Westport may not be able to gain experience fast enough to capture a significant enough market share.

We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success.

Failure to protect our existing and future intellectual property rights could seriously harm our business and prospects and may result in the loss of our ability to exclude others from practicing our technology or our own right to practice our technologies. If we do not adequately ensure our freedom to use certain technology, we may have to pay others for rights to use their intellectual property, pay damages for infringement or misappropriation and/or be enjoined from using such intellectual property. Our patents do not guarantee us the right to practice our technologies if other parties own intellectual property rights that we need in order to practice such technologies. Our patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. As is the case in many other industries, the web of intellectual property ownership in our industry is complicated and, in some cases, it is difficult to define with precision where one property begins and another ends. In any case, there can be no assurance that:

(i) any of the rights we have under U.S. or foreign patents owned by us or other patents that third parties license to us will not be curtailed, for example, through invalidation, circumvention, challenge, being rendered unenforceable or by license to others;

(ii) we were the first inventors of inventions covered by our issued patents or pending applications or that we were the first to file patent applications for such inventions;

(iii) any of our pending or future patent applications will be issued with the breadth of claim coverage sought by us, or be issued at all;

(iv) our competitors will not independently develop or patent technologies that are substantially equivalent or superior to our technologies;

(v) any of our trade secrets will not be learned independently by our competitors; or

(vi) the steps we take to protect our intellectual property will be adequate. In addition, effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries.

We also seek to protect our proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with

our strategic partners and employees. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach or that such persons or institutions will not assert rights to intellectual property arising out of these relationships.

Certain intellectual property has been licensed to us from third parties who may also license such intellectual property to others, including our competitors. If necessary or desirable, we may seek further licenses under the patents or other intellectual property rights of others. However, we can give no assurances that we will obtain such licenses or that the terms of any offered licenses will be acceptable to us. The failure to obtain or renew a license from a third party for intellectual property we use at present could cause us to incur substantial costs and to suspend the manufacture or shipment of products or our use of processes requiring such intellectual property.

We could become engaged in intellectual property litigation or disputes that may negatively affect our business.

From time to time, claims have been made by third parties that the practice of our technology infringes upon patents owned by those third parties. Although we have seen no valid basis for any of these claims, as our business grows, parties may attempt to take advantage of that growth and assert similar claims and demands for compensation. Our response to such claims will be commensurate with the seriousness of the allegations, their potential effect on our business and the strength of our position. We will examine a range of options, from formal legal action to obtain a declaratory judgment of non-infringement, to the initiation of design changes. We intend to vigorously defend our intellectual property.

As a result, while we are not currently engaged in any material intellectual property litigation, we could become subject to lawsuits in which it is alleged that we have infringed the intellectual property rights of others or in which the scope, validity and enforceability of our intellectual property rights is challenged. In addition, we may commence lawsuits against others who we believe are infringing upon our rights. Our involvement in intellectual property litigation or disputes, including any that may arise in respect of, including but not limited to our HPDI technology or LNG tanks, could be time consuming and result in significant expense to us, diversion of resources, and delays or stoppages in the development, production and sales of products or intellectual property, whether or not any claims have merit or such litigation or disputes are resolved in our favour. In the event of an adverse outcome as a defendant in any such litigation, we may, among other things, be required to:

- pay substantial damages;
- cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property;
- expend significant resources to develop or acquire non-infringing intellectual property;
- discontinue processes incorporating infringing technology; or
- obtain licenses to the infringing intellectual property.

Any such result could require the expenditure of substantial time and other resources and could have a material adverse effect on our business and financial results.

We are dependent on relationships with strategic partners.

Execution of our current strategy is dependent on cooperation with strategic partners for technology development, manufacturing and distribution. To be commercially viable, our fuel systems must be integrated into engines, and our engines must be integrated into chassis manufactured by OEMs. We can offer no guarantee that existing technology agreements will be renewed or advanced into commercialization agreements or that our strategic partners will not seek to renegotiate or amend those agreements before or after a product has been commercialized. We can offer no guarantee that even if technology agreements do exist with our strategic partners that OEMs will manufacture engines with our fuel systems or chassis for our engines, or if they do manufacture such products, that customers will choose to purchase them. Any integration, design, manufacturing or marketing problems

encountered by OEMs could adversely affect the market for our products and our financial results. In addition, there can be no assurance of the commercial success of any joint ventures in which we are, or will become, involved.

Any change in our relationships with our strategic partners, whether as a result of economic or competitive pressures or otherwise, including any decision by our strategic partners to reduce their commitment to our products and technology in favour of competing products or technologies, to change or seek to change the terms of our contractual relationships with them or to bring to an end our various alliances, could have a material adverse effect on our business and financial results.

In addition, disputes regarding the rights and obligations of the parties have in the past and may in the future arise under our agreements with our strategic partners. These and other possible disagreements have in the past and may in the future lead to the renegotiation or modification of such agreements, or could lead to the termination of such agreements or delays in collaborative research, development, supply, or commercialization of certain products, or could require or result in litigation or arbitration. Moreover, disagreements have in the past and may in the future arise with our strategic partners over rights to intellectual property. These kinds of disagreements could result in costly and time-consuming litigation. Any such conflicts with our strategic partners could reduce our ability to obtain future collaboration agreements and could have a negative impact on our relationship with existing strategic partners.

We are dependent on relationships with our suppliers.

While we have negotiated supply agreements with various manufacturers and have entered into strategic supply agreements with certain suppliers, certain of these manufacturers may presently be the sole supplier of key components for our products, and we are dependent on their ability to source materials, manage their capacity, workforce and schedules as well as their ability to ramp up capacity and maintain quality and cost to support our production requirements. For a number of reasons, including but not limited to shortages of parts, labour disruptions, lack of capacity and equipment failure, a supplier may fail to supply materials or components that meet our quality, quantity or cost requirements or to supply any at all. If we are not able to resolve these issues or obtain substitute sources for these materials or components in a timely manner or on terms acceptable to us, our ability to manufacture certain products may be harmed, and we may be subjected to cancellation of orders or penalties for failed or late deliveries, which could have a material adverse effect on our business and financial results. Our products also use steel and other materials that have global demand. The prices and quantities at which those supplies are available fluctuate and may increase significantly. Competitive pressure, however, may not allow us to increase the sales price of our products. Any such increases may therefore negatively affect our margins and financial condition. We mitigate these risks by seeking secondary suppliers, carrying inventory and locking in long-term pricing when possible. There are no guarantees, however, that we will be successful in securing alternative suppliers or that our inventory levels will be sufficient for our production requirements.

We are dependent on our relationship with Cummins for CWI profits and cash flows.

CWI purchases all of its current and foreseeable engine products from Cummins-affiliated plants and distributors. Although the factories operate with modern technology and experienced management, there can be no assurance that the factory and distribution systems will always be able to perform on a timely and cost-effective basis. Any reduction in the manufacturing and distribution capabilities of Cummins-affiliated plants and distributors could have a material adverse effect on CWI's business and financial results.

Under the Amended JVA, while Cummins is subject to exclusivity restrictions that generally limit Cummins' ability to compete against CWI in North America in respect of SI natural gas or propane products within the displacement range of the products covered by CWI Amended JVA ("**CWI Products**"), beginning in February 2017, Cummins will be permitted to market and sell a SI natural gas or propane engine within the displacement range of the CWI Products in North America should they choose to develop one based on a new Cummins heavy duty engine platform

and without CWI's assistance. In addition, the Amended JVA permits Cummins to develop, market and sell products that compete with CWI outside of North America. The introduction by Cummins of new products that compete with CWI could have a material adverse effect on CWI's sales of CWI Products and on CWI's financial results.

Under the Amended JVA, the market scope for sales of CWI Products by CWI is primarily limited to North America. Cummins has the sole right to sell CWI Products outside of North America, and the revenues from such sales (as well as the corresponding costs and liabilities) will be credited to CWI. There can be no assurance that Cummins will continue to pursue sales of the CWI Products outside of North America or that the pricing for such CWI Products will be set at levels that will allow such CWI Products to compete effectively in the applicable markets. In addition, the limitation of CWI's market scope primarily to North America subjects CWI to more concentrated market risk. Any decrease in demand within the North American market for the CWI Products, including as a result of the decrease in the cost of fuels that are alternatives to natural gas or conditions or events that impair or adversely affect the infrastructure for producing and transporting LNG could have a material adverse effect on CWI's business and financial results.

The Amended JVA provides that substantially all significant decisions with respect to CWI and its business must be unanimously approved by the CWI board of directors and, in some instances, the shareholders of CWI. Because the CWI board of directors is evenly divided between Westport and Cummins designees and each of Westport and Cummins have 50% ownership of the common shares of CWI, any material change in the nature or scope of CWI's business, requires each of Westport's and Cummins' approval. Failure or delay by Cummins or Westport and their respective designees to the CWI board of directors to approve any such matters could have a material adverse effect on CWI's business and financial results. In addition, the declaration and payment of any dividends by CWI requires unanimous approval of the CWI board of directors and is subject to the business judgment of the CWI board of directors, taking into account the factors specified in the Amended JVA. Failure or delay by CWI to pay dividends could have a material adverse effect on Westport's cash flows and liquidity.

The Amended JVA provides that upon a change of control of Westport, Cummins may elect to terminate the Amended JVA (in which case Cummins is obligated to repurchase Westport's shares of CWI at a price determined based on a formula in the Amended JVA) or continue the Amended JVA upon certain modified terms. These provisions may make it less likely that Westport will experience a change of control or may diminish any takeover premium that a third party would pay for its shares.

Our limited production trials, commercial launch activities and field tests could encounter problems.

We conduct limited production trials and field tests on a number of our products as part of our product development cycle, and we are working on scaling up our production capabilities. These trials, production readiness activities and field tests may encounter problems and delays for a number of reasons, including the failure of our technology, the failure of the technology of others, the failure to combine these technologies properly, and the failure to maintain and service the test prototypes properly. Some of these potential problems and delays are beyond our control. Any problem or perceived problem with our limited production trials and field tests could hurt our reputation and the reputation of our products and delay their commercial launch.

We may have difficulty managing the expansion of our operations.

To support the launch, and increase sales and service of our technology and related products, we may be required to expand the scope of our operations rapidly. This may include a need for a significant and rapid increase in employees and an increase in the size, or relocation, of our premises and changes to our information systems, processes and policies. Such rapid expansion may place a significant strain on our senior management team, support teams, information technology platforms and other resources. In addition, we may be required to place more reliance on our strategic partners and suppliers, some of whom may not be capable of meeting our production

demands in terms of timing, quantity, quality or cost. Difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any rapid expansion could harm our business, prospects, results of operations or financial condition.

Warranty claims could diminish our margins.

There is a risk that the warranty accrual included in our cost of product revenue is not sufficient, and we may recognize additional expenses, including those related to litigation, as a result of warranty claims in excess of our current expectations. Such warranty claims may necessitate a re-design, re-specification, a change in manufacturing processes, and/or recall of our products, which may have an adverse impact on our finances and on existing or future sales. Although we attempt to mitigate against these risks through our sales and marketing initiatives and our product development, quality assurance, support and service programs, there can be no assurance that such initiatives and programs are adequate or that sales of our commercial products will continue to grow and contribute financially. Even in the absence of any warranty claims, a product deficiency such as a manufacturing defect or a safety issue could be identified, necessitating a product recall, which could itself have an adverse impact on our finances and on existing or future sales.

New products may have different performance characteristics from previous products. In addition, we have limited field experience with existing commercialized products, including but not limited to the WiNG System and our first generation of Westport HPDI systems from which to make our warranty accrual estimates.

We could become subject to product liability claims.

Our business exposes us to potential product liability claims that are inherent to natural gas, LPG and hydrogen and products that use these gases. Natural gas, LPG and hydrogen are flammable gases and are potentially dangerous products. Any accidents involving our products or other natural gas, LPG or hydrogen-based products could materially impede widespread market acceptance and demand for our engines and fuel systems. In addition, we may be subject to a claim by end-users or others alleging that they have suffered property damage, personal injury or death because our products did not perform adequately. Such a claim could be made whether or not our products perform adequately under the circumstances. From time to time, we may be subject to product liability claims in the ordinary course of business, and we carry a limited amount of product liability insurance for this purpose. However, our current insurance policies may not provide sufficient or any coverage for such claims, and we cannot predict whether we will be able to maintain our insurance coverage on commercially acceptable terms.

Natural gas, LPG, hydrogen and products that use these gases entail inherent safety and environmental risks that may result in substantial liability to us.

Natural gas, LPG and hydrogen are flammable gases and are potentially dangerous products. Our operations, including our R&D and manufacturing processes, are subject to all of the risks and hazards inherent to natural gas, LPG and hydrogen and products that use these gases, including equipment defects, malfunctions and failures and natural disasters, which could result in uncontrollable flows of natural gas, fires, explosions and other damages. Although we believe that our procedures for using, handling, storing and disposing of natural gas, LPG, hydrogen and other hazardous materials comply with legally prescribed standards, we cannot completely eliminate the risk of contamination or injury resulting from natural gas, LPG, hydrogen and other hazardous materials and we may incur liability as a result of such contamination or injury. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our insurance and other resources, in which event Westport could incur significant costs that could have a material adverse effect upon its financial condition.

We could become liable for environmental damages resulting from our research, development or manufacturing activities.

The nature of our business and products exposes us to potential claims and liability for environmental damage, personal injury, loss of life, and damage to or destruction of property. Our business is subject to numerous laws and regulations that govern environmental protection and human health and safety. These laws and regulations have changed frequently in the past and it is reasonable to expect additional and more stringent changes in the future. Our operations may not comply with future laws and regulations, and we may be required to make significant unanticipated capital and operating expenditures. If we fail to comply with applicable environmental laws and regulations, governmental authorities may seek to impose fines and penalties on us or to revoke or deny the issuance or renewal of operating permits, and private parties may seek damages from us. Under those circumstances, we might be required to curtail or cease operations, conduct site remediation or other corrective action, or pay substantial damage claims. In addition, depending on the nature of the claim, our current insurance policies may not provide sufficient or any coverage for such claims.

We have foreign currency risk.

Although we report in U.S. dollars, many of our operating expenses are in Canadian dollars and Euros. Foreign exchange gains and losses are included in results from operations. A decline in the U.S dollar relative to the Canadian dollar, or a decline in the Euro relative to the U.S. dollar could negatively impact margins and other financial results. We have not entered into foreign exchange contracts to hedge against gains and losses from foreign currency fluctuations. In fiscal 2015, the U.S. dollar appreciated significantly against the Canadian dollar and the Euro.

We could lose or fail to attract the human capital necessary to run our business.

Our success depends in large part on our ability, and that of our affiliates, to attract and retain key management, engineering, scientific, manufacturing and operating human capital. As we develop additional capabilities, we may require more skilled employees. Given the highly specialized nature of our products, these employees must be highly skilled and have a sound understanding of our industry, business or technology. Recruiting employees for the alternative fuel industry is also highly competitive. Although to date we have been successful in recruiting and retaining qualified employees, there can be no assurance that we will continue to attract and retain the human capital needed for our business. The failure to attract or retain qualified employees could have a material adverse effect on our business.

If we do not properly manage foreign sales and operations, our business could suffer.

We expect that a substantial portion of our future revenues will be derived from sales outside of Canada, and we operate in jurisdictions where we may lack sufficient expertise, local knowledge or contacts. Establishment of an international market for our products may take longer and cost more to develop than we anticipate and is subject to inherent risks, including unexpected changes in government policies, trade barriers, difficulty in staffing and managing foreign operations, longer payment cycles, and foreign exchange controls that restrict or prohibit repatriation of funds. As a result, if we do not properly manage foreign sales and operations, our business could suffer.

We may not realize the anticipated benefits from joint ventures, investments or acquisitions.

Our joint ventures, and any future joint venture, investment or acquisition, could expose us to certain liabilities, including those that we fail or are unable to identify during the investment or acquisition process. In addition, joint ventures and acquisitions often result in difficulties in integration, and, if such difficulties were to occur, they could adversely affect our results. In particular, achieving the benefits of the merger with Fuel Systems depends, in part, on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner.

The integration process may also divert the attention of, and place significant demands on, our managerial resources, which may disrupt our current business operations. As a result, we may fail to meet our current product development and commercialization schedules. Additionally, we may not be able to find suitable joint venture partners, investments or acquisitions, which could adversely affect our business strategy.

We could be adversely affected by risks associated with acquisitions.

We have historically and may, in the future, seek to expand our business through acquisitions. Any such acquisitions will be in part dependent on management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In certain circumstances, acceptable acquisition targets might not be available. Acquisitions involve a number of risks, including: (i) the possibility that we, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (ii) the possibility that we may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and employees of an acquired business; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retain and motivate key employees of an acquired business; and (vii) the potential disruption of our ongoing business and the distraction of management from our day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key human capital, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

We could be adversely affected by the operations of our joint ventures and joint venture partners.

We operate in many parts of the world that have experienced social unrest, political and economic instability and resulting governmental corruption. While we have policies in place to ensure adequate monitoring of our activities and compliance with Canadian, U.S. and local laws and regulations in the countries in which we operate, we also operate, and intend to operate in the future, through various joint venture arrangements. Our level of control over joint venture operations may be restricted or shared, and we may be unable to control the actions of joint venture partners or their employees. Despite our policies mandating compliance with Canadian, U.S. and local laws, we cannot assure you that our internal control policies and procedures will always protect us from reckless or negligent acts committed by our joint ventures or their employees or agents. Such employees or agents of the joint venture or joint venture partners may undertake actions that would result in a violation of law, including but not limited to, tax laws, customs laws, environmental laws, labour laws, permitting laws and regulations, industry laws or international anti-corruption and anti-bribery laws, including Canadian anti-corruption laws and the U.S. FCPA. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our business and operations. Geopolitical tensions may affect the performance of our joint ventures and operations in Asia.

Economic Sanctions may Impact on the Business of Certain of our Foreign Subsidiaries and Joint Ventures

Some of our foreign subsidiaries, joint ventures or future acquisitions may sell products to customers in countries that may be subject to sanctions and embargoes imposed by, including but not limited to, the U.S. and Canadian governments. Although these sanctions and embargoes may not prohibit those foreign subsidiaries and joint ventures from selling products and providing services in these countries, they may prohibit us and our domestic subsidiaries and joint ventures, as well as employees of our foreign subsidiaries and joint ventures who are U.S. or Canadian citizens, from participating in, approving or otherwise facilitating any aspect of the business activities in those countries. The constraints on our ability to have U.S. or Canadian persons, including our senior management, provide managerial oversight and supervision over sales in embargoed countries may negatively affect the financial or operating performance of such business activities. We routinely monitor changes in economic sanctions laws and adapt our procedures to remain in compliance with such laws.

RISKS RELATED TO OUR COMMON SHARES

Our Common Share price may fluctuate.

The stock market in general, and the market prices of securities of technology companies in particular, can be extremely volatile, and fluctuations in our Common Share price may be unrelated to our operating performance. Our Common Share price has been and could in the future be subject to significant fluctuations in response to many factors, including: actual or anticipated variations in our results of operations; the addition or loss of customers; announcements of technological innovations, new products or services by us or our competitors; changes in financial estimates or recommendations by securities analysts; conditions or trends in our industry; our announcements of significant acquisitions, strategic relationships, joint ventures or capital commitments; additions or departures of key employees; general market conditions; and other events or factors, many of which may be beyond our control. Additionally, our Common Share price has historically been strongly correlated with the differential between the price of natural gas, diesel fuel and crude oil. The price of such commodities has been subject to significant volatility. As of March 29, 2016, the 52-week trading price of our Common Shares on the NASDAQ Global Select Market ranged from a low of $1.30 to a high of $6.18. See also "MARKET FOR SECURITIES".

Litigation, including litigation due to Common Share price volatility or other factors, could cause us to incur substantial costs and divert our management's time and attention.

From time to time, we may become involved in, or become liable for legal, contractual and other claims by various parties, including customers, suppliers, former employees, class action plaintiffs and others, including litigation related to the volatility of our Common Shares. On an ongoing basis, we attempt to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty. Except as disclosed from time to time in our financial statements, we do not believe that any of the proceedings or claims to which we are party will have a material adverse effect on our financial position; however, we cannot provide any assurance to this effect.

We do not currently intend to pay any cash dividends on our Common Shares in the foreseeable future; therefore, our shareholders may not be able to receive a return on their Common Shares until they sell them.

We have never paid or declared any cash dividends on our Common Shares. We do not anticipate paying any cash dividends on our Common Shares in the foreseeable future because, among other reasons, our current credit facilities restrict our ability to pay dividends, and we currently intend to retain any future earnings to finance our business. The future payment of dividends will be dependent on factors such as cash on hand and achieving profitability, the financial requirements to fund growth, our general financial condition and other factors our board of directors may consider appropriate in the circumstances. Until we pay dividends, which we may never do, our shareholders will not be able to receive a return on their Common Shares unless they sell them.

If we are characterized as a passive foreign investment company, U.S. holders may be subject to adverse U.S. federal income tax consequences.

Based in part on current operations and financial projections, we do not expect to be a passive foreign investment company (" **PFIC**") for U.S. federal income tax purposes for our current taxable year or in the foreseeable future.

However, we must make an annual determination as to whether we are a PFIC based on the types of income we earn and the types and value of our assets from time to time, all of which are subject to change. Therefore, we cannot assure you that we will not be a PFIC for our current taxable year or any future taxable year. A non-U.S. corporation generally will be considered a PFIC for any taxable year if either (1) at least 75% of its gross income is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income. The market value of our assets may be determined in large part by the market price of our Common Shares, which is likely to fluctuate. In addition, the composition of our income and assets will be affected by how, and how quickly, we use any cash that we raise. If we were to be treated as a PFIC for any taxable year during which you hold Common Shares, certain adverse U.S. federal income tax consequences could apply to U.S. holders.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to our U.S. shareholders.

We are a foreign private issuer under applicable U.S. federal securities laws and, therefore, we are not required to comply with all the periodic disclosure and current reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and related rules and regulations. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we will be required to file with or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell our Common Shares as the reporting periods under the corresponding Canadian insider reporting requirements are longer. In addition, as a foreign private issuer, we are exempt from the proxy rules under the Exchange Act.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses to us.

In order to maintain our current status as a foreign private issuer, a majority of our Common Shares must be either directly or indirectly owned by non-residents of the U.S. unless we also satisfy one of the additional requirements necessary to preserve this status. We may in the future lose our foreign private issuer status if a majority of our Common Shares are held in the U.S. and we fail to meet the additional requirements necessary to avoid loss of foreign private issuer status. The regulatory and compliance costs to us under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs we incur as a Canadian foreign private issuer eligible to use the multi-jurisdictional disclosure system ("**MJDS**"). If we are not a foreign private issuer, we would not be eligible to use the MJDS or other foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. In addition, we may lose the ability to rely upon exemptions from corporate governance requirements of the NASDAQ Listing Rules that are available to foreign private issuers.

U.S. investors may not be able to obtain enforcement of civil liabilities against us.

The enforcement by investors of civil liabilities under the U.S. federal or state securities laws may be affected adversely by the fact that we are governed by the *Business Corporations Act* (Alberta), a statute of the Province of Alberta, Canada, that the majority of our officers and directors and some of the experts named in this AIF, are residents of Canada or otherwise reside outside the U.S., and that all, or a substantial portion of their assets and a substantial portion of our assets, are located outside the U.S. It may not be possible for investors to effect service of process within the U.S. on certain of our directors and officers or the experts named in this AIF or enforce judgments obtained in the U.S. courts against us, certain of our directors and officers or the experts named in this

AIF based upon the civil liability provisions of U.S. federal securities laws or the securities laws of any state of the U.S.

There is some doubt as to whether a judgment of a U.S. court based solely upon the civil liability provisions of U.S. federal or state securities laws would be enforceable in Canada against us, our directors and officers or the experts named in this AIF. There is also doubt as to whether an original action could be brought in Canada against us or our directors and officers or the experts named in this AIF to enforce liabilities based solely upon U.S. federal or state securities laws.

RISKS RELATED TO THE MERGER WITH FUEL SYSTEMS

We may not realize the anticipated benefit from the Merger with Fuel Systems.

The Merger with Fuel Systems could expose us to certain liabilities, including those that we failed or were unable to identify during the merger process. In addition, the Merger with Fuel Systems could result in difficulties in integration, and, if such difficulties were to occur, they could adversely affect our results. The integration process with respect to the Merger with Fuel Systems may also divert the attention of, and place significant demands on, our managerial resources, which may disrupt our current business operations. As a result, we may fail to meet our current product development and commercialization schedules.

We could be adversely affected by risks associated with the Merger with Fuel Systems.

The Merger with Fuel Systems involves a number of risks, including: (i) the possibility that we, as a successor owner, may be legally and financially responsible for liabilities of Fuel Systems; (ii) the possibility that we may pay more than Fuels Systems is worth; (iii) the additional expenses associated with completing the Merger with Fuel Systems and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and employees of Fuel Systems; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout Fuel Systems; (vi) the inability to integrate, train, retain and motivate key employees of Fuel Systems; and (vii) the potential disruption of our ongoing business and the distraction of management from our day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key human capital, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

The completion of the Merger with Fuel Systems is subject to certain conditions.

The Merger with Fuel Systems may be terminated by Westport or Fuel Systems in certain circumstances. Accordingly, there is no certainty, nor can we provide any assurance, that the Merger with Fuel Systems will not be terminated by either us or Fuel Systems before completion of the Merger with Fuel Systems.

There can be no certainty that all conditions precedent to the Merger with Fuel Systems will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. The completion of the Merger with Fuel Systems is subject to a number of conditions precedent, some of which are outside of our control and the control of Fuel Systems, including the approval of each of the shareholders of the Company and Fuel Systems. There is no certainty, nor can we provide assurance, that these conditions will be satisfied.

If the Merger with Fuel Systems is not completed, Westport's future business and operations could be harmed.

If the Merger with Fuel Systems is not completed, we may be subject to a number of additional material risks, in addition to the risks we currently face with respect to our business and operations. We may have lost other opportunities that would have otherwise been available had the merger agreement with Fuel Systems not been executed, including, without limitation, opportunities not pursued as a result of operating covenants made by us to Fuel Systems, such as covenants affecting non-solicitation and the conduct of business outside the ordinary course of business. In addition, we will incur significant direct transaction costs in connection with the Merger with Fuel Systems. Actual direct transaction costs may be higher than expected. Moreover, certain of our costs related to the Merger with Fuel Systems, including legal, financial advisory services, accounting, printing and mailing costs, must be paid even if the Merger with Fuel Systems is not completed.

The pendency of the Merger with Fuel Systems could adversely affect our business and operations.

In connection with the pending Merger with Fuel Systems, some of our customers or vendors may delay or defer decisions, which could negatively impact our revenues, earnings, and cash flows, regardless of whether the merger is completed. Similarly, our current and prospective employees may experience uncertainty about their future roles following the Merger with Fuel Systems, which may materially adversely affect our ability to attract and obtain key personnel during the pendency of the Merger with Fuel Systems. In addition, due to operating covenants made by us to Fuel Systems, we may be unable, during the pendency of the Merger with Fuel Systems, to pursue certain strategic transactions, undertake certain significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions that are not in the ordinary course of business. Such risks relating to vendors, customers, employees and those risks arising from operating covenants pursuant to the Merger with Fuel Systems will also apply in varying degrees to our subsidiaries and affiliates and thereby have a corresponding impact on us.

The second tranche of the Cartesian Financing is contingent on the completion of the Merger with Fuel Systems.

Westport expects to receive $17.5 million from the issuance of the Tranche 2 Notes (as defined herein) pursuant to our financing agreement with Cartesian Capital Group contingent upon the completion of the Merger with Fuel Systems. There is no certainty, nor can we provide assurance, that the Merger with Fuel Systems will be completed. If we are unable to complete the Merger with Fuel Systems and do not issue the Tranche 2 Notes, our business could suffer.

Many of the risks set forth herein apply to Fuel Systems. In addition to the risk factors set forth above, many of the risk factors set forth in this Annual Information Form relating to our operations apply in respect of Fuel Systems and its assets that we are acquiring pursuant to the Merger with Fuel Systems.

AUDIT COMMITTEE MATTERS

MANDATE

The mandate of the Audit Committee as prescribed by the Board is set out in the Audit Committee Charter which is attached is hereto as Schedule "A".

COMPOSITION

The following table sets forth the name of each of the current members of the Audit Committee, whether such member is independent, whether such member is financially literate and the relevant education and experience of such member.

AUDIT COMMITTEE COMPOSITION			
Name	**Independent**	**Financially Literate**	**Relevant Education and Experience**
Brenda J. Eprile	Yes	Yes	Ms. Eprile has been the owner and principal of Eprile & Company Inc. since 2014, a boutique consulting firms serving a wide variety of clients on a range of regulatory and compliance issues. From 2000 to 2012, Ms. Eprile was a Senior Partner at PricewaterhouseCoopers LLP and led the Risk Advisory Services practice. From 1985 to 1997, Ms. Eprile had a distinguished career as a securities regulator in Canada, having held the positions of both Executive Director and Chief Accountant at the Ontario Securities Commission. Ms. Eprile is an FCPA, and received an ICD.D from the Institute of Corporate Directors in 2013. She has an Honours Bachelor of Music from the University of Toronto, as well as a Master of Business Administration from Schulich School of Business, York University. Ms. Eprile is a member of a number of boards in the public, private and not for profit sectors.
Dr. Dezsö J. Horváth	Yes	Yes	Dr. Horvath is an Electrical Engineer and holds a number of degrees in management (MBA, Licentiate, and PhD) from Sweden. After an early R&D career with the Swedish multinational ASEA (new ABB) in the electrical industry, he accepted senior academic appointments at Swedish and then Canadian Universities. He is currently the Dean and The Tanna H. Schulich Chair in Strategic Management, at the Schulich School of Business, York University. Through his academic background and responsibilities as the Dean of the Schulich School of Business (since 1988), Dr. Horvath has acquired significant financial experience relating to accounting and financial issues. Dr. Horvath is and has been a member of a number of boards in both the public and private sectors.
Peter Yu	Yes	Yes	Mr. Yu is Founder and Managing Partner of Cartesian Capital Group, a global private equity firm with more than $2.4 billion under management. Mr. Yu directs a team of twenty-five professionals on four continents, managing capital for leading institutional investors around the world. Prior to founding Cartesian, Mr. Yu founded and served as President and Chief Executive Officer of AIG Capital Partners. He built AIG Capital Partners into a leading global private equity firm with $4.5 billion under management. Over his career, Mr. Yu has initiated, negotiated, and executed numerous innovative and successful investments across a wide range of industries and geographies. He has served as a director and advisor to more than two dozen industry-leading companies. Prior to founding AIG Capital Partners, Mr. Yu served President Bill Clinton as Director to the National Economic Council in the White House. In that capacity, he managed a number of domestic and international economic policy initiatives and priorities. Mr. Yu graduated *magna cum laude* from Harvard Law School, where he served as President of the Harvard Law Review. The author of numerous articles and monographs, he served as a law clerk to Justice John Paul Stevens of the United States Supreme Court and to Chief Judge Patricia Wald of the U.S. Court of Appeals for the D.C. Circuit. Mr. Yu received his B.A. degree from the Woodrow Wilson School at Princeton University.

RELIANCE ON CERTAIN EXEMPTIONS

At no time since the commencement of Westport's most recently completed financial year has Westport relied on any exemption in Sections 2.4 (De Minimis Non-audit Services), 3.2 (Initial Public Offerings), 3.3(2) (Controlled Companies), 3.4 (Events Outside Control of Member), 3.5 (Death, Disability or Resignation of Audit Committee Member), 3.6 (Temporary Exemption for Limited and Exceptional Circumstances) or 3.8 (Acquisition of Financial Literacy) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

AUDIT COMMITTEE OVERSIGHT

At no time since the commencement of Westport's most recent completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

PRE-APPROVAL OF POLICIES AND PROCEDURES

The Audit Committee is mandated to review the provision of non-audit services and consider the effect of any such services on the independence of the external auditors.

NON-AUDIT SERVICES

The Canadian Institute of Chartered Accountants revised rules of Professional Conduct on auditor independence (the " **Rules**") as they relate to public companies include prohibitions or restrictions on services that may be provided by auditors to their audit clients and require that all services provided to a listed entity audit client, including its subsidiaries, be pre-approved by the client's audit committee. In accordance with those Rules, the Audit Committee has approved, adopted and made effective Westport's Audit Committee Preapproval Policy. That policy requires that the Audit Committee approve annually the types of services management may engage the external auditor to perform and that the Audit Committee set a dollar limit per engagement and in aggregate that management may spend on non-audit services. Amounts outside of these services or authorized limits require explicit approval from the Audit Committee Chair.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table shows the aggregate fees billed to the Company by Deloitte LLP and KPMG LLP, in their respective capacities as the Company's independent registered public accounting firm. For the 2014 year end Deloitte LLP succeeded KPMG LLP as the Company's independent registered public accounting firm with effect from April 24, 2014. For the 2015 year end KPMG LLP succeeded Deloitte LLP as the Company's independent registered public accounting firm with effect from October 16, 2015.

PRINCIPAL ACCOUNTANT FEES & SERVICES		
	Year Ended (C$)	
	December 31, 2015	December 31, 2014
Audit Fees	$ 743,157	$ 495,314
Audit Related Fees	Nil	22,470
Tax fees	83,555	34,126
All Other Fees	751,286	Nil
Total	$ 1,577,995	$ 551,910

AUDIT FEES

Audit fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Company's annual financial statements and reviews of the Company's quarterly financial reporting, and other services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years. Of the 2015 fees, $C 32,500 of the total fees paid during the year related to fees paid to KPMG LLP prior to their appointment as auditor.

AUDIT-RELATED FEES

Audit-related fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant, Deloitte LLP or KPMG LLP. Fees disclosed under this category are for assurance and related services reasonably related to the performance of the audit or review of the annual statements and are not reported under the heading audit fees above.

TAX FEES

Tax fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant, Deloitte LLP or KPMG LLP. Fees disclosed under this category are for professional services rendered for tax compliance, tax advice and tax planning. The 2015 fees relate to fees paid to KPMG LLP prior to their appointment as auditor.

ALL OTHER FEES

"Other Fees" represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant, Deloitte LLP or KPMG LLP. Fees to be disclosed under this category would be for products and services other than those described under the headings audit fees, audit-related fees and tax fees above, and relate primarily to the proposed Merger with Fuel Systems. Of the 2015 fees, $C 666,900 of the total fees paid during the year relate to fees paid to KPMG LLP prior to their appointment as auditor.

LEGAL AND REGULATORY PROCEEDINGS

We are not involved in any material legal or regulatory actions or proceedings, nor are any such actions proceedings known to be contemplated. From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below or elsewhere in this AIF, none of our insiders, directors or executive officers, nor any associate or affiliate of such persons, has had any material interest, direct or indirect, in any of Westport's transactions within our three most recently completed financial years, nor in any transaction or proposed transaction within Westport's current financial year that has materially affected or would materially affect us or any of our subsidiaries.

TRANSFER AGENT AND REGISTRAR

Our transfer agent and registrar for our Common Shares is Computershare Trust Company of Canada at its principal offices in Vancouver, British Columbia, Calgary, Alberta and Toronto, Ontario. Our U.S. transfer agent is Computershare Trust Company, N.A. 350 Indiana Street, Suite 750, Golden, CO 80401.

MATERIAL CONTRACTS

CARTESIAN

On January 11, 2016, Westport announced that it had entered into an investment agreement (the " **Cartesian Agreement**") with Cartesian to support global growth initiatives. The financing agreement immediately provided $17.5 million in cash (the "**Tranche 1 Financing**"). In consideration for the funds provided to Westport, Cartesian is entitled to payments in respect of the Tranche 1 Financing based on the greater of (i) a percentage of amounts received by Westport on select HPDI and joint venture products in excess of agreed thresholds through

2025 and (ii) stated fixed amounts per annum. The carrying value is being accreted to the expected redemption value using the effective interest method.

Westport expects to receive another $17.5 million (the " **Tranche 2 Notes**") contingent upon the completion of the Merger with Fuel Systems. The Tranche 2 Notes bear interest at 9% and have a 5 year term. The Tranche 2 Notes are convertible into common shares by dividing the principal and interest outstanding by a valuation price of $2.31.

A copy of the Cartesian Agreement is available on SEDAR at http://www.sedar.com.

DEBENTURES

On September 23, 2011, we announced we had raised C$36 million through the issuance of Debentures (the " **Initial Debentures**") offered by Macquarie, on a private placement basis, to replace previously issued debentures that matured in July 2011. The Initial Debentures are governed by the terms of an indenture (the "**Note Indenture**"), are unsecured and subordinated to senior indebtedness, and bear interest at 9% per annum, payable in cash semi-annually in arrears on March 15th and September 15th of each year during the term, commencing on March 15, 2012. The Initial Debentures, and the Additional Debentures (defined below), are not listed on any stock exchange.

On June 27, 2014, we announced that we had extended the maturity date of the Initial Debentures from September 22, 2014 to September 15, 2017, subject to the option of the holders of Debentures (as defined below) to extend the maturity date of such holder's Debentures by up to six successive six-month terms. We also issued an additional C$19 million in debentures (the "**Additional Debentures**", and together with the Initial Debentures, the "**Debentures**"), on the same terms as the Initial Debentures, bringing the total outstanding Debentures to C$55 million. The maturity date of the Initial Debentures was extended by execution of a supplemental indenture to the Note Indenture and an extraordinary resolution of the holders of the Initial Debentures.

The Note Indenture restricts Westport from incurring additional indebtedness for borrowed money, including obligations under banker's acceptances, commercial paper, bonds and debentures ("**Debt**") and from guaranteeing any Debt of other persons, except for:

- certain Senior Indebtedness, as defined in the Note Indenture;
- unsecured Debt ranking pari passu with the Debentures in an aggregate principal amount not to exceed $60,000,000 outstanding at any time; and
- guarantees of outstanding Debt of other persons provided that the aggregate outstanding principal amount of pari passu Debt permitted pursuant to paragraph (ii) above together with the outstanding principal amount of any Debt of other persons guaranteed by Westport does not exceed $70,000,000 at any time.

The Note Indenture does not restrict Westport from increasing the amount of certain senior indebtedness owing to our bankers or other senior lenders currently outstanding or from creating liens on our assets to secure such senior indebtedness or permitted increases to such senior indebtedness. The Note Indenture additionally does not restrict subsidiaries and affiliates of Westport from incurring indebtedness for borrowed money or other obligations.

AMENDED AND RESTATED JOINT VENTURE AGREEMENT

Effective February 19, 2012, Cummins and Westport entered into the Amended JVA for the CWI joint venture. The Amended JVA provides for, among other things, clarification concerning the scope of products within CWI and revised certain economic terms of the prior joint venture agreement.

Cummins and Westport agreed in the Amended JVA to focus CWI's future product development investments on North American markets including engines for on-road applications between the displacement range of 5.9 litres through 12 litres, and to have these engines manufactured in Cummins North American plants.

The Amended JVA defines CWI's market as sales of CWI Products manufactured in the U.S., Canada and/or Mexico for use in on-road vehicles in such countries as well as continuation of CWI's business with respect to the local production of CWI Products in India and/or China for those local markets for up to three years following the effective date of the Amended JVA.

During the term of the Amended JVA, Cummins has the sole right to sell and export all CWI Products outside of North America. CWI Products sold outside of North America will be sold by Cummins as Cummins branded products. CWI will be credited the revenue and charged for the cost of revenue and other related costs for CWI Products from 5.9 up to 10 litres regardless of where they are sold in the world or how they are branded. Revenue on the sale of the 11.9 litre CWI Product in North America and in Australia will be credited to CWI, subject to CWI being charged for the cost of revenue and other related costs. Cummins will retain all revenue and be responsible for the cost of revenue and other related costs for sales of the 11.9 litre CWI Product outside of North America and Australia.

Under the terms of the Amended JVA, Westport and Cummins agree not to sell on-highway natural gas or propane engines within the market scope except as provided by the Amended JVA. Cummins has also agreed not to market or sell a SI natural gas engine of 13 litres or less that is a derivative of the ISX12 G platform, or any SI natural gas or propane engine that falls within the displacement range of the CWI Products in North America. However, after the first five years of the Amended JVA term, Cummins may produce and sell a SI natural gas or propane engine for the North American market that falls within the displacement range of the CWI Products if done without any assistance from CWI, if such engine is based on an entirely new Cummins heavy-duty engine platform not in production in North America on the effective date and provided that Cummins pays to CWI a specified royalty on the net revenue of each such engine sold.

Under the Amended JVA, in the event CWI's annual revenue exceeds certain baseline revenue levels, Westport and Cummins are entitled to receive a performance bonus (the "**Performance Bonus**"). If and when achieved in any year, the Performance Bonus will be calculated as a percentage of CWI's net income based on the amount by which CWI's actual annual revenue exceeds its baseline revenue level for such year and the applicable party's share of the Performance Bonus (75% in the case of Westport; 25% in the case of Cummins). Net income remaining after payment of the Performance Bonus will be shared equally between Westport and Cummins, with dividends paid on a quarterly basis as approved by the CWI board of directors after considering CWI's business outlook, cash position and future liabilities.

The Amended JVA will continue in full force and effect until the earlier of (a) December 31, 2021, or (b) termination prior to such date in accordance with the terms of the Amended JVA. The Amended JVA will be subject to termination prior to December 31, 2021 under certain circumstances and events described in the Amended JVA, including upon a change of control of either Cummins or Westport.

In the event of a change of control of Westport, Cummins may elect to terminate the Amended JVA in which case Cummins is obligated to repurchase Westport's shares of CWI at a price determined based on a formula in the Amended JVA, or in lieu of exercising its termination right, Cummins may elect to continue the Amended JVA upon certain modified terms, including that: ownership of CWI will be adjusted so that Cummins owns 50.1% and Westport owns 49.9% of CWI; no Performance Bonus will be payable for any periods following such election; Cummins will thereafter have the ongoing right to nominate the President; and Westport will have no access or license to any CWI intellectual property developed after the date of the change of control.

Pursuant to the Amended JVA, certain actions require unanimous approval of CWI's board of directors and/or shareholders, including the declaration or payment of any dividends or any other distributions by CWI, material

changes to CWI's business and the addition of new products to CWI's business. See "Risk Factors – We are dependent on our relationship with Cummins for CWI profits and cash flows."

A copy of the Amended JVA is available on SEDAR at http://www.sedar.com. See also "CUMMINS WESTPORT INC. JOINT VENTURE" and "RISK FACTORS" in this AIF for a description of the Amended JVA.

INTERESTS OF EXPERTS

KPMG LLP, our independent registered public accountants, have audited our consolidated financial statements for the year ended December 31, 2015. As at the date hereof, KPMG LLP has confirmed that it is independent with respect to Westport within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia and also that they are independent registered public accountants with respect to Westport under all relevant U.S. professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information, including information as to directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, is contained in our most recent Management Information Circular, which is available on SEDAR at www.sedar.com.

Additional financial information is contained in our financial statements and Management's Discussion & Analysis for the year ended December 31, 2015, which are incorporated herein by reference and form an integral part of this AIF. Additional information relating to Westport may be found on SEDAR at: www.sedar.com.

SCHEDULE "A": AUDIT COMMITTEE CHARTER

(Reviewed and accepted by the Westport Board of Directors on November 13, 2015)

PURPOSE

The Audit Committee (the "**Committee**") is a standing committee of the Board of Directors (the " **Board**") of Westport Innovations Inc. ("**Westport**"), established to assist the Board in fulfilling its oversight responsibilities with respect to:

- the integrity of financial statements, management's discussion and analysis ("MD&A") and other information provided to shareholders and others;
- the adequacy and effectiveness of the system of internal controls, implemented and maintained by Westport management ("Management");
- the understanding of risks, specifically around financial reporting;
- the promotion of legal and ethical conduct;
- the independence and qualifications of the external auditors; and
- the performance of Westport's internal audit function and external auditors.

AUTHORITY

The Committee has unrestricted access to Westport's personnel and documents and to its external auditors and will be provided with the resources necessary to carry out its responsibilities. The Committee shall have the authority to authorize investigations into any matter within the Committee's scope of responsibility and is empowered, if it deems it necessary, to retain special legal, accounting or other consultants to advise the Committee at Westport's expense. The Committee shall have sole authority to recommend to the Board the appointment, termination and compensation of the external auditors who shall report directly to the Committee.

The Committee is entitled to appropriate funding, with respect to compensation set and determined solely by the Committee, for the payment of compensation to independent external auditors, for the payment of compensation to any external advisors retained by the Committee and for any expenses necessary for the Committee to carry out its duties.

LIMITATIONS OF THE AUDIT COMMITTEE'S ROLE

While the Committee has the responsibilities and powers set forth in the Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete, accurate and in accordance with generally accepted accounting principles. The external auditor is responsible for planning and conducting audits. Management is responsible for preparing complete, accurate financial statements in accordance with generally accepted accounting principles.

COMPOSITION

The Committee shall consist, at a minimum, of three members of the Board each of whom shall be affirmatively determined to be financially literate by the Board, one of whom shall be designated the Chair (the "Committee Chair"), as annually appointed by the Independent Directors (as defined in the Charter of the Board) (the "Independent Directors"). The Committee shall be composed solely of Independent Directors. Each of the Directors on the Committee shall possess a basic level of "financial literacy", and at least one member should qualify

as a “financial expert”, as defined by Item 407(d)(5) of Regulation S-K, and be financially sophisticated as described in Section 5605(c)(2)(A) of the NASDAQ Manual. The Board shall give consideration to the periodic rotation of Committee membership as well as the Committee Chair (as part of the annual committee chair appointment process or at such other times as the Chair, or Lead Director, as applicable, sees fit).

MEETINGS

Regular meetings of the Committee shall be held at least four times per year. The meetings will be scheduled to permit timely review of the interim and annual financial statements, as well as the Company’s other financial disclosures and related compliance matters. Additional meetings may be called as necessary. A quorum of two members of the Committee, one of whom must be the Committee Chair, unless he or she has designated another member to act as Committee Chair, is required for each meeting. If a quorum is present at a meeting, a majority of the members of the Committee in attendance at such meeting is required to approve any matter decided by the Committee at such meeting. Matters may be decided outside of a meeting by the unanimous written consent of all members of the Committee.

The Committee Chair shall, in consultation with Board Chair or the Lead Director, as applicable, Management and the internal and external auditors, set the Committee meeting agendas. Committee members may recommend agenda items subject to approval by the Committee Chair. The Committee shall meet in executive session with Management, the external auditors, and as a Committee to discuss any matters that the Committee or each of these groups believes should be discussed. The Audit Committee and the Corporate Counsel of Westport shall also meet in executive session to review legal matters that, in the Corporate Counsel's or the Audit Committee's opinion, may have a material impact on the financial statements. In addition to the above scheduled meetings, any member of the Committee, the Chairman or Lead Director, as applicable, or the auditors may, subject to required notice, call a meeting of the Committee at any time.

Committee minutes shall be prepared and subsequently approved for all meetings. Copies of such minutes shall be filed with the Corporate Secretary of Westport, or the equivalent position if applicable, and circulated to all Board members.

THE COMMITTEE IS CHARGED WITH THE FOLLOWING SPECIFIC RESPONSIBILITIES:

1. The Committee’s Relationship With the External Auditors

The Committee is responsible for recommending to the Board:

- the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attestation services for Westport;
- the retention of such external auditor; and
- the compensation of the external auditor.

The Committee shall satisfy itself regarding the independence of the external auditors and report their conclusions and the basis for those conclusions to the Board. The Committee is responsible for ensuring that it receives from the external auditor a formal written statement delineating all relationships between the external auditor and Westport, consistent with the standards described in Section 5605(c)(1)(B) of the NASDAQ Manual, and is responsible for actively engaging in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditor and for taking, or recommending that the Board take, appropriate action to oversee the independence of the external auditor.

With regard to overseeing the work of the external auditors, the Committee is responsible, in consultation with Management, for the following activities:

- approving the audit scope;
- reviewing the results of their work;
- pre-approving any non-audit services or delegating such authority to the Committee Chair;
- evaluating the performance of the external auditors; and
- resolving any disagreements between Management and the external auditors regarding financial reporting.

The Committee shall review with the external auditors, on at least an annual basis, (a) the external auditors' internal quality-control procedures, (b) any material issues raised by the Canadian Public Accountability Board or the Public Company Accounting Oversight Board or by any publicly available report by any governmental or professional authorities within the preceding five years respecting one or more audits carried out by the firm which may have a material effect on the audit of Westport, (c) any steps taken to deal with any such issues, and (d) all relationships between the external auditors and Westport. The Committee shall evaluate the qualifications, performance and independence of the external auditors, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of Management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Board.

The Committee shall review with the external auditors matters relating to the conduct of the audit, including (a) the proposed scope of their examination with emphasis on accounting and financial areas where the Committee, the external auditors or Management believe special attention should be directed; (b) the results of their audit, including their audit findings report and resulting letter, if any, of recommendations for Management; (c) their evaluation of the adequacy and effectiveness of Westport's internal controls over financial reporting; (d) significant areas of disagreement, if any, with Management; (e) cooperation received from Management in the conduct of the audit; (f) significant accounting, reporting, regulatory or industry developments affecting Westport; and (g) significant changes to Westport's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or Management.

The Committee shall discuss with Management and the external auditors any issues and disclosure requirements regarding (a) the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies, (b) any off-balance sheet arrangements, and (c) significant business risks or exposures and Management's assessment of the steps taken to monitor, control and minimize such risk.

The Committee shall monitor the audit partners' rotation required by law.

2. Oversight of Risk Management Processes

Risk management is an important part of maintaining a sound system of internal control . As part of the risk management oversight responsibility of the Board and as delegated to the Committee by the Board, the Committee shall be responsible for assessing the range of risks and making recommendations as required to the Board regarding appropriate responsibilities and delegations for the identification, monitoring and management of these risks. In this respect, the Committee shall:

- have the primary oversight role with respect to identifying and monitoring the management of principal financial risks that could impact the financial reporting of Westport; and

- assess, as part of its oversight of the system of internal controls , the effectiveness of the overall process for identifying principal business risks and provide its view to the Board.

3. Oversight of Internal Control

The Committee shall have the responsibility to assess that Management has designed and implemented an effective system of internal control over financial reporting and to provide any recommendations with respect to such systems to the Board.

Management shall be required to provide the Committee, at least annually, a report on internal controls, including reasonable assurance that such controls are adequate to facilitate reliable and timely financial information. The Committee shall also review and follow-up on any areas of internal control weakness identified by the external auditors with the auditors and Management.

The Corporate Counsel of Westport shall advise the Committee and the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with Westport's Code of Conduct and Employee Handbook. Such advisement shall also include the policies and procedures relating to Section 5 of this Charter pertaining to the referenced Related Companies.

The Committee shall also review and approve Westport's policy regarding the hiring of partners and employees and former partners and employees of its present and former external auditors.

4. Oversight of Continuous Disclosure Reporting

Prior to any disclosure, the Committee shall review the following:

- the draft or final quarterly and annual financial statements, MD&A and earnings press releases to ensure that all disclosures are in compliance with regulatory requirements, public financing documents or prospectuses; and
- other draft timely disclosure documents containing financial information that would likely be material to either the quarterly or annual financial statements.
- The Committee shall recommend to the Board the approval of the final annual financial statements and related MD&A.
- in each instance where a draft is reviewed, the CFO of the Company shall affirm, in writing or via E-mail, to Committee members that no significant changes have been made to the draft other than those specifically agreed to by the Committee for inclusion or such draft shall be re-circulated to the Committee.

In discharging its responsibilities, the Committee will review:

- all critical accounting policies and practices used or to be used by Westport, and changes in the selection and application of accounting principles.
- significant financial reporting issues that have arisen in connection with the preparation of such audited financial statements;
- analyses prepared by Management, and/or the external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
- the effect of emerging regulatory and accounting initiatives.

The Committee shall review and discuss with the external auditor any audit problems or difficulties and Management's response thereto. This review shall include any difficulties encountered by the auditor in the course of performing its audit work, including any restrictions on the scope of its activities or its access to information and any significant disagreements with Management.

The Committee shall also establish a process to receive, retain and treat complaints received by Westport and the Related Companies referred to in Section 5 of this Charter regarding accounting, internal controls or auditing matters and establish procedures for the confidential, anonymous submission by Westport employees of questionable accounting and auditing matters. This process will be reviewed annually.

Lastly, the Committee shall ensure that Management has developed and implemented appropriate policies regarding continuous disclosure and that there is compliance with filing requirements and prompt reporting to all investors of material events impacting Westport.

5. Related Companies Financial Results

The audited consolidated financial statements of Westport may include the results of other companies, in whole or in part, in which Westport maintains an equity interest. In addition, an investor company may include the disclosure of Westport's results or the results of a co-owned subsidiary. The Committee shall establish a coordination and communications framework with the accountants, auditors and audit committees of these companies. The Committee shall satisfy itself that Westport's consolidated financial statements accurately reflect the results of all companies included, regardless of whether these companies were audited by different external auditors.

6. Internal Audit Oversight and Responsibilities

The Committee shall:

- review and approve the Internal Audit Department's annual audit plan and all major changes the plan.
- review and discuss with the internal auditors the scope, progress, and results of executing the internal audit plan.
- receive reports on the status of significant findings, recommendations, and management's responses.
- review the Charter, reporting relationship, activities, staffing, organizational structure, and credentials of the internal audit department.
- review and concur in the appointment, replacement, reassignment, or dismissal of the Internal Audit Director who shall have direct access to the Committee.
- review the annual performance of the internal audit function.

7. Other Responsibilities

A. REVIEW OF CHARTER

The Committee shall review and reassess the adequacy of this Charter at least annually and recommend to the Board any amendments or modifications to its Charter that the Committee deems appropriate. The Committee shall also prepare and disclose a summary of its mandate to shareholders.

B. ANNUAL PERFORMANCE EVALUATION

At least annually, as part of the Board self-assessment process, the Committee shall evaluate its own performance and report the results of such evaluation to the Nominating and Corporate Governance Committee.

C. ANNUAL COMMUNICATION REGARDING SIGNIFICANT DISAGREEMENTS

The Committee shall annually inform the external auditors and Management that they should promptly contact the Committee or its Chairman about any significant issue or disagreement related to the system of internal controls and financial reporting.

D. ANNUAL REVIEW OF TRANSACTIONS INVOLVING DIRECTORS AND OFFICERS

The Committee shall annually review a summary of the Directors' and Executive Officers' travel and entertainment expenses, related party transactions and any conflicts of interest.

Consolidated Financial Statements
(Expressed in thousands of United States dollars)

WESTPORT INNOVATIONS INC.

For the years ended December 31, 2015, 2014 and 2013

KPMG LLP
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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Westport Innovations Inc.

We have audited the accompanying consolidated financial statements of Westport Innovations Inc., which comprise the consolidated balance sheet as at December 31, 2015, the consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years ended December 31, 2015 and December 31, 2013 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Westport Innovations Inc. as at December 31, 2015, and its consolidated results of operations and its consolidated cash flows for the years ended December 31, 2015 and December 31, 2013, in accordance with US generally accepted accounting principles.

Comparative Information

Without modifying our opinion, we draw attention to Note 3(a) to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2014 has been adjusted for the adoption of new accounting standards in 2015.

The consolidated financial statements of Westport Innovations Inc. as at and for the year ended December 31, 2014, excluding the adjustments described in Note 3(a) to the consolidated financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 9, 2015 (October 15, 2015 as to the change in reportable segments discussed in Note 23 to the consolidated financial statements).

As part of our audit of the consolidated financial statements as at and for the year ended December 31, 2015, we audited the adjustments described in Note 3(a) to the consolidated financial statements that were applied to adjust the comparative information

presented as at and for the year ended December 31, 2014. In our opinion, the adjustments are appropriate and have been properly applied.

We were not engaged to audit, review, or apply any procedures to the December 31, 2014 consolidated financial statements, other than with respect to the adjustments described in Note 3(a) to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Westport Innovations Inc.'s internal control over financial reporting as of December 31, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 29, 2016 expressed an unmodified (unqualified) opinion on the effectiveness of Westport Innovations Inc.'s internal control over financial reporting.

/s/ KPMG LLP

Chartered Professional Accountants

March 29, 2016
Vancouver, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Westport Innovations Inc.

We have audited Westport Innovations Inc.'s ("the Company") internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Financial Statements and Assessment of Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)".

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2015, and the consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years ended December 31, 2015 and December 31, 2013 and our report dated March 29, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Chartered Professional Accountants

March 29, 2016
Vancouver, Canada

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Westport Innovations Inc.

We have audited, before the effects of the adjustments to retrospectively apply accounting standards adopted in 2015 as discussed in Note 3 to the consolidated financial statements, the accompanying consolidated financial statements of Westport Innovations Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2014, and consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity and cash flows for the year ended December 31, 2014 and a summary of significant accounting policies and other explanatory information, (the 2014 consolidated financial statements before the effects of the adjustments discussed in Note 3 to the consolidated financial statements are not presented herein).

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, such 2014 consolidated financial statements, before the effects of the adjustments to retrospectively apply accounting standards adopted in 2015 as discussed in Note 3 to the consolidated financial statements, present fairly, in all material respects, the financial position of Westport Innovations Inc. and subsidiaries as at December 31, 2014, and its financial performance and its cash flows for the year ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matter
We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply accounting standards adopted in 2015 as discussed in Note 3 to the consolidated financial statements and, accordingly, we do not express an opinion on any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 9, 2015 (October 15, 2015 as to the change in reportable segments discussed in Note 23 to the consolidated financial statements)

WESTPORT INNOVATIONS INC.

Consolidated Balance Sheets
(Expressed in thousands of United States dollars, except share amounts)

December 31, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 27,143	$ 93,282
Short-term investments	696	723
Accounts receivable (note 5)	38,324	46,849
Inventories (note 6)	35,660	41,824
Prepaid expenses	3,475	4,641
	105,298	187,319
Long-term investments (note 7)	31,111	33,324
Other assets	2,863	1,973
Property, plant and equipment (note 9)	42,527	58,134
Intangible assets (note 10)	22,307	27,920
Deferred income tax assets (note 19(b))	2,538	3,827
Goodwill (note 11)	3,008	23,352
	$ 209,652	$ 335,849
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 12)	$ 57,454	$ 55,502
Current portion of deferred revenue	1,779	1,782
Current portion of long-term debt (note 13)	8,257	18,955
Current portion of warranty liability (note 14)	5,554	9,696
	73,044	85,935
Warranty liability (note 14)	8,437	13,413
Long-term debt (note 13)	54,190	57,741
Deferred revenue	1,513	3,795
Deferred income tax liabilities (note 19(b))	3,570	5,352
Other long-term liabilities (note 15)	1,302	1,605
	142,056	167,841
Shareholders' equity:		
Share capital (note 17):		
Authorized:		
Unlimited common shares, no par value		
Unlimited preferred shares in series, no par value		
Issued:		
64,380,819 (2014 - 63,480,722) common shares	937,029	930,857
Other equity instruments	16,460	7,767
Additional paid in capital	9,837	9,837
Accumulated deficit	(863,348)	(764,960)
Accumulated other comprehensive income	(32,382)	(15,493)
	67,596	168,008
Commitments and contingencies (note 22)		
	$ 209,652	$ 335,849

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Brenda J. Eprile Director **Warren Baker** Director

WESTPORT INNOVATIONS INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Expressed in thousands of United States dollars, except share and per share amounts)

	Years ended December 31,		
	2015	2014	2013
Product revenue	$ 97,844	$ 118,015	$ 148,001
Service and other revenue (note 21)	5,460	12,554	16,031
	103,304	130,569	164,032
Cost of revenue and expenses:			
Cost of product revenue	83,314	97,923	148,690
Research and development (note 17(d) and 18)	52,777	76,580	91,132
General and administrative (note 17(d))	35,201	40,319	46,475
Sales and marketing (note 17(d))	17,496	25,489	28,707
Foreign exchange (gain) loss	(11,601)	(3,433)	(15,168)
Depreciation and amortization (note 9 and 10)	13,654	18,666	16,288
Bank charges, interest and other	378	703	595
Impairment of long lived assets	4,015	5,238	4,838
Provision for inventory purchase commitments (note 12 and 22(b))	—	4,106	—
Intangible impairment (note 10)	—	5,823	1,721
Goodwill impairment (note 11)	18,707	18,543	34,964
	213,941	289,957	358,242
Loss from operations	(110,637)	(159,388)	(194,210)
Income from investments accounted for by the equity method	18,317	14,222	13,444
Interest on long-term debt and amortization of discount	(5,529)	(5,849)	(4,789)
Interest and other income	192	817	1,018
Loss before income taxes	(97,657)	(150,198)	(184,537)
Income tax expense (recovery) (note 19):			
Current	1,245	606	1,414
Deferred	(514)	(1,185)	(541)
	731	(579)	873
Net loss for the year	$ (98,388)	$ (149,619)	$ (185,410)
Other comprehensive income (loss):			
Cumulative translation adjustment	(16,889)	(15,201)	(17,308)
Comprehensive loss	$ (115,277)	$ (164,820)	$ (202,718)
Loss per share:			
Basic and diluted	$ (1.53)	$ (2.37)	$ (3.22)
Weighted average common shares outstanding:			
Basic and diluted	64,109,703	63,130,022	57,633,190

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Shareholders' Equity

(Expressed in thousands of United States dollars, except share amounts)

	Common shares outstanding	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
January 1, 2013	55,294,091	$ 733,385	$ 9,228	$ 6,384	$ (429,932)	$ 17,016	336,081
Issue of common shares on exercise of stock options	111,986	1,147	—	(406)	—	—	741
Issue of common shares on exercise of share units	609,200	10,599	(10,599)	—	—	—	—
Issue of common shares in connection with acquisition	718,485	24,091	—	—	—	—	24,091
Acquisition to be settled by issuance of common shares	—	—	3,285	—	—	—	3,285
Issue of common shares on public offering	6,000,000	152,340	—	—	—	—	152,340
Share issue costs	—	(5,065)	—	—	—	—	(5,065)
Stock-based compensation	—	—	11,920	2,227	—	—	14,147
Net loss for the year	—	—	—	—	(185,410)	—	(185,410)
Other comprehensive loss	—	—	—	—	—	(17,308)	(17,308)
December 31, 2013	62,733,762	916,497	13,834	8,205	(615,342)	(292)	322,902
Issue of common shares on exercise of stock options	43,071	374	—	(132)	—	—	242
Issue of common shares on exercise of share units	608,975	10,701	(10,701)	—	—	—	—
Issue of common shares in connection with acquisition	94,914	3,285	(3,285)	—	—	—	—
Stock-based compensation	—	—	7,919	1,764	—	—	9,683
Net loss for the year	—	—	—	—	(149,619)	—	(149,619)
Other comprehensive loss	—	—	—	—	—	(15,201)	(15,201)
December 31, 2014	63,480,722	930,857	7,767	9,837	(764,960)	(15,493)	168,008
Issue of common shares on exercise of share units	575,024	5,010	(5,010)	—	—	—	—
Issue of common shares in connection with acquisition	325,073	1,162	—	—	—	—	1,162
Stock-based compensation	—	—	13,703	—	—	—	13,703
Net loss for the year	—	—	—	—	(98,388)	—	(98,388)
Other comprehensive loss	—	—	—	—	—	(16,889)	(16,889)
December 31, 2015	64,380,819	$ 937,029	$ 16,460	$ 9,837	$ (863,348)	$ (32,382)	$ 67,596

See accompanying notes to consolidated financial statements.

Westport Innovations Inc.

Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)

	Years ended December 31,		
	2015	2014	2013
Cash flows from (used in) operating activities:			
Net loss for the year	$ (98,388)	$ (149,619)	$ (185,410)
Items not involving cash:			
Depreciation and amortization	13,654	18,666	16,288
Stock-based compensation expense	14,871	9,683	14,283
Unrealized foreign exchange gain	(11,601)	(3,434)	(15,168)
Deferred income tax (recovery) expense	(514)	(1,185)	(541)
Income from investments accounted for by the equity method	(18,317)	(14,222)	(13,444)
Amortization of long-term debt	876	2,139	1,643
Impairment of long lived assets	4,015	5,238	4,838
Inventory write-downs to net realizable value	8,743	2,102	4,925
Provision for inventory purchase commitments	—	4,106	—
Intangible impairment	—	5,823	1,721
Goodwill impairment	18,707	18,543	34,964
Change in fair value of derivative liability and bad debt expense	587	1,338	(37)
Changes in non-cash operating working capital:			
Accounts receivable	975	11,629	(12,289)
Inventories	(5,997)	(1,367)	5,179
Prepaid expenses	661	(556)	513
Accounts payable and accrued liabilities	9,526	(4,749)	(2,064)
Deferred revenue	(1,507)	(5,096)	5,208
Warranty liability	(5,359)	(5,797)	22,602
	(69,068)	(106,758)	(116,789)
Cash flows from (used in) investing activities:			
Purchase of property, plant and equipment	(4,845)	(10,249)	(26,450)
Maturity (purchase) of short-term investments, net	—	31,369	(5,771)
Acquisitions, net of acquired cash (note 4)	787	(3,053)	1,178
Dividends received from joint ventures	20,464	3,200	8,287
	16,406	21,267	(22,756)
Cash flows from (used in) financing activities:			
Repayment of operating lines of credit and long term facilities	(8,308)	(9,540)	(13,678)
Increase in operating lines of credit and issuance of long term facilities	5,432	17,797	—
Finance costs incurred	—	(2,033)	—
Proceeds from stock options exercised	—	242	741
Shares issued for cash	—	—	152,340
Share issuance costs	—	—	(5,065)
	(2,876)	6,466	134,338
Effect of foreign exchange on cash and cash equivalents	(10,601)	(6,206)	(5,238)
Decrease in cash and cash equivalents	(66,139)	(85,231)	(10,445)
Cash and cash equivalents, beginning of year	93,282	178,513	188,958
Cash and cash equivalents, end of year	$ 27,143	$ 93,282	$ 178,513

See accompanying notes to consolidated financial statements.

Westport Innovations Inc.

Consolidated Statements of Cash Flows (continued)
(Expressed in thousands of United States dollars)

	Years ended December 31,		
	2015	2014	2013
Supplementary information:			
Interest paid	$ 4,551	$ 4,702	$ 3,911
Taxes paid, net of refunds	1,238	871	1,321
Non-cash transactions:			
Shares issued on exercise of share units	5,010	10,701	10,599

See accompanying notes to consolidated financial statements.

1. Company organization and operations:

Westport Innovations Inc. (the “Company”) was incorporated under the Business Corporations Act (Alberta) on March 20, 1995.

The Company is a provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. Its technology and products enable light (<5.9 litre), medium (5.9 to 10 litre), heavy-duty (11 to 16 litre) and high horsepower (> 16 litre) petroleum-based fuel engines to use primarily natural gas, giving users a cleaner, more plentiful and generally less expensive alternative fuel.

The Company is focused on developing technology to enable more environmentally sustainable engines without compromising the performance, fuel economy, durability and reliability of diesel engines. The substitution of natural gas for petroleum-based fuel drives a significant reduction in harmful combustion emissions, such as nitrogen oxides, particulate matter and greenhouse gas, in addition to using an abundant, relatively inexpensive alternative fuel. The Company’s systems can be used to enable combustion engines to use gaseous fuels, such as natural gas, propane, renewable natural gas or hydrogen. The Company’s research and development effort and investment have resulted in a substantial patent portfolio that serves as the foundation for its differentiated technology offerings and competitive advantage.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and variable interest entities (“VIEs”) for which the Company is considered the primary beneficiary. All intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The Company has sustained net losses since inception and as at December 31, 2015 has an accumulated deficit of $863,348. As at December 31, 2015 the Company has cash and cash equivalents of $27,143. The Company’s ability to continue as a going concern is dependent on its available cash, its ability to find new sources of financing or raise cash through the sale of assets while in pursuit of operating profitability. There can be no assurance that the Company will be successful in achieving its objectives. Management believes that the cash balances available as of December 31, 2015, combined with cost cutting measures in place and its ability to find new sources of financing or raise cash through the sale of assets subsequent to the balance sheet date, provides sufficient funds for the Company to meet its obligations beyond the next 12 months. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. See also "Cartesian Financing" and "Merger with Fuel Systems Solutions, Inc." in Note 25 of these financial statements for cash raised subsequent to year end.

(b) Foreign currency translation:

The Company’s reporting currency for its consolidated financial statement presentation is the United States dollar. The functional currencies of the Company’s operations and subsidiaries include the following: United States, Canadian ("CDN") and Australian dollar, Euro, Chinese Renminbi (“RMB”), and Swedish Krona. The Company translates assets and liabilities of non-U.S. dollar functional currency operations using the period end exchange rates, shareholders’ equity balances using the weighted average of historical exchange rates, and revenues and expenses using the monthly average rate for the period with the resulting exchange differences recognized in other comprehensive income.

2. Significant accounting policies (continued):

(b) Foreign currency translation (continued):

Transactions that are denominated in currencies other than the functional currency of the Company's operations or its subsidiaries are translated at the rate in effect on the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to the applicable functional currency at the exchange rate in effect on the balance sheet date. Non-monetary assets and liabilities are translated at the historical exchange rate. All foreign exchange gains and losses are recognized in the statement of operations, except for the translation gains and losses arising from available-for-sale instruments, which are recorded through other comprehensive income until realized through disposal or impairment.

Except as otherwise noted, all amounts in these financial statements are presented in U.S. dollars. For the periods presented, the Company used the following exchange rates:

	Year end exchange rate as at:		Average for the year ended:	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Canadian dollar	0.72	0.86	0.78	0.91
Australian dollar	0.73	0.82	0.75	0.90
Euro	1.09	1.21	1.11	1.33
RMB	0.15	0.16	0.16	0.16
Swedish Krona	0.12	0.13	0.12	0.15

(c) Cash and cash equivalents:

Cash and cash equivalents includes cash, term deposits, bankers acceptances and guaranteed investment certificates with maturities of ninety days or less when acquired. Cash equivalents are considered as held for trading and recorded at fair value with changes in fair value recognized in the consolidated statements of operations.

(d) Short-term investments:

Short-term investments, consisting of investment grade commercial paper, banker acceptances, bearer deposit notes, guaranteed investment certificates and other term deposits, are considered available for sale and recorded at fair value with changes in fair value recognized in accumulated other comprehensive income until realized. A decline in value that is considered other than temporary is recognized in net loss for the period.

2. Significant accounting policies (continued):

(e) Accounts receivable, net:

Accounts receivable are measured at amortized cost. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Past due balances over 90 days are reviewed individually for collectibility. If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(f) Inventories:

The Company's inventories consist of the Company's fuel system products (finished goods), work-in-progress, purchased parts and assembled parts. Inventories are recorded at the lower of cost and net realizable value. Cost is determined based on the lower of weighted average cost and net realizable value. The cost of fuel system product inventories, assembled parts and work-in-progress includes materials, labour and production overhead including depreciation. The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. In addition, the Company records a liability for firm, noncancelable, and unconditional purchase commitments with manufacturers for quantities in excess of the Company's future demand forecast consistent with its valuation of excess and obsolete inventory.

(g) Property, plant and equipment:

Property, plant and equipment are stated at cost. Depreciation is provided as follows:

Assets	Basis	Rate
Buildings	Straight-line	15 years
Computer equipment and software	Straight-line	3 years
Furniture and fixtures	Straight-line	5 years
Machinery and equipment	Straight-line	8 – 10 years
Leasehold improvements	Straight-line	Lease term

2. Significant accounting policies (continued):

(h) Long-term investments:

The Company accounts for investments in which it has significant influence, including VIEs for which the Company is not the primary beneficiary, using the equity method of accounting. Under the equity method, the Company recognizes its share of income from equity accounted investees in the statement of operations with a corresponding increase in long-term investments. Any dividends paid or payable are credited against long-term investments.

(i) Financial liabilities:

Accounts payable and accrued liabilities, short-term debt and long-term debt are measured at amortized cost. Transaction costs relating to long-term debt are deferred in other assets on initial recognition and are amortized using the effective interest rate method.

(j) Research and development costs:

Research and development costs are expensed as incurred and are recorded net of government funding received or receivable.

(k) Government assistance:

The Company periodically applies for financial assistance under available government incentive programs, which is recorded in the period it is received or receivable. Government assistance relating to the purchase of property, plant and equipment is reflected as a reduction of the cost of such assets. Government assistance related to research and development activities is recorded as a reduction of the related expenditures.

(l) Intangible assets:

Intangible assets consist primarily of the cost of intellectual property, trademarks, technology, customer contracts and non-compete agreements. Intangible assets are amortized over their estimated useful lives, which range from 5 to 20 years.

(m) Impairment of long-lived assets:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such conditions exist, assets are considered impaired if the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

2. Significant accounting policies (continued):

(n) Goodwill impairment:

Goodwill is recorded at the time of purchase for the excess of the amount of the purchase price over the fair values of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized and instead is tested at least annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. This impairment test is performed annually at November 30. Future adverse changes in market conditions or poor operating results of underlying assets could result in an inability to recover the carrying value of the goodwill, thereby possibly requiring an impairment charge.

A two-step test is used to identify a potential impairment and to measure the amount of impairment, if any. The first step is to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is considered not impaired; otherwise, goodwill is impaired and the loss is measured by performing step two. Under step two, the impairment loss is measured by comparing the implied fair value of the reporting unit goodwill with the carrying amount of goodwill.

Fair value is determined using widely accepted valuation techniques, which may include discounted cash flows and market multiple analyses. These types of analyses contain uncertainties because they require management to make assumptions and to apply judgment to estimate industry economic factors and the profitability of future business strategies.

(o) Warranty liability:

Estimated warranty costs are recognized at the time the Company sells its products and are included in cost of revenue. The Company provides warranty coverage on products sold for a period ending two years from the date the products are put into service by customers. Warranty liability represents the Company's best estimate of warranty costs expected to be incurred during the warranty period. Furthermore, the current portion of warranty liability represents the Company's best estimate of the costs to be incurred in the next twelve-month period. The Company uses historical failure rates and cost to repair defective products to estimate the warranty liability. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. The Company records warranty expense for new products upon shipment using a factor based upon historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. The amount payable by the Company and the timing will depend on actual failure rates and cost to repair failures of its products. Since a number of the Company's products are new in the market, historical data may not necessarily reflect actual costs to be incurred and may result in significant fluctuations in the warranty liability.

2. Significant accounting policies (continued):

(p) Extended warranty:

The Company sells extended warranty contracts that provide coverage in addition to the basic warranty coverage. Proceeds from the sale of these contracts are deferred and amortized over the extended warranty period commencing at the end of the basic warranty period. On a periodic basis, management reviews the estimated costs expected to be incurred related to servicing these contracts and recognizes a loss to the extent such costs exceed the related deferred revenue. Extended warranty costs are expensed as period costs as incurred.

(q) Revenue recognition:

Product revenue

The Company's primary source of revenue is from the sale of kits, Westport LNG systems and parts, and Westport CNG and LPG fuel systems for OEMs in the light-duty automotive and industrial markets. Product revenue is recognized when contractual terms are agreed upon, the price is fixed or determinable, the products are shipped and title passes to the customer and collectability is reasonably assured.

Revenue from research and development

The Company also earns service revenue from research and development arrangements under which the Company provides contract services relating to developing natural gas engines or biogas engines for use in products and providing ongoing development services to assist with the development and commercialization of products. These contracts provide for the payment for services based on our achieving defined milestones or on the performance of work under product development programs. Revenues are recognized using the milestone method based on assessment of progress achieved against the defined milestones. Revenue may also be recognized using the proportionate performance method of accounting based on the performance of work under the research and development arrangement. All costs incurred related to revenue earned from research and development arrangements are recorded as research and development expense as incurred.

Revenue from contracts

The Company earns revenue under certain contracts to provide engineering development services. These contracts provide for the payment for services based on the performance of work under product development programs. Revenues are recognized under these contracts based on the percentage of completion method of accounting. The components to measure percentage of completion may include estimated costs to complete a contract, estimated hours to completion or management's assessment of work to be performed. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period the loss is determined. Changes to the estimated percentage of completion of a contract may result in an adjustment to previously recognized revenues. All costs incurred related to revenue earned from contracts are recorded in cost of products sold.

2. Significant accounting policies (continued):

(q) Revenue recognition (continued):

Arrangements with customers may include multiple deliverables, including any combination of products, services, and licenses. In these arrangements, the Company allocates revenue to all deliverables based on their relative selling prices. The Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (a) vendor-specific objective evidence of fair value (VSOE), (b) third-party evidence of selling price (TPE), and (c) best estimate of selling price (BESP), which are determined as follows:

VSOE-In limited circumstances are products sold separately in stand-alone arrangements. In determining VSOE, the Company requires that a substantial majority of the selling prices for a product or service falls within a reasonably narrow pricing range, generally evidenced by the pricing rates of approximately 85% of such historical stand-alone transactions falling within plus or minus 10% of the median rate. In addition, the Company considers the geographies in which the products or services are sold, major product and service groups, customer classification, and other environmental or marketing variables in determining VSOE.

TPE-VSOE exists only when the Company sells the deliverable separately. When VSOE does not exist, the Company attempts to determine TPE based on competitor prices for similar deliverables when sold separately. Generally, the Company's go-to-market strategy for many of its products differs from that of its peers and its offerings contain a significant level of customization and differentiation such that the comparable pricing of products with similar functionality sold by other companies cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor products' selling prices are on a stand-alone basis. Therefore, the Company is typically not able to determine TPE.

BESP-The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. When both VSOE and TPE do not exist, the Company determines BESP by first collecting all reasonably available data points including sales, cost and margin analysis of the product, and other inputs based on the Company's normal pricing practices. Second, the Company makes any reasonably required adjustments to the data based on market and Company-specific factors. Third, the Company stratifies the data points, when appropriate, based on customer, magnitude of the transaction and sales volume.

Once elements of an arrangement are separated into more than one unit of accounting, revenue is recognized for each separate unit of accounting based on the nature of the revenue as described above.

Changes in cost estimates and the fair values of certain deliverables could negatively impact the Company's operating results. In addition, unforeseen conditions could arise over the contract term that may have a significant impact on the Company's operating results.

License revenue

Revenue from technology license fees is recognized over the duration of the licensing agreement. Amounts received in advance of the revenue recognition criteria being met are recorded as deferred revenue.

2. Significant accounting policies (continued):

(r) Income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based on the temporary differences between the accounting basis and tax basis of the assets and liabilities and for loss carry-forwards, tax credits and other tax attributes, using the enacted tax rates in effect for the years in which the differences are expected to reverse. The effect of a change in tax rates on the deferred income tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred income tax assets to the extent the assets are more-likely-than-not to be realized. In making such a determination the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If it is determined that, based on all available evidence, it is more-likely-than-not that some or all of the deferred income tax assets will not be realized, a valuation allowance is provided to reduce the deferred income tax assets.

The Company uses a two-step process to recognize and measure the income tax benefit of uncertain tax positions taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is recognized if it is more-likely-than-not that the position will be sustained upon examination by a tax authority based solely on the technical merits of the position. A tax benefit that meets the more-likely-than-not recognition threshold is measured as the largest amount that is greater than 50% likely to be realized upon settlement with the tax authority. To the extent a full benefit is not expected to be realized, an income tax liability is established. Any change in judgment related to the expected resolution of an uncertain tax position is recognized in the year of such a change.

3. Accounting Changes

(a) New accounting pronouncements adopted in 2015:

Simplifying the Presentation of Debt Issuance Costs:

In April 2015, the FASB issued ASU 2015-03, which requires debt issuance costs related to a debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability instead of being presented as an asset. The recognition and measurement guidance for debt issuance costs has not changed. ASU 2015-03 requires retrospective application and represents a change in accounting principle. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted for financial statements that have not been previously issued. We adopted this update in the fourth quarter of 2015. We applied the change retrospectively to January 1, 2014 for prior period balances of unamortized debt issuance costs, resulting in a $1,486 (CDN$1,964) reduction in other assets and long-term debt on our consolidated balance sheet as of December 31, 2014.

Simplifying the Accounting for Measurement-Period Adjustments (Topic 805): Business Combinations :

In September 2015, the FASB issued ASU 2015-16, which replaces the requirement that an acquirer in a business combination account for measurement period adjustments retrospectively with a requirement that an acquirer recognize adjustments to the provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 requires that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. For public business entities, ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The guidance is to be applied prospectively to adjustments to provisional amounts that occur after the effective date of the guidance, with earlier application permitted for financial statements that have not been issued. Our early adoption of ASU 2015-16 in the third quarter of 2015 did not have a material impact on our consolidated financial statements.

Simplifying the balance sheet classification of deferred taxes (Topic 740): Income Taxes:

In November 2015, the FASB issued ASU 2015-17 amending the accounting for income taxes and requiring all deferred tax assets and liabilities to be classified as non-current on the consolidated balance sheet. The ASU is effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The ASU may be adopted either prospectively or retrospectively. We adopted this update as of December 31, 2015 and applied the change retrospectively to January 1, 2014 for prior period balances of deferred tax assets and liabilities, resulting in a $3,556 reduction in total current assets and corresponding increase in long term assets, along with a $398 reduction in total current liabilities and corresponding increase in long term liabilities on our consolidated balance sheet as of December 31, 2014.

(b) New accounting pronouncements to be adopted in the future::

Revenue:

In May 2014, Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue From Contracts With Customers* ("Topic 606"). Topic 606 removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, provides more useful information to users of financial statements through improved disclosure requirements and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The guidance in this update supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally, this update supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts. Topic 606 is effective for public entities with reporting periods beginning after December 15, 2017. Early adoption would be permitted as of the original

3. Accounting Changes continued:

effective date in ASU 2014-09 (i.e., annual reporting periods beginning after December 15, 2016, including interim reporting periods within the annual periods). The Company has not yet evaluated the impact of the adoption of this new standard.

Going Concern:

In August 2014, the FASB issued ASU 2014-15 "Presentation of Financial Statements - Going Concern," outlining management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern, along with the required disclosures. ASU 2014-15 is effective for the annual periods ending after December 15, 2016 with early adoption permitted. The Company does not anticipate a material impact to the Company's financial statements as a result of this change.

Amendments to the Consolidation Analysis (Topic 810): Consolidation

In February 2015 the FASB issued ASU 2015-02, which revises the current consolidation guidance which results in a change in the determination of whether an entity consolidates certain types of legal entities. The Company is currently assessing the impact of the new standard on its consolidated financial statements. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015 and may be applied on a full or modified retrospective basis.

Simplifying the Measurement of Inventory (Topic 330): Inventory

In July 2015, the FASB issued ASU 2015-11, which requires an entity to measure inventory at the lower of cost or net realizable value, which consists of the estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. For public entities, the updated guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The guidance is to be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not anticipate a material impact to the Company's financial statements as a result of this change.

4. Business Combinations

(a) Acquisition of Prins Autogassystemen Holding B.V.

On December 2, 2014 ("the acquisition date"), the Company acquired 100% of the outstanding shares of Prins Autogassystemen Holding B.V. ("Prins") for a base purchase price of EUR 12,200 ($15,017). The Company paid cash of EUR 2,500 ($3,112) and assumed debt of EUR 9,700 ($11,905). The results of Prins's consolidated operations have been included since December 2, 2014. Prins is a world leader in the development of alternative fuel systems and provides cost-effective and innovative solutions for a wide range of engine types.

The Company recognized $342 of acquisition related costs in General and Administrative expense under the Corporate and Technology Investments segment during the year ended December 31, 2014.

During the three months ended September 30, 2015, the Company finalized the allocation of the purchase price to the identifiable assets acquired and liabilities assumed based on it estimates of their fair values on the acquisition date. The measurement period adjustments to goodwill for the Prins acquisition were primarily due to a settlement agreement reached with the sellers during the third quarter of 2015 for working capital disputes related to the acquisition. The Company received a cash settlement of EUR 700 ($787) from the sellers, which contributed to the purchase price of Prins being revised to EUR 11,500 ($14,230). The fair values of acquired assets and liabilities were revised from the estimated values filed on Form 40-F/A on October 15, 2015 as a result of the Company's finalizing the valuation of the acquired assets and assumed liabilities. Goodwill increased by $149, while current assets decreased by $791 and current liabilities increased by $145. There was no effect on current period earnings as a result of the changes to the provisional amounts recognized.

The following table summarizes the final allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, as well as the adjustments made during the measurement period.

	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
Consideration allocated to:			
Other tangible assets	$ 13,138	$ (791)	$ 12,347
Property, plant and equipment	3,824	—	3,824
Intangible assets subject to amortization over 5 years	3,024	—	3,024
Goodwill	3,221	149	3,370
Total assets acquired	$ 23,207	$ (642)	$ 22,565
Less:			
Current liabilities	$ 7,211	$ 145	$ 7,356
Deferred income tax liabilities	979	—	979
Debt assumed	11,905	—	11,905
	$ 20,095	$ 145	$ 20,240
Total net assets acquired	$ 3,112	$ (787)	$ 2,325
Consideration:			
Paid to sellers	$ 3,112	$ (787)	$ 2,325

4. Business Combinations (continued)

Intangible Assets

The fair value of intangible assets is $3,024 and is assigned to customer relationships. The intangible assets are being amortized over their estimated useful life of five years.

Inventory

The fair value of $4,975 assigned to inventory was based on estimated selling prices and selling costs associated with the inventory.

Goodwill

Of the total consideration paid, $3,370 (measured at the December 31, 2014 EURO/USD exchange rate) has been allocated to goodwill. The entire goodwill recognized is assigned to the Westport Operations and is not deductible for tax purposes.

Land and Building

The fair value of $3,824 assigned to land and building was based on valuations of similar buildings in the area and will be amortized over its estimated useful life of 15 years.

The consolidated financial statements reflect consolidated revenue and net loss for Prins of $ 1,196 and $(301), respectively, from December 2, 2014 to December 31, 2014.

Pro forma results

The following unaudited supplemental pro forma information presents the consolidated financial results as if the acquisition of Prins had occurred on January 1, 2013. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on January 1, 2013, nor are they indicative of any future results.

	Years ended December 31,	
	2014	2013
Revenue		
Revenue for the period	$ 130,569	$ 164,032
Add: BAF - see (note 4(b))	—	7,249
Add: Prins	30,993	30,885
Pro forma revenue for the period	$ 161,562	$ 202,166
Net Loss		
Net loss for the period	$ (149,619)	$ (185,410)
Add: BAF - see (note 4(b))	—	(4,038)
Add: Prins	91	(1,381)
Pro forma net loss for the period	$ (149,528)	$ (190,829)

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of Prins to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied on January 1, 2013, together with the consequential tax effects.

4. Business Combinations (continued)

(b) Acquisition of BAF Technologies, Inc. ("BAF"):

On June 28, 2013 ("the acquisition date"), the Company acquired 100% of the outstanding common shares of BAF and its subsidiary, ServoTech Engineering, Inc. ("ServoTech") from Clean Energy Fuels Corp. ("Clean Energy"). The results of BAF's consolidated operations have been included since July 1, 2013 in these consolidated financial statements in the Westport Operations segment. BAF is a natural gas vehicle business that supports customers with vehicle conversions under Ford's Qualified Vehicle Modifier ("QVM") program. ServoTech is an engineering company that provides a total engineering solution from initial concept phase to prototype hardware and validation.

Pursuant to the Stock Purchase Agreement, the acquisition was settled with 816,460 of the Company's common shares. The number of shares transferred was determined using the 10-day volume weighted average price (VWAP) per share prior to and including the acquisition date ($30.62 per share). Of the 816,460 common shares, 718,485 shares, with a fair value of $ 24,091, were issued on the acquisition date and 97,975 shares ("Holdback shares"), with a fair value of $ 3,285, were issued. The fair value of the shares transferred or to be transferred was determined by the closing share price on the acquisition date ($33.53 per share).

As part of the business acquisition, the Company entered into a marketing agreement ("Marketing Agreement") with Clean Energy, effective on the acquisition date for a period of two years. The Company was required to make a cash payment of $ 5,000 to Clean Energy in March 2014. Under the terms of the Marketing Agreement, Clean Energy will provide products and services to the Company.

The products and services received pursuant to the Marketing Agreement have been accounted for as a separate transaction from the business combination and the Company has determined the fair value of these products and services to be $2,678. The fair value has been allocated to the products and services and will be recognized when the goods are received and services performed. The fair value of the products and services of the Marketing Agreement was determined using Level 1 and Level 2 inputs.

The excess of the consideration payable of $5,000 and the fair value of the goods and services to be received separate from the business combination of $ 2,322 has been included as purchase consideration for the acquisition of BAF.

4. Business Combinations (continued):

(b) Acquisition of BAF (continued):

The following table summarizes management's final fair market valuation of the assets acquired and liabilities assumed at the acquisition date based on the results of a valuation report issued by a third-party valuation firm.

Consideration allocated to:		
Other tangible assets, including cash of $1,178	$	9,116
Property, plant and equipment		905
Intangible assets subject to amortization over 3 to 10 years		7,729
Goodwill		18,542
Total assets acquired		36,292
Less: total liabilities		(6,594)
Total net assets acquired	$	29,698
Consideration:		
Payable to Clean Energy	$	2,322
Common shares issued		24,091
Common shares to be issued		3,285
	$	29,698

The Company recognized $493 of acquisition related costs in General and Administrative expense under the Corporate and Technology Investments segment during the year ended December 31, 2013.

Intangible Assets

The fair values for specifically identifiable intangible assets by major asset class are as set forth below.

	Assigned fair value	Weighted average amortization period
Customer relationships	$ 6,350	8 years
Core technology	160	10 years
Other intangibles	1,219	3 years
Total	$ 7,729	7 years

Inventory

The fair value of $5,792 assigned to inventory was based on assumptions about the selling prices and selling costs associated with the inventory.

4. Business Combinations (continued):

(b) Acquisition of BAF (continued):

Deferred Income taxes

The Company recognized a deferred income tax liability of $ 296 relating to the difference in book and tax bases of acquired assets.

Goodwill

Of the total consideration paid, $ 18,542 has been allocated to goodwill. The entire goodwill amount recognized is assigned to the Westport Operations segment. The goodwill recognized is attributable primarily realizing expected synergies that are specific to the Company's business. The goodwill is not deductible for tax purposes.

The consolidated financial statements reflect consolidated revenue and net loss for BAF of $ 17,097 and $3,512, respectively, from June 28, 2013 to December 31, 2013.

Pro forma results

The following unaudited supplemental pro forma information presents the consolidated financial results as if the acquisition of BAF had occurred on January 1, 2012. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on January 1, 2012, nor are they indicative of any future results.

	Years ended December 31,	
	2013	2012
Revenue	$ 171,281	$ 181,972
Net loss	$ (189,448)	$ (100,946)

These amounts have been calculated after applying the Company's accounting policies and adjusting the results of BAF to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied on January 1, 2012, together with the consequential tax effects.

5. Accounts Receivable:

	December 31, 2015	December 31, 2014
Customer trade receivable	$ 35,517	$ 43,256
Due from joint venture (note 20)	1,165	2,538
Other receivables	3,617	3,307
Income tax receivable	1,047	499
Allowance for doubtful accounts	(3,022)	(2,751)
	$ 38,324	$ 46,849

6. Inventories:

	December 31, 2015	December 31, 2014
Purchased parts	$ 20,864	$ 28,227
Work-in-process	3,485	4,879
Finished goods	11,311	8,718
	$ 35,660	$ 41,824

During the year ended December 31, 2015, the Company recorded write-downs to net realizable value of approximately $8,743 (year ended December 31, 2014 - $2,102; year ended December 31, 2013 - $4,925).

7. Long-term investments:

	December 31, 2015	December 31, 2014
Weichai Westport Inc. (a)	$ 19,065	$ 18,791
Cummins Westport Inc. (b)	10,731	13,196
Other equity accounted investees	1,315	1,337
	$ 31,111	$ 33,324

7. Long-term investments (continued):

(a) Weichai Westport Inc.:

On July 3, 2010, the Company invested $4,316 under an agreement with Weichai Holding Group Co. Ltd. and Hong Kong Peterson ("CNG") Equipment Ltd. to form Weichai Westport Inc. ("WWI"). On October 11, 2011, the Company invested an additional $955 in WWI. The Company has a 35% equity interest in WWI.

For the year ended December 31, 2015, the Company recognized its share of WWI's income of $1,044 (year ended December 31, 2014 - $6,027; year ended December 31, 2013 - $4,264), as income from investment accounted for by the equity method.

Assets, liabilities, revenue and expenses of WWI as of and for the years presented are as follows:

	December 31, 2015	December 31, 2014
Current assets:		
Cash and short-term investments	$ 4,898	$ 11,734
Accounts receivable	67,302	72,121
Inventory	38,267	83,594
Other current assets	729	1,249
Long-term assets:		
Property, plant and equipment	6,401	5,736
Deferred income tax assets	6,611	7,781
Other long-term assets	$ 1,516	$ —
Total assets	$ 125,724	$ 182,215
Current liabilities:		
Accounts payable and accrued liabilities	$ 71,162	$ 128,838
Total liabilities	$ 71,162	$ 128,838

	Years ended December 31,		
	2015	2014	2013
Product revenue	$ 185,967	$ 618,465	$ 466,580
Cost of revenue and expenses:			
Cost of product revenue	164,581	565,943	429,238
Operating expenses	17,602	32,227	22,846
	182,183	598,170	452,084
Income before income taxes	3,784	20,295	14,496
Income tax expense	844	3,076	2,315
Income for the year	$ 2,940	$ 17,219	$ 12,181

7. Long-term investments (continued):

(b) Cummins Westport Inc.:

The Company entered into a joint venture with Cummins on March 7, 2001. On December 16, 2003, the Company and Cummins amended the joint venture agreement ("JVA") focusing CWI on developing markets for alternative fuel engines. In addition, the two companies signed a Technology Partnership Agreement that creates a flexible arrangement for future technology development between Cummins and the Company.

On February 20, 2012, the JVA was amended and restated to provide for, among other things, clarification concerning the scope of products within CWI. In addition, the parties have revised certain economic terms of the JVA.

The joint venture has a term of ten years from the date of the JVA and can be terminated under certain circumstances before the end of the term, including in the event of a material breach of the agreement by, or in the event of a change of control of one of the parties.

Prior to February 20, 2012, the Company and Cummins shared equally in the profits and losses of CWI. Under the new JVA, profits and losses are shared equally up to an established revenue baseline, then any excess profit will be allocated 75% to the Company and 25% to Cummins.

The Company has determined that CWI is a variable interest entity ("VIE"). Cummins and Westport each own 50% of the common shares of CWI and have equal representation on the Board of Directors. No one shareholder has the unilateral power to govern CWI. The Board of Directors has power over the operating decisions and to direct other activities of CWI that most significantly impact CWI's economic performance as set forth in the governing documents. As decision-making at the Board of Directors' level requires unanimous approval, this power is shared. Accordingly neither party is the primary beneficiary.

For the year ended December 31, 2015, the Company recognized its share of CWI's income of $17,105 (year ended December 31, 2014 - $8,136; year ended December 31, 2013 - $9,433), as income from investment accounted for by the equity method.

7. Long-term investments (continued):

(b) Cummins Westport Inc. (continued):

During the first quarter of 2015, the Company identified adjustments in CWI's estimated 2014 financial results, which primarily related to warranty accrual. The identified adjustments resulted in a cumulative $1,184 understatement of the Company's income from investments accounted for by the equity method for the year ended December 31, 2014. The Company corrected the amounts related to CWI in the first quarter of 2015, which had the net effect of increasing income from investments accounted for by the equity method by $1,184 for the year ended December 31, 2015. The Company did not believe this adjustment was material to its consolidated financial statements for the year ended December 31, 2014 and, therefore, did not restate any prior period amounts. The Company does not believe the adjustment is material to the year ended December 31, 2015 consolidated financial statements.

Assets, liabilities, revenue and expenses of CWI are as follows:

	December 31, 2015	December 31, 2014
Current assets:		
Cash and short-term investments	$ 114,053	$ 107,415
Accounts receivable	4,632	12,741
Current portion of deferred income tax assets	18,990	21,967
Other current assets	287	116
Long-term assets:		
Property, plant and equipment	1,212	1,294
Deferred income tax assets	32,015	29,408
Total assets	$ 171,189	$ 172,941
Current liabilities:		
Current portion of warranty liability	$ 37,313	$ 48,818
Current portion of deferred revenue	13,858	8,029
Accounts payable and accrued liabilities	11,852	6,419
	63,023	63,266
Long-term liabilities:		
Warranty liability	37,963	43,983
Deferred revenue	45,859	34,345
Other long-term liabilities	2,908	2,771
	86,730	81,099
Total liabilities	$ 149,753	$ 144,365

7. Long-term investments (continued):

(b) Cummins Westport Inc. (continued):

	Years ended December 31,		
	2015	2014	2013
Product revenue	$ 274,033	$ 283,551	$ 261,012
Parts revenue	57,849	53,683	49,639
	331,882	337,234	310,651
Cost of revenue and expenses:			
Cost of product and parts revenue	228,058	270,832	246,403
Research and development	30,165	21,131	21,522
General and administrative	1,414	1,202	1,348
Sales and marketing	21,236	22,514	17,839
Foreign exchange (gain) loss	28	34	(7)
Bank charges, interest and other	817	805	607
	281,718	316,518	287,712
Income from operations	50,164	20,716	22,939
Interest and investment income	367	260	117
Income before income taxes	50,531	20,976	23,056
Income tax expense (recovery):			
Current	19,785	21,514	24,600
Deferred	(648)	(15,719)	(18,566)
	19,137	5,795	6,034
Income for the year	$ 31,394	$ 15,181	$ 17,022

8. Variable interest entities:

Cummins and Westport each own 50% of the common shares of CWI and have equal representation on the Board of Directors. No one shareholder has the unilateral power to govern CWI. The Board of Directors has power over the operating decisions and to direct other activities of CWI that most significantly impact CWI's economic performance as set forth in the governing documents. As decision-making at the Board of Directors' level requires unanimous approval, this power is shared. Accordingly, neither party is the primary beneficiary.

The Company has not historically provided and does not intend to provide financial or other support to CWI that the Company is not contractually required to provide.

The carrying amount and maximum exposure to losses relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary, and which have not been consolidated, were as follows:

	Balance at December 31, 2015		Balance at December 31, 2014	
	Carrying amount	Maximum exposure to loss	Carrying amount	Maximum exposure to loss
Equity method investment	$ 10,731	$ 10,731	$ 13,196	$ 13,196
Accounts receivable	1,165	1,165	2,538	2,538

9. Property, plant and equipment:

December 31, 2015	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 2,706	$ 165	$ 2,541
Computer equipment and software	7,171	6,234	937
Furniture and fixtures	5,163	2,084	3,079
Machinery and equipment	70,415	36,739	33,676
Leasehold improvements	10,394	8,100	2,294
	$ 95,849	$ 53,322	$ 42,527

December 31, 2014	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 3,015	$ —	$ 3,015
Computer equipment and software	9,277	7,063	2,214
Furniture and fixtures	6,194	1,798	4,396
Machinery and equipment	81,933	36,135	45,798
Leasehold improvements	12,460	9,749	2,711
	$ 112,879	$ 54,745	$ 58,134

The Company reviews its long-lived assets for impairment including property, plant and equipment, and intangible assets whenever events and changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Based on the revenue and operating results and decline in the oil price, the Company concluded there were impairment indicators requiring the performance of a long-lived assets impairment test during the years ended December 31, 2015 and 2014.

During the year ended December 31, 2015, the Company recorded an impairment charge of $4,015. The impairment resulted primarily from the write-down of Orca™ LNG trailers ("Orcas") which provide in-yard fleets convenient refueling in the absence of a permanent liquefied natural gas ("LNG") solution. The method used to determine fair value was recent sales of Orcas and the impairment charge was recorded in the Westport Operations segment.

During the year ended December 31, 2014, the Company recorded an impairment charge of $5,238. The impairment was primarily recorded against non-utilized test cells, and non-utilized equipment related to facility closures.

Depreciation expense for the year ended December 31, 2015 was $10,703 (year ended December 31, 2014 - $14,106; year ended December 31, 2013 - $12,246).

10. Intangible assets:

December 31, 2015	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 16,964	$ 4,094	$ 12,870
Technology	4,862	2,663	2,199
Customer contracts	12,025	4,952	7,073
Other intangibles	283	118	165
Total	$ 34,134	$ 11,827	$ 22,307

December 31, 2014	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 18,425	$ 3,445	$ 14,980
Technology (1)	6,449	3,142	3,307
Customer contracts (1)	13,762	4,163	9,599
Other intangibles (1)	62	28	34
Total	$ 38,698	$ 10,778	$ 27,920

(1) The Company reviews its long-lived assets for impairment including property, plant and equipment, and intangible assets whenever events and changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Based on the revenue and operating results and decline in the oil price, the Company concluded there were impairment indicators requiring the performance of a long-lived assets impairment test for customer contracts, technology and other intangibles as of November 30, 2014. Accordingly non-cash impairment charges aggregating to $5,823 were recorded during the year ended December 31, 2014 which reduced the carrying values of technology by $115, customer contracts by $ 4,705 and other intangibles by $ 1,003 for the Westport Operations segment.

Based on the revenue and operating results and decline in the oil price, the Company concluded there were impairment indicators requiring the performance of a long-lived assets impairment test for customer contracts, technology and other intangibles as of November 30, 2015. The Company completed its annual assessment at November 30, 2015 and concluded that intangible assets were not impaired.

During the year ended December 31, 2015, amortization of $2,951 (December 31, 2014 - $4,560; year ended December 31, 2013 - $4,042) was recognized in the statement of operations.

The expected amortization of intangible assets for fiscal 2016 to 2020 is $2,526 per year.

11. Goodwill:

A continuity of goodwill is as follows:

	December 31, 2015	December 31, 2014
Balance, beginning of period:	$ 23,352	$ 41,500
Acquisition of Prins (note 4(a))	—	3,221
Measurement period adjustments (note 4(a))	149	—
Impairment losses	(18,707)	(18,543)
Impact of foreign exchange changes	(1,786)	(2,826)
Balance, end of period	$ 3,008	$ 23,352

Goodwill is subject to assessment for impairment by applying a fair-value based test on an annual basis or more frequently if circumstances indicate a potential impairment. The Company's annual assessment date is November 30. However, based on the revenue and operating results of the Italian reporting unit, which is within the Westport Operations segment in the nine months ended September 30, 2015, the decline in the outlook for the remainder of 2015 and future years and the decline in the Company's share price, the Company concluded there were impairment indicators requiring an interim goodwill impairment assessment as of September 30, 2015. Based on the Company's assessment, it was determined that the carrying amount of goodwill exceeded the implied fair value of goodwill and as a result an impairment of $18,707 was recorded in the Italian reporting unit.

The remaining goodwill of $3,008 relates to the Netherlands reporting unit, which is also within the Westport Operations segment. The Company completed its annual assessment at November 30, 2015 and concluded that the goodwill was not impaired.

An assessment of the carrying value of goodwill was previously conducted as of November 30, 2014. Based on the Company's assessment, it was determined that carrying amount of goodwill exceeded the implied fair value of goodwill and as a result an impairment of $18,543 was recorded in the US reporting unit, which is within the Westport Operations segment for the year ended December 31, 2014.

For 2014 and 2015, the fair value of the reporting units was determined using the present value of expected future cash flows discounted at a rate equivalent to a market participant's weighted-average cost of capital. The estimates and assumptions regarding expected future cash flows and the appropriate discount rates are in part based upon historical experience, financial forecasts and industry trends and conditions.

12. Accounts payable and accrued liabilities:

	December 31, 2015	December 31, 2014
Trade accounts payable	$ 42,851	$ 41,796
Accrued payroll	3,839	5,270
Accrued interest	1,037	1,237
Taxes payable	2,014	580
Other payables (note 22b)	7,713	6,619
	$ 57,454	$ 55,502

13. Long-term debt:

	December 31, 2015	December 31, 2014
		(1)
Subordinated debenture notes (a)	$ 38,359	$ 44,645
Senior financing (b)	9,123	15,910
Senior revolving financing (c)	10,859	12,101
Other bank financing (d)	3,312	2,646
Capital lease obligations (e)	794	1,394
	62,447	76,696
Current portion	(8,257)	(18,955)
	$ 54,190	$ 57,741

(1) We adopted ASU 2015-03 in the fourth quarter of 2015. We applied the change retrospectively to January 1, 2014 for prior period balances of unamortized debt issuance costs, resulting in a $1,486 (CDN$1,964) reduction in other assets and long-term debt on our consolidated balance sheet as of December 31, 2014.

(a) On September 23, 2011, the Company raised CDN $ 36,000 through the issuance of debentures to Macquarie Private Wealth Inc. (“Macquarie”) on a private placement basis (the “Initial Debentures”). The Initial Debentures were unsecured and subordinated to senior indebtedness, matured on September 22, 2014, and bore interest at 9% per annum, payable in cash semi-annually in arrears on March 15 and September 15 of each year during the term, which commenced on March 15, 2012. The Initial Debentures were redeemable at the option of the Company at a price equal to CDN$1,150 per CDN$1,000 principal amount of the debentures on or before March 22, 2013. After March 22, 2013 and before maturity, the debentures were redeemedable at a price equal to CDN$1,100 per CDN$1,000 principal amount.

On June 27, 2014, the Company raised CDN$19,000 through the issuance of debentures to Richardson GMP Limited (“RGMP”), formerly Macquarie Private Wealth Inc. on a private placement basis (the “Additional Debentures”). In conjunction with the issuance of the Additional Debentures, the Company amended the terms of the Initial Debentures (the “Amended Initial Debentures”). The Amended Initial Debentures are ranked *pari passu* with the Additional Debentures and both shall be treated as the same series of debentures (the “New Debentures”) with the same terms. The New Debentures totaling CDN$55,000 are composed of the Additional Debentures CDN$19,000 and the Amended Initial Debentures CDN$ 36,000. The New Debentures are unsecured and subordinated to senior indebtedness, mature on September 15, 2017, and bear interest at 9% per annum, payable in cash semi-annually in arrears on March 15 and September 15 of each year during the term. The New Debentures are redeemable at the option of the Company at a price equal to CDN$1,150 per CDN$1,000 principal amount of the debentures after September 15, 2015 and on or before March 15, 2016. After March 15, 2016 and before maturity, the debentures can be redeemed at a price equal to CDN$1,100 per CDN$1,000 principal amount.

The New Debentures contain an extension option that will allow each debenture holder to have the option to extend, a maximum of six times, the maturity date for an additional period of six months provided that greater than CDN$ 10,000 of the aggregate principal amount of the New Debentures remain outstanding.

13. Long-term debt (continued):

The Company has performed the assessment of embedded derivatives within the New Debentures and concluded that there is an embedded derivative that requires bifurcation related to the extension option from the New Debentures. The extension option was deemed not clearly and closely related to the New Debentures and is separately accounted for as a standalone derivative. The Company recorded this embedded derivative as a non-current liability on its consolidated balance sheet. At issuance on June 27, 2014, the embedded derivative's fair value was determined to be CDN$1,249, which was recorded as a reduction to the carrying value of the New Debentures. The Company is accreting the carrying value of the debt to interest expense by using the effective interest method through to the maturity date of the New Debentures. The embedded derivative is subsequently adjusted to fair value at each reporting date, with the associated fair value loss (gain) recorded in interest and other income (loss). The derivative liability is included in other long term liabilities on the consolidated balance sheets. The Company determined the fair value of the embedded derivative using the Interest Rate Option Pricing Method which incorporated the Black-Karasinski model.

The table below discloses the accounting values assigned to the subordinated debenture notes. All values are disclosed in CDN ("C$"). The approximate exchange rate used to value the subordinated debenture notes to USD at December 31, 2015 was 0.72 (2014 - 0.86).

		December 31, 2015		December 31, 2014
Balance, beginning of period	C$	51,970	C$	34,036
Issuance of Additional Debentures		—		19,000
Extension Option Discount		—		(1,249)
Accretion for extension option		395		183
Accretion of share issuance costs		724		—
Balance, end of period	C$	53,089	C$	51,970

(b)

	December 31, 2015		December 31, 2014
Emer Senior Financing (1)	$	4,807	$	9,376
Prins Senior Financing (2)		2,036		3,630
Prins Senior Mortgage Loan (3)		2,280		2,904
	$	9,123	$	15,910

(1) The Emer S.p.A ("Emer") senior financing agreement is denominated in Euros, bears interest at the 6-month Euribor plus 2.5% (2.6% as at December 31, 2015) and is recorded at amortized cost using the effective interest rate method. Interest is paid semi-annually. The Company has pledged its interest in Emer as a general guarantee for its senior financing. The senior financing matures in 2017.

(2) A total of $7,521 Prins senior financing is denominated in Euros and was assumed on the acquisition of Prins (note 4a). Principal of $3,891 was repaid on December 2, 2014. Additional principal has been repaid in 2015. The senior financing agreement bears interest at the 3-month Euribor plus 3.5% (3.6% as at December 31, 2015). Interest is paid quarterly. The Company has pledged its interest in Prins as a general guarantee for its senior financing. The senior financing matures in 2016.

13. Long-term debt (continued):

(3) The Prins senior mortgage loan is denominated in Euros and was assumed on the acquisition of Prins (note 4a). The senior mortgage loan bears interest at 3-month Euribor plus 1% (1.1% as at December 31, 2015). Interest is paid quarterly. The Company has pledged its interest in Prins's building as a general guarantee for its senior mortgage loan. The senior mortgage loan matures in 2020.

(c) The senior revolving financing facility is denominated in Euros and bears interest at the 6-month Euribor plus 2.6% (2.7% as at December 31, 2015) and will be repaid through one principal payment of €10,000 on March 31, 2017. Interest is paid semi-annually. The Company has pledged its interest in Emer as a general guarantee for its senior revolving financing.

Throughout the entire term of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of December 31, 2015, the Company is in compliance with all covenants under the financing arrangements.

The principal repayment schedule of the senior financings are as follows for the years ended December 31:

	Subordinated debenture notes	Emer Senior Financing	Prins Senior Financing	Prins Senior Mortgage Loan	Senior revolving financing	Total
2016	$ —	$ 3,796	$ 1,955	$ 326	$ —	$ 6,077
2017	38,359	1,011	81	326	10,859	50,636
2018	—	—	—	326	—	326
2019	—	—	—	325	—	325
2020 and thereafter	—	—	—	977	—	977
	$ 38,359	$ 4,807	$ 2,036	$ 2,280	$ 10,859	$ 58,341

(d)

	December 31, 2015	December 31, 2014
Emer other financing (1)	$ 2,019	$ 1,129
Prins other financing (2)	1,269	1,424
Other financing	24	93
	$ 3,312	$ 2,646

(1) Emer other financing consists of various unsecured bank financing arrangements that carry rates of interest ranging from 1.01% to 2.90% (2014 - 1.01%% to 2.90%%) and are payable on maturity dates ranging from June 23, 2015 to June 23, 2017.

(2) Prins other bank financing consists of a credit facility for maximum borrowings of €2,000. The credit facility bears interest at the 3 month Euribor +3.5% (3.6% as of December 31, 2015). The credit facility is governed by an accounts receivable list requirement limiting such borrowings to 60% of accepted accounts receivable.

(e) The Company has capital lease obligations that have initial terms of three to five years at interest rates ranging from 3.1% to 4.9% (2014 - 3.1%% to 4.9%). The capital lease obligations require the following minimum annual principal payments during the respective fiscal years:

13. Long-term debt (continued):

The capital lease obligations are as follows:

2016	$	369
2017		256
2018		148
2019		21
2020		—
	$	794

14. Warranty liability:

A continuity of the warranty liability is as follows:

	Years ended December 31,		
	2015	2014	2013
Balance, beginning of period	$ 23,109	$ 28,845	$ 6,380
Warranty assumed on acquisition	—	1,952	582
Warranty claims	(9,438)	(10,709)	(5,397)
Warranty accruals	427	2,734	4,153
Change in estimate	—	—	22,837
Impact of foreign exchange changes	(107)	287	290
Balance, end of period	$ 13,991	$ 23,109	$ 28,845
Less: Current portion	(5,554)	(9,696)	(9,955)
Long-term portion	$ 8,437	$ 13,413	$ 18,890

During the fourth quarter of 2013, a study of the historical data indicated that the cost to repair product defects continued to increase significantly primarily associated with our extended warranty contracts. As a result, the Company recognized a change in estimate in our base warranty liability and a loss on our extended warranty contracts representing the excess of the estimated cost to service these contracts over the amount of the deferred revenue recognized associated with the contracts.

15. Other long-term liabilities:

	December 31, 2015	December 31, 2014
Severance indemnity (a)	$ 1,230	$ 1,519
Contingent consideration payable related to AFV acquisition (b)	—	1,240
Derivative Liability (note 13a)	72	86
	$ 1,302	$ 2,845
Current portion (included in accounts payable and accrued liabilities, other payables)	—	(1,240)
	$ 1,302	$ 1,605

(a) Italian law requires companies to make a mandatory termination payment to employees. It is paid, as a lump sum, when the employment ends for any reason such as retirement, resignation or layoff. The severance indemnity liability is calculated in accordance with local civil and labour laws based on each employee's length of service, employment category and remuneration. There is no vesting period or funding requirement associated with the liability. The liability recorded in the consolidated balance sheet is the amount that the employee would be entitled to if the employee terminates immediately. This liability for severance indemnities relates primarily to the Company's employees in Italy.

15. Other long-term liabilities continued:

(b) The total purchase price to acquire AFV included earn-out payments payable in the Company's shares and tied to revenue and production milestones to be achieved no later than December 31, 2014. This contingent consideration had a fair value of $407 as at December 31, 2014.

The Company recorded compensation expense relating to two employees of AFV who received earn-out payments in the Company's shares. This contingent consideration had a fair value of $833 as at December 31, 2014.

During the year ended December 31, 2015, 325,073 shares were issued in connection with the earn-out payments described above at CDN $ 4.51 per share.

16. Government assistance:

From time to time, the Company enters into agreements for financial assistance with government agencies. During the years ended December 31, 2015, 2014 and 2013, government assistance of $215, $892 and $640 was received or receivable by the Company, respectively, which has been recorded as a reduction of the related research and development expenditures (Note 18).

Under the terms of an agreement with the Industry Canada's Industrial Technologies Office ("ITO"), from April 1, 2008 to March 31, 2015, inclusively, the Company is obligated to incur annual royalties equal to the greater of $1,164 (CDN$1,350) or 0.33%% of the Company's annual revenue provided that gross revenue exceeds $11,638 (CDN$13,500) in any of the aforementioned fiscal years. The royalty payment period may be extended until the earlier of March 31, 2018 or until cumulative royalties total $24,389 (CDN$28,200). For the year ended December 31, 2015 $285 (December 31, 2014 - $1,481) in royalties were paid. As at December 31, 2015 $2,387 remains accrued in accounts payable and accrued liabilities (December 31, 2014 - $1,269). As at December 31, 2015, cumulative royalties of CDN$10,014 have been paid.

17. Share Capital, stock options and other stock-based plans:

During the year ended December 31, 2015, the Company issued 900,097 common shares, net of cancellations, upon exercises of share units and in connection with earn out payments (Note 15(b)), (year ended December 31, 2014 – 652,046 common shares; year ended December 31, 2013 – 721,186 common shares). The Company issues shares from treasury to satisfy stock option and share unit exercises.

17. Share Capital, stock options and other stock-based plans(continued):

At the Company's 2012 annual general meeting, the Company's shareholders ratified and approved the Westport Omnibus Plan and reserved 8,000,000 common shares under this plan. Under the Westport Omnibus Plan, stock options, Restricted Share Units ("RSUs") and Performance Share Units ("PSUs") may be granted and are exercisable into common shares of the Company for no additional consideration. Any employee, contractor, director or executive officer of the Company is eligible to participate in the Westport Omnibus Plan. During the year ended December 31, 2015 the Company's shareholders increased the number of common shares reserved for issuance under the Omnibus Plan by 1,900,000.

The Executive and Senior Management Compensation Program sets out provisions where the RSUs and PSUs (together the "Units") will be granted to the Company's executive management if performance milestones are achieved as determined at the discretion of the Human Resources and Compensation Committee of the Company's Board of Directors. These performance milestones are focused on achievement of key cash management, profitability and revenue growth objectives. Vesting periods and conditions for each Unit granted pursuant to the Westport Omnibus Plan are at the discretion of the Board of Directors and may include time based, share price or other performance targets.

(a) Stock options:

The Company grants incentive stock options to employees, directors, officers and consultants. Stock options are granted with an exercise price of not less than the market price of the Company's common shares on the date immediately prior to the date of grant. The exercise period of the options may not exceed eight years from the date of grant. Vesting periods of the options are at the discretion of the Board of Directors and may be based on fixed terms, achieving performance milestones or reaching specified share price targets.

A summary of the status of the Company's stock option plan as of December 31, 2015, December 31, 2014 and December 31, 2013 and changes during the periods then ended are presented as follows:

	December 31, 2015		December 31, 2014		December 31, 2013	
	Number of shares	Weighted average exercise price (CDN $)	Number of shares	Weighted average exercise price (CDN $)	Number of shares	Weighted average exercise price (CDN $)
Outstanding , beginning of period	32,223	$ 17.64	816,450	$ 30.20	996,047	$ 27.78
Granted	—	—	—	—	—	—
Exercised	—	—	(43,071)	6.17	(111,986)	6.80
Forfeited/expired	(23,653)	18.63	(741,156)	33.82	(67,611)	33.72
Outstanding, end of period	8,570	$ 14.90	32,223	$ 17.64	816,450	$ 30.20
Options exercisable, end of period	8,570	$ 14.90	32,223	$ 17.64	305,506	$ 24.15

17. Share Capital, stock options and other stock-based plans(continued):

During the year ended December 31, 2015, the Company recognized $ nil (year ended December 31, 2014 - $1,764; year ended December 31, 2013 - $2,094) in stock-based compensation related to stock options.

No stock options were granted during the year ended December 31, 2015 or the year ended December 31, 2014.

(b) Share Units:

The value assigned to issued Units and the amounts accrued are recorded as other equity instruments. As Units are exercised or vest and the underlying shares are issued from treasury of the Company, the value is reclassified to share capital.

During the year ended December 31, 2015, the Company recognized $14,871 (year ended December 31, 2014 - $7,919; year ended December 31, 2013 – $12,189) of stock-based compensation associated with the Westport Omnibus Plan and the former Amended and Restated Unit Plan.

A continuity of the Units issued under the Westport Omnibus Plan and the former Amended and Restated Unit Plan as of December 31, 2015, December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2015		December 31, 2014		December 31, 2013	
	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)
Outstanding, beginning of year	5,337,873	$ 10.27	1,200,591	$ 23.68	1,095,094	$ 20.68
Granted	5,556,630	6.74	5,792,162	10.54	742,140	30.21
Exercised/Vested	(575,024)	11.49	(608,975)	19.52	(448,526)	24.44
Forfeited/expired	(661,558)	10.34	(1,045,905)	21.75	(188,117)	29.80
Outstanding, end of year	9,657,921	$ 7.62	5,337,873	$ 10.27	1,200,591	$ 23.68
Units outstanding and exercisable, end of year	1,150,294	$ 9.58	142,166	$ 11.67	224,638	$ 11.20

During 2015, 5,556,630 (December 31, 2014 - 5,792,162) share units were granted to employees. This included 2,861,630 Restricted Share Units ("RSUs") (2014 - 4,820,763) and 2,695,000 Performance Share Units ("PSUs") (2014 - 971,399). Values of RSU awards are generally determined based on the fair market value of the underlying Common Share on the date of grant. RSUs typically vest over a three year period so the actual value received by the individual depends on the share price on the day such RSUs are settled for Common Shares, not the date of grant. PSU awards do not have a certain number of Common Shares that will issue over time - it depends on future performance and other conditions tied to the payout of the PSU. The vesting of the 2,695,000 PSU's granted in 2015 is conditional upon Shareholders of Westport approving an increase in the number of awards available for issuance pursuant to the Westport Omnibus Plan. As a result these PSU's are being treated as a liability until this condition is met.

As at December 31, 2015, $25,496 of compensation cost related to Units awards has yet to be recognized in results from operations and will be recognized over a weighted average period of 2.0 years.

17. Share Capital, stock options and other stock-based plans(continued):

(c) Aggregate intrinsic values:

The aggregate intrinsic value of the Company's share units at December 31, 2015 and 2014 are as follows:

	December 31, 2015 CDN$	December 31, 2014 CDN$
Share units:		
Outstanding	$ 26,849	$ 23,433
Exercisable	3,198	624
Exercised	1,599	7,238

(d) Stock-based compensation:

Stock-based compensation associated with the Unit plans and the stock option plan is included in operating expenses as follows:

	Years ended December 31,		
	2015	2014	2013
Research and development	$ 9,915	$ 1,749	$ 2,195
General and administrative	2,224	5,884	10,201
Sales and marketing	2,732	2,050	1,887
	$ 14,871	$ 9,683	$ 14,283

18. Research and development expenses:

Research and development expenses are recorded net of government assistance received or receivable. The research and development expenses had been incurred and program funding had been received or receivable are as follows:

	Years ended December 31,		
	2015	2014	2013
Research and development expenses	$ 52,992	$ 77,472	$ 91,772
Government assistance (note 16)	(215)	(892)	(640)
Research and development	$ 52,777	$ 76,580	$ 91,132

19. Income taxes

(a) The Company's income tax provision differs from that calculated by applying the combined enacted Canadian federal and provincial statutory income tax rate of 26% for the year ended December 31, 2015 (year ended December 31, 2014 – 26%; year months ended December 31, 2013 – 26%) as follows:

	Years ended December 31,		
	2015	2014	2013
Loss before income taxes	$ (97,657)	$ (150,198)	$ (184,537)
Expected income tax recovery	(25,381)	(39,051)	(47,979)
Increase (reduction) in income taxes resulting from:			
Non-deductible stock-based compensation	3,553	2,495	3,619
Other permanent differences	(76)	(446)	(2,562)
Withholding taxes	1,429	969	590
Foreign tax rate differences, foreign exchange and other adjustments	(138)	7,409	3,858
Non-taxable income from equity investment	(4,512)	(3,739)	(2,851)
Change in valuation allowance	21,036	25,784	37,391
Goodwill impairment	4,820	4,748	8,807
Change in uncertain tax position	—	1,252	—
Income tax expense (recovery)	$ 731	$ (579)	$ 873

19. Income taxes (continued):

(b) The significant components of the deferred income tax assets and liabilities are as follows:

	December 31, 2015	December 31, 2014
Deferred income tax assets:		
Net loss carry forwards	$ 129,653	$ 129,258
Intangible assets	3,792	4,091
Property, plant and equipment	7,317	6,836
Financing and share issuance costs	712	1,533
Warranty liability	4,220	5,131
Deferred revenue	849	1,416
Inventory	2,206	2,336
Research and development	3,140	2,733
Other	6,270	7,262
Total gross deferred income tax assets	158,159	160,596
Valuation allowance	(153,099)	(152,207)
Total deferred income tax assets	5,060	8,389
Deferred income tax liabilities:		
Intangible assets	(4,566)	(6,386)
Property, plant and equipment	(1,177)	(2,754)
Other	(349)	(774)
Total deferred income tax liabilities	(6,092)	(9,914)
Total net deferred income tax liabilities	$ (1,032)	$ (1,525)
Allocated as follows:		
Deferred income tax assets	2,538	3,827
Deferred income tax liabilities	(3,570)	(5,352)
Total net deferred income tax liabilities	$ (1,032)	$ (1,525)

The valuation allowance is reviewed on a quarterly basis to determine if, based on all available evidence, it is more-likely-than-not that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent on the generation of sufficient taxable income during the future periods in which those temporary differences are expected to reverse. If the evidence does not exist that the deferred income tax assets will be fully realized, a valuation allowance has been provided.

The deferred income tax assets have been reduced by the uncertain tax position presented in note 19(f).

19. Income taxes (continued):

(b) (continued):

The following is a summary of the changes in the deferred income tax asset valuation allowance:

	Year ended December 31, 2015	Year ended December 31, 2014
Beginning balance	$ 152,207	$ 126,424
Additions	892	25,783
Reductions	—	—
Ending valuation allowance	$ 153,099	$ 152,207

(c) The components of the Company's income tax expense (recovery) are as follows:

		Income tax expense (recovery)		
	Net income (loss) before income taxes	Current	Deferred	Total
Years ended December 31, 2015				
Canada	$ (43,973)	793	228	$ 1,021
United States	(22,227)	9	—	9
Italy	(20,695)	389	(566)	(177)
Other	(10,762)	54	(176)	(122)
	$ (97,657)	$ 1,245	$ (514)	$ 731
Years ended December 31, 2014				
Canada	$ (87,784)	$ 165	$ 301	$ 466
United States	(49,577)	8	—	8
Italy	(3,834)	521	(1,463)	(942)
Other	(9,003)	(88)	(23)	(111)
	$ (150,198)	$ 606	$ (1,185)	$ (579)
Years ended December 31, 2013				
Canada	$ (99,188)	$ 444	$ 89	$ 533
United States	(31,019)	56	(295)	(239)
Italy	(27,247)	836	(311)	525
Other	(27,083)	78	(24)	54
	$ (184,537)	$ 1,414	$ (541)	$ 873

19. Income taxes (continued):

(d) The Company has loss carry-forwards in the various tax jurisdictions available to offset future taxable income as follows:

Expiring in:	2016	2017	2018	2019	2020	2021 and later	Total
Canada	$ —	$ —	$ —	$ —	$ —	$ 366,271	$ 366,271
Italy	—	—	—	—	—	5,625	5,625
United States	—	—	—	—	—	67,481	67,481
Sweden	—	—	—	—	—	17,643	17,643
Other	—	—	1,038	6,432	4,946	6,398	18,814
Total	$ —	$ —	$ 1,038	$ 6,432	$ 4,946	$ 463,418	$ 475,834

(e) The Company has not recognized a deferred income tax liability for the undistributed earnings of certain foreign subsidiaries which are essentially investments in those foreign subsidiaries and are permanent in duration.

(f) The Company records uncertain tax positions in accordance with ASC No. 740, Income Taxes. As at December 31, 2015, the total amount of the Company's uncertain tax benefits was $1,230 (year ended December 31, 2014 - 1,230). If recognized in future periods, the uncertain tax benefits would affect our effective tax rate. The Company files income tax returns in Canada, the U.S., Italy, and various other foreign jurisdictions. All taxation years remain open to examination by the Canada Revenue Agency, the 2009 to 2014 taxation years remain open to examination by the Internal Revenue Service and the Italian Revenue Agency, and various years remain open in the other foreign jurisdictions.

A reconciliation of the change in the reserves for uncertain tax positions from January 1, 2015 to December 31, 2015 is as follows:

Balance as of January 1, 2015	$ —
Tax positions related to the current year:	
Additions	—
Reductions	—
	$ —
Tax positions related to prior years:	
Opening	$ 1,230
Additions	—
Reductions	—
Settlements	—
Lapses in statutes of limitations	—
Balance as of December 31, 2015	$ 1,230

20. Related party transactions:

Pursuant to the amended and restated JVA, Westport engages in transactions with CWI.

As at December 31, 2015, net amounts due from CWI total $1,165 (2014 - $3,621). Amounts receivable relate to costs incurred by Westport on behalf of CWI. The amounts are generally reimbursed by CWI to Westport in the month following the month in which the payable is incurred. Cost reimbursements from CWI consisted of the following:

	Years ended December 31,		
	2015	2014	2013
Research and development	$ 18	$ 3	$ 178
General and administrative	906	1,548	1,351
Sales and marketing	4,818	4,935	4,725
	$ 5,742	$ 6,486	$ 6,254

21. Service and other revenue:

Service and other revenue for the year ended December 31, 2015 consisted of other fee payments of $ nil (year ended December 31, 2014 - $1,480; year ended December 31, 2013 - $1,484), and service revenue of $5,460 (year ended December 31, 2014 - $11,074; year ended December 31, 2013 - $14,547) under existing development agreements. All costs associated with the development agreements were recorded as research and development expenses in the period incurred.

22. Commitments and contingencies:

(a) Contractual Commitments

The Company has obligations under operating lease arrangements that require the following minimum annual payments during the respective fiscal years:

2016	$	3,334
2017		3,246
2018		4,775
2019		5,080
2020		4,333
Thereafter		35,767
	$	56,535

For the year ended December 31, 2015, the Company incurred operating lease expense of $3,763 (year ended December 31, 2014 - $3,879; year ended December 31, 2013 - $5,675).

The Company is a party to a variety of agreements in the ordinary course of business under which it is obligated to indemnify a third party with respect to certain matters. Typically, these obligations arise as a result of contracts for sale of the Company's product to customers where the Company provides indemnification against losses arising from matters such as product liabilities. The potential impact on the Company's financial results is not subject to reasonable estimation because considerable uncertainty exists as to whether claims will be made and the final outcome of potential claims. To date, the Company has not incurred significant costs related to these types of indemnifications.

The Company is engaged in certain legal actions in the ordinary course or business and believes that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

(b) Purchase Commitments

The Company purchases components from a variety of suppliers and contract manufacturers. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, the Company enters into agreements with suppliers and contract manufacturers. A portion of our reported estimated purchase commitments arising from these agreements are firm, noncancelable, and unconditional commitments. The Company may be subject to penalties, and may lose important suppliers, if it is unable to meet its purchase commitments. In 2014, the Company entered into several long-term fixed price contracts to purchase parts to produce certain products. These contracts represent firm purchase commitments which are evaluated for potential market value losses. The Company estimated a loss on these firm purchase commitments with reference to the estimated future sales price of these products and recognized a provision for inventory purchase commitments of $4,106 in 2014. The provision is recognized in other payables in accounts payable and accrued liabilities (note 12). During 2015, no additional loss for provision for inventory purchase commitments was accrued and the provision has been drawn down to $2,050.

23. Segment information:

During the first quarter of 2015, Westport realigned the structure of the company's internal organization. The realignment combines, our historical operating segments, Westport Applied Technologies, Westport On-Road Systems and Westport Off-Road Systems into a single operating segment, Westport Operations. This change reflects the manner in which operating decisions and assessing business performance is currently managed by the Chief Operating Decision Makers (the CEO and the COO "CODMs"). As Westport narrows its focus within certain business units, including its investments in joint ventures, and defers certain products and related programs, the CODMs manage the combined businesses as a whole. Therefore, the Westport Operations segment provides more meaningful information to users of Westport's financial statements. All comparable periods presented have been revised to reflect this change.

The financial information for the Company's business segments evaluated by the CODMs includes the results of CWI and WWI as if they were consolidated, which is consistent with the way Westport manages its business segments. As CWI and WWI are accounted for under the equity method of accounting, an adjustment is reflected in the tables below to reconcile the segment measures to the Company's consolidated measures.

The Company's business operates in four operating segments:

- Westport Operations designs manufactures and sells compressed natural gas, liquefied natural gas, and liquefied petroleum gas components and systems to over 20 global OEMs, and to aftermarket customers in over 60 countries.

- Corporate and Technology Investments, which includes corporate costs such as research and development, general and administrative, marketing, interest and other charges, foreign exchange and depreciation that cannot be attributed to a particular segment and are incurred by all segments;

- CWI which serves the medium- to heavy-duty engine markets with spark ignited natural gas engines. The fuel for CWI engines is typically carried on vehicles as compressed natural gas or liquefied natural gas; and

- WWI develops, manufactures, and sells advanced, alternative fuel engines and parts that are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally.

The accounting policies for the reportable segments are consistent with those described in note 2. The CODM evaluates segment performance based on the net operating income (loss), which is before income taxes and does not include depreciation and amortization, impairment charges, foreign exchange gains and losses, bank charges, interest and other expenses, interest and other income, and gain on sale of long-term investments. The Company did not record any intersegment sales or transfers for the year ended December 31, 2015, December 31, 2014 and December 31, 2013.

23. Segment information (continued):

	Years ended December 31,		
	2015	2014	2013
Revenue:			
Westport Operations	$ 100,108	$ 126,988	$ 151,615
Corporate and Technology Investments	3,196	3,581	12,417
CWI	331,882	337,234	310,651
WWI	185,967	618,465	466,580
Total segment revenues	621,153	1,086,268	941,263
Less: equity investees' revenue	(517,849)	(955,699)	(777,231)
Total consolidated revenues	$ 103,304	$ 130,569	$ 164,032
Net consolidated operating income (loss) excluding depreciation and amortization, losses on impairments, write-downs and disposals, provision for inventory purchase commitments, foreign exchange loss (gain), bank charges and other:			
Westport Operations	$ (15,230)	$ (22,379)	$ (67,426)
Corporate and Technology Investments	(70,254)	(87,363)	(83,546)
CWI	51,011	21,555	23,539
WWI	3,784	78,502	14,496
Total segment operating loss	(30,689)	(9,685)	(112,937)
Less: equity investees' operating income	(54,795)	(100,057)	(38,035)
Net consolidated operating loss excluding depreciation and amortization, losses on impairments, write-downs and disposals, provision for inventory purchase commitments, foreign exchange (gain) loss, bank charges and other:	(85,484)	(109,742)	(150,972)
Depreciation and amortization:			
Westport Operations	6,625	13,573	11,474
Corporate and Technology Investments	7,029	5,093	4,814
Provision for inventory purchase commitments (Westport Operations)	—	4,106	—
Losses on impairments, write-downs and disposals			
Corporate and Technology Investments	—	3,458	31,564
Westport Operations	22,722	26,146	9,959
	36,376	52,376	57,811
Net consolidated operating loss before foreign exchange (gain) loss, bank charges and other	(121,860)	(162,118)	(208,783)
Foreign exchange (gain) loss, bank charges and other	(11,223)	(2,730)	(14,573)
Loss from operations	(110,637)	(159,388)	(194,210)
Interest on long-term debt and other income (expenses), net	(5,337)	(5,032)	(3,771)
Income from investment accounted for by the equity method	18,317	14,222	13,444
Loss before income taxes	$ (97,657)	$ (150,198)	$ (184,537)

23. Segment information (continued):

	Years ended December 31,		
	2015	2014	2013
Total additions to long-lived assets excluding business combinations:			
Westport Operations	$ 1,350	$ 2,278	$ 20,871
Corporate and Technology Investments	3,495	7,971	5,579
	$ 4,845	$ 10,249	$ 26,450

It is impracticable for the Company to provide geographical revenue information by individual countries; however, it is practicable to provide it by geographical regions. Product and service and other revenues are attributable to geographical regions based on location of the Company's customers and presented as a percentage of the Company's product and service revenues are as follows:

	% of total product revenue and service and other revenue		
	Years ended December 31,		
	2015	2014	2013
Americas (including United States)	28%	40%	42%
Asia (including China)	16%	12%	11%
Other (including Italy)	56%	48%	47%

The Company's revenue earned from Canadian customers is not significant and has been included in revenue from sales in the Americas.

As at December 31, 2015, total goodwill of $3,008 (December 31, 2014 - $23,352) was allocated to the Westport Operations segment.

As at December 31, 2015, total long-term investments of $30,565 (December 31, 2014 - $32,898) was allocated to the Corporate segment and $546 (December 31, 2014 - $426) was allocated to Westport Operations.

Total assets are allocated as follows :

	December 31, 2015	December 31, 2014
Westport Operations	$ 157,452	$ 219,261
Corporate and Technology Investments and unallocated assets	52,200	116,588
CWI	171,189	172,941
WWI	125,724	182,215
	506,565	691,005
Less: equity investees' total assets	296,913	355,156
Total consolidated assets	$ 209,652	$ 335,849

23. Segment information (continued):

The Company's long-lived assets consist of property, plant and equipment, intangible assets and goodwill (included in intangible assets below).

Long-lived assets information by geographic area:

December 31, 2015	Fixed Assets (in thousands)	Intangible Assets (in thousands)	Total (in thousands)
Italy	$ 6,212	$ 19,531	$ 25,743
Netherlands	2,952	5,135	8,087
Canada	18,875	494	19,369
United States	14,210	—	14,210
Sweden	124	—	124
China	7,059	—	7,059
Australia	708	155	863
	50,140	25,315	75,455
Less: equity investees' long lived assets	7,613	—	7,613
Total consolidated long-lived assets	$ 42,527	$ 25,315	$ 67,842

December 31, 2014	Fixed Assets (in thousands)	Intangible Assets (in thousands)	Total (in thousands)
Italy	$ 9,084	$ 44,139	$ 53,223
Netherlands	3,729	6,245	9,974
Canada	24,410	673	25,083
United States	20,386	—	20,386
Sweden	208	—	208
China	6,329	—	6,329
Australia	1,018	215	1,233
	65,164	51,272	116,436
Less: equity investees' long lived assets	7,030	—	7,030
Total consolidated long-lived assets	$ 58,134	$ 51,272	$ 109,406

24. Financial Instruments:

(a) Financial risk management:

The Company has exposure to liquidity risk, credit risk, foreign currency risk and interest rate risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company has sustained losses and negative cash flows from operations since inception. At December 31, 2015, the Company has $27,839 of cash, cash equivalents and short-term investments.

The following are the contractual maturities of financial obligations as at December 31, 2015:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	>5 years
Accounts payable and accrued liabilities	$ 57,454	$ 57,454	$ 57,454	$ —	$ —	$ —
Unsecured subordinated debentures (1)	38,359	45,999	3,577	42,422	—	—
Senior financing (2)	9,123	9,428	6,303	1,804	669	652
Senior revolving financing (3)	10,859	11,423	282	11,141	—	—
Other bank financing (4)	3,312	3,612	1,968	238	91	1,315
Capital lease obligations	794	830	369	441	20	—
Operating lease commitments	—	56,535	3,334	8,021	9,413	35,767
Royalty payments (5)	—	14,393	1,360	1,950	1,950	9,133
	$ 119,901	$ 199,674	$ 74,647	$ 66,017	$ 12,143	$ 46,867

(1) Includes interest at 9%.
(2) Includes interest at rates disclosed in note 13(b) in effect at December 31, 2015.
(3) Includes interest at rates disclosed in note 13(c) in effect at December 31, 2015.
(4) Includes interest at rates disclosed in note 13(d) in effect at December 31, 2015.
(5) The Company is obligated to pay annual royalties equal to the greater of $1,164 (CDN$1,350) or 0.33% of the Company's gross annual revenue from all sources, including CWI, provided that gross revenue exceeds $12,693 (CDN$13,500) in any aforementioned fiscal year, until a total of $26,514 (CDN $28,189) has been paid. The Company has assumed the minimum required payments.

24. Financial Instruments (continued):

(c) Credit risk:

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, short-term investments and accounts receivable. The Company manages credit risk associated with cash and cash equivalents and short-term investments by regularly consulting with its current bank and investment advisors and investing primarily in liquid short-term paper issued by Schedule 1 Canadian banks, R1 rated companies and governments. The Company monitors its portfolio, and its policy is to diversify its investments to manage this potential risk.

The Company is also exposed to credit risk with respect to uncertainties as to timing and amount of collectability of accounts receivable and loans receivable. As at December 31, 2015, 85% (December 31, 2014 - 86%) of accounts receivable relates to customer receivables, and 15% (December 31, 2014 - 14%) relates to amounts due from joint venture and indirect, income tax and value added taxes receivables. In order to minimize the risk of loss for customer receivables, the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. Most sales are invoiced with payment terms in the range of 30 days to 90 days. The Company reviews its customer receivable accounts and regularly recognizes an allowance for doubtful receivables as soon as the account is determined not to be fully collectible. Estimates for allowance for doubtful debts are determined on a customer-by-customer evaluation of collectability at each balance sheet reporting date, taking into consideration past due amounts and any available relevant information on the customers' liquidity and financial position.

The carrying amount of cash and cash equivalents, short-term investments and accounts receivable as at December 31, 2015 of $66,163 (December 31, 2014 - $140,854) represents the Company's maximum credit exposure.

(d) Foreign currency risk:

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily the United States dollar ("U.S.") and the Euro ("Euro"). Cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and long-term debt that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies.

24. Financial Instruments (continued):

(d) Foreign currency risk (continued):

The Company's functional currency is the Canadian dollar. The U.S. dollar amount of financial instruments subject to exposure to foreign currency risk in the consolidated balance sheet at December 31, 2015 is as follows:

	U.S. dollars
Cash and cash equivalents	$ 15,289
Short-term investments	—
Accounts receivable	6,710
Accounts payable	4,604

(e) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk on certain long-term debt with variable rates of interest. The Company limits its exposure to interest rate risk by continually monitoring and adjusting portfolio duration to align to forecasted cash requirements and anticipated changes in interest rates.

If interest rates for the year ended December 31, 2015 had increased or decreased by 50 basis points, with all other variables held constant, net loss for the year ended December 31, 2015 would have increased or decreased by $69.

24. Financial Instruments (continued):

(f) Fair value of financial instruments:

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and loan payable approximate their fair values due to the short-term period to maturity of these instruments.

The Company's short-term investments are recorded at fair value. The long-term investment represents our interests in the CWI, WWI and other equity accounted for investees, which are accounted for using the equity method.

The carrying value reported in the balance sheets for obligations under capital lease, which is based upon discounted cash flows, approximates its fair value.

The carrying value reported in the balance sheet for the unsecured subordinated debenture notes (note 13(a)) is greater than its fair value based on a recent financing the Company performed with the Cartesian Group (note 25). The approximate fair value of the unsecured subordinated debenture notes at December 31, 2015 is approximately $32,500 (CDN $44,900). Additionally, the interest rate on the notes approximates the interest rate being demanded in the market for debt with similar terms and conditions.

The carrying value reported in the balance sheet for senior financing agreements (note 13(b and c)) approximates their fair values as at December 31, 2015, as the interest rates on the debt is floating and therefore approximates the market rates of interest. The Company's credit spread in these subsidiaries also has not substantially changed from the premiums currently paid.

The Company categorizes its fair value measurements for items measured at fair value on a recurring basis into three categories as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When available, the Company uses quoted market prices to determine fair value and classify such items in Level 1. When necessary, Level 2 valuations are performed based on quoted market prices for similar instruments in active markets and/or model–derived valuations with inputs that are observable in active markets. Level 3 valuations are undertaken in the absence of reliable Level 1 or Level 2 information.

As at December 31, 2015, cash and cash equivalents and short-term investments are measured at fair value on a recurring basis and are included in Level 1.

25. Subsequent Events

(a) Cartesian Financing

On January 11, 2016, Westport announced that it had entered into a financing agreement with Cartesian Capital Group ("Cartesian") to support global growth initiatives. The financing agreement immediately provided $17,500 in non-dilutive capital (the "Tranche 1 Financing"). In consideration for the funds provided to Westport, Cartesian is entitled to payments in respect of the Tranche 1 Financing based on the greater of (i) a percentage of amounts received by Westport on select HPDI and joint venture products in excess of agreed thresholds through 2025 and (ii) stated fixed amounts per annum. The carrying value is being accreted to the expected redemption value using the effective interest method.

The payments owing to Cartesian in respect of the Tranche 1 Financing are accounted for using the effective interest method with a notional interest rate being calculated based on the minimum fixed payments owing to Cartesian. The minimum fixed payments result in an effective interest rate of approximately 23% using this method. The effective interest rate actually required to be utilized could be higher if future joint venture earnings and, or future product sales are higher than the minimum fixed payments stipulated in the agreement.

(b) Merger with Fuel Systems Solutions, Inc.

On September 1, 2015, the Company announced a proposed business combination (the "Merger") with Fuel Systems Solutions, Inc. (“Fuel Systems”). Under the terms of the Merger, the Company will acquire all of the outstanding shares of Fuel Systems common stock in a stock-for-stock transaction under which Fuel Systems shareholders will receive 2.129 Company shares for each share of Fuel Systems common stock they own at closing.

On March 7, 2016, the Company signed an Amendment to the Agreement and Plan of Merger (the “Amendment”) in relation to the Merger between the Company and Fuel Systems. The exchange ratio of the Agreement has been amended to include a collar mechanism. In the event that the NASDAQ volume weighted average price ("VWAP") of the Company common shares during a specified measuring period is equal to or greater than $2.37, then Fuel Systems stockholders will receive 2.129 Company common shares per Fuel Systems share on closing of the Merger and through the exchange process. In the event that the Company’s VWAP is equal to or less than $1.64, then Fuel Systems stockholders will receive approximately 3.08 Company common shares per Fuel Systems share on closing of the Merger and through the exchange process. In the event that the Company's VWAP is greater than $1.64 and less than $2.37, then Fuel Systems stockholders would receive a number of Company common shares per Fuel Systems share equal to dividing $5.05 by the Company’s VWAP, rounded to four decimal places. The measuring period will be the ten consecutive trading days ending on and including the trading day five business days prior to the anticipated closing date.

On March 18, 2016, the Company announced that its shareholders approved the issuance of such number of Company common shares as required to complete the Merger.

The Merger requires certain regulatory approvals and approval by a majority of the shareholders of Fuel Systems. All substantive regulatory approvals have been received. The Merger is currently anticipated to close in April 2016.

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") for Westport Innovations Inc. ("Westport", the "Company", "we", "us", "our") is intended to assist readers in analyzing our financial results and should be read in conjunction with the audited consolidated financial statements, including the accompanying notes, for the fiscal year ended December 31, 2015. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The Company's reporting currency is the U.S. dollar. This MD&A is dated as of March 29, 2016.

Additional information relating to Westport, including our Annual Information Form ("AIF") and Form 40-F, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. All financial information is reported in U.S. dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the beliefs of management and reflects our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Act of 1934, as amended. Such statements include but are not limited to statements regarding the orders or demand for our products, our investments, cash and capital requirements, the intentions of partners and potential customers, the performance of our products, our future market opportunities, availability of funding and funding requirements, our estimates and assumptions used in our accounting policies, our accruals, including warranty accruals, our financial condition, timing of when we will adopt or meet certain accounting and regulatory standards and the alignment of our business segments. These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward looking statements. These risks include risks related to revenue growth, operating results, liquidity, industry and products, general economy, conditions of the capital and debt markets, government or accounting policies and regulations, technology innovations, as well as other factors discussed below and elsewhere in this report, including the risk factors contained in the Company's most recent AIF filed on SEDAR at www.sedar.com. The forward-looking statements contained in this MD&A are based upon a number of material factors and assumptions which include, without limitation, market acceptance of our products, merger with Fuel Systems Inc., Cartesian financing, product development delays in contractual commitments, the ability to attract and retain business partners, competition from other technologies, price differential between natural gas and liquefied petroleum gas, unforeseen claims, exposure to factors beyond our control as well as the additional factors referenced in our AIF. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based or that may affect the likelihood that actual results will differ from those set forth in the forward looking statements except as required by applicable legislation.

The forward looking statements contained in this document speak only as of the date of this MD&A. Except as required by applicable legislation, Westport does not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances after this MD&A, including the occurrence of unanticipated events. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

BUSINESS OVERVIEW

We are a leading provider of high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. Our technology and products enable light- (less than 5.9 litre), medium- (5.9 to 10 litre), heavy-duty- (10 to 16 litre) and high-horsepower- (greater than 16 litre) petroleum-based fuel engines and vehicles to use primarily natural gas, giving users a cleaner and generally less expensive alternative fuel based on a more abundant natural resource. Through our partnerships and direct sales efforts, we sell natural gas and propane engines, fuel systems, and components to customers in more than 79 countries. We currently have strategic relationships with three of the world's top four engine producers and supply or have strategic relationships with six of the world's top ten truck producers, as well as seven of the world's top ten automotive manufacturers. Our strategic relationships with OEMs provide us with access to their manufacturing capacity, supply chain and global distribution networks without incurring the considerable investment associated with these assets. We commercialize our technology in markets where demand for clean, low emission engines is prevalent.

Since our founding in 1995, we have invested over $863 million towards the research, development and commercialization of our proprietary technologies and related products. Conversely, our research and development efforts and investments have resulted in a substantial patent portfolio that serves as the foundation for our differentiated technology offerings and competitive advantage. Our technologies and related products enable combustion engines to use gaseous fuels, such as natural gas, propane, renewable natural gas (“RNG”) or hydrogen. The substitution of natural gas for petroleum-based fuel drives a reduction in harmful combustion emissions, such as particulate matter and greenhouse gases, in addition to providing a relatively inexpensive alternative fuel from a more plentiful natural resource.

The principle focus of the operating business units are summarized below:

Operating Business Units

During the first quarter of 2015, Westport realigned the structure of the Company's internal organization. The realignment combines, our historical operating segments, Westport Applied Technologies, Westport On-Road Systems and Westport Off-Road Systems into a single operating segment, Westport Operations. This change reflects the manner in which operating decisions and assessing business performance is currently managed by the Chief Operating Decision Makers (the CEO and the COO "CODMs"). As Westport narrows its focus within certain business units, including its investments in joint ventures, and defers certain products and related programs, the CODMs manage the combined businesses as a whole. Therefore, the Westport Operations segment provides more meaningful information to users of Westport's financial statements. All comparable prior period information has been recast to reflect this change.

Westport Operations designs, manufactures and sells compressed natural gas ("CNG"), liquefied natural gas ("LNG"), and liquefied petroleum gas ("LPG") components and systems to over 20 global OEMs, including Fiat, Volkswagen, Tata Motors, the GAZ Group, Chrysler, General Motors, Ford Motor Company ("Ford"), PACCAR Inc., Volvo Car Group, Hyundai and Kia and to aftermarket customers in over 79 countries. Sales from Westport's wholly-owned Italian subsidiaries, OMVL S.p.A. ("OMVL") and Emer S.p.A ("EMER"), including Emer's wholly-owned subsidiary Valtek S.p.A., Westport's Australian operations, and, recently acquired Netherlands based Prins Autogassystemen Holding B.V. ("Prins") are made either directly to OEMs or through one of their many global distributors. Westport Operations has a strong customer base in Europe and North America and is growing in Asia, South America, and Africa.

Westport supports customers with vehicle conversions through the Ford Qualified Vehicle Modifier ("QVM") program with products in the Ford line, including transit, cargo shuttle and taxi vehicles. Sold under the Westport WiNG™ Power System brand, product offerings include the Ford Transit Van dedicated, F-250/F-350 bi-fuel (CNG and gasoline) and dedicated, F-450 to F-650, F-59 dedicated, E-450 dedicated and Transit Connect bi-fuel vehicle models. Westport also provides aftermarket conversion products, alternative fuel systems and application engineering.

Other products include Volvo Car bi-fuel systems (CNG and gasoline) for the V60 and V70 bi-fuel wagon; Westport JumpStart ™ mobile fuel services; Westport iCE PACK™ for spark-ignited ("SI") engines, LNG tender products for the rail market and Westport ™ industrial engines sold to Clark Material Handling and Cummins Western Canada for forklift and oilfield applications.

Corporate and Technology Investments Business Unit
The Corporate and Technology Investments business unit ("Corporate and Technology Investments") is responsible for investments in new research and development programs with OEMs, corporate oversight and general administrative duties. Corporate and Technology Investments focuses on long-term product development and future return on investments. Once a product is launched, the associated revenue will be recognized under Westport Operations.

Cummins Westport Inc. Joint Venture
Cummins Westport Inc. (“CWI”), our 50:50 joint venture with Cummins, Inc., (“Cummins”), serves the medium- to heavy-duty engine markets. CWI engines are offered by many OEMs for use in transit, school and shuttle buses, conventional trucks and tractors, and refuse collection trucks, as well as specialty vehicles such as short-haul port drayage trucks and street sweepers. The fuel for CWI engines is typically carried on the vehicles as CNG or LNG. CWI engines are produced at certain of Cummins' plants, allowing CWI to leverage Cummins' manufacturing footprint without incurring additional capital costs. CWI also utilizes Cummins' supply chain, back office systems and distribution and sales networks. CWI is the leading supplier of natural gas engines to the North American medium- and heavy-duty truck and transit bus industries.

Weichai Westport Inc. Joint Venture
Weichai Westport Inc. (“WWI”) is a joint venture between Westport (35% interest), Weichai Holding Group Co. Ltd. (40% interest) ("Weichai") and Hong Kong Peterson (CNG) Equipment Ltd. ("Hong Kong Peterson") (25% interest) focusing on the Chinese market. WWI develops, manufactures, and sells advanced, alternative fuel engines and parts that are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally.

GENERAL DEVELOPMENTS

Subsequent to year end, the Company announced that it has entered into an agreement with Cartesian Capital Group for up to $71.3 million in financing to support global growth initiatives. The financing agreement immediately provides $17.5 million in non-dilutive capital with additional capital contingent on reaching key milestones and establishing new investment opportunities. This financing package includes a contingent payment (derived substantially from future HPDI product sales), a convertible debenture, non-core asset sales, and incremental funding capacity to support future product development. As part of the financing agreement, Peter Yu, Managing Partner and Founder of Cartesian, has been appointed to Westport's Board of Directors.

On September 1, 2015, the Company announced a proposed business combination (the "Merger") with Fuel Systems Solutions, Inc. (“Fuel Systems”). Under the terms of the Merger, the Company will acquire all of the outstanding shares of Fuel Systems common stock in a stock-for-stock transaction under which Fuel Systems shareholders will receive 2.129 Company shares for each share of Fuel Systems common stock they own at closing.

On March 7, 2016, the Company signed an Amendment to the Agreement and Plan of Merger (the “Amendment”) in relation to the Merger between the Company and Fuel Systems. The exchange ratio of the Agreement has been amended to include a collar mechanism. In the event that the NASDAQ volume weighted average price ("VWAP") of the Company common shares during a specified measuring period is equal to or greater than $2.37, then Fuel Systems stockholders will receive 2.129 Company common shares per Fuel Systems share on closing of the Merger and through the exchange process. In the event that the Company’s VWAP is equal to or less than $1.64, then Fuel Systems stockholders will receive approximately 3.08 Company common shares per Fuel Systems share on closing of the Merger and through the exchange process. In the event that the Company's VWAP is greater than $1.64 and less than $2.37, then Fuel Systems stockholders would receive a number of Company common shares per Fuel Systems share equal to dividing $5.05 by the Company’s VWAP, rounded to four decimal places. The measuring period will be the ten consecutive trading days ending on and including the trading day five business days prior to the anticipated closing date.

On March 18, 2016, the Company announced that its shareholders approved the issuance of such number of Company common shares as required to complete the Merger.

The Merger requires certain regulatory approvals and approval by a majority of the shareholders of Fuel Systems. All substantive regulatory approvals have been received. The Merger is currently anticipated to close in April 2016.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth a summary of our financial results for the years ended December 31, 2015, December 31, 2014 and the year ended December 31, 2013:

Selected Consolidated Statements of Operations Data

	Years ended December 31,		
	2015	**2014**	**2013**
(expressed in millions of United States dollars, except for per share amounts and shares outstanding)			
Total revenue	$ 103.3	$ 130.6	$ 164.0
Gross margin (1)	20.0	32.7	15.3
GM %	19.4%	25.0%	9.3%
Net loss	(98.4)	(149.6)	(185.4)
Net loss per share – basic and diluted (2)	(1.53)	(2.37)	(3.22)
Weighted average shares outstanding	64,109,703	63,130,022	57,633,190

(1) Gross margin is calculated as revenue less cost of product revenue.

The Company's gross margin may not be comparable to those of other entities because some entities include depreciation and amortization related to products sold in cost of sales. Gross margin as defined above applies to the discussion of gross margin throughout the MD&A.

(For the years ended December 31, 2015, 2014, and 2013 depreciation and amortization is excluded from the calculation of gross margin).

(2) Fully diluted loss per share is the same as basic loss per share as the effect of conversion of stock options, restricted share units and performance share units would be anti-dilutive.

The following table sets forth a summary of our financial position as at December 31, 2015 and December 31, 2014:

Selected Balance Sheet Data

	December 31, 2015	**December 31, 2014**
(expressed in millions of United States dollars)		
Cash and short-term investments	$ 27.8	$ 94.0
Total assets	209.7	335.8
Long-term debt	62.5	76.7

SELECTED ANNUAL FINANCIAL INFORMATION (continued):

The following tables set forth a summary of the financial results of our joint ventures for the years ended December 31, 2015, December 31, 2014 and the year ended December 31, 2013:

Selected CWI Statements of Operations Data

	Years ended December 31,		
	2015	**2014**	**2013**
(expressed in millions of United States dollars)			
Total revenue	$ 331.9	$ 337.2	$ 310.7
Gross margin	103.8	66.4	64.2
GM %	31.3%	19.7%	20.7%
Net income before income taxes	50.5	21.0	23.1
Net income attributable to the Company	17.1	8.1	9.4

Selected WWI Statements of Operations Data

	Years ended December 31,		
	2015	**2014**	**2013**
(expressed in millions of United States dollars)			
Total revenue	$ 186.0	$ 618.5	$ 466.6
Gross margin	21.4	52.5	37.3
GM %	11.5%	8.5%	8.0%
Net income before income taxes	3.8	20.3	14.5
Net income attributable to the Company	1.0	6.0	4.3

RESULTS FROM OPERATIONS

Revenue

Total segments revenues, including 100% of CWI and WWI revenue, decreased $465.1 million, or 43% from $1,086.3 million in 2014 to $621.2 million in 2015.

The following table summarizes revenues by segment for the year ended December 31, 2015 compared to the year ended December 31, 2014:

Revenues

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2015	2014	$	%
Westport Operations	$ 100.1	$ 127.0	$ (26.9)	(21)%
Corporate and Technology Investments	3.2	3.6	(0.4)	(11)%
CWI	331.9	337.2	(5.3)	(2)%
WWI	186.0	618.5	(432.5)	(70)%
Total segment revenues	$ 621.2	$ 1,086.3	$ (465.1)	(43)%
Less: Equity investees' revenues	517.9	955.7	(437.8)	(46)%
Total consolidated revenues	$ 103.3	$ 130.6	$ (27.3)	(21)%

Westport Operations revenue for the year ended December 31, 2015 decreased $26.9 million, or 21% from $127.0 million to $100.1 million. Westport Operations has been impacted significantly by the decline in the price of oil and the strengthening of the US dollar. Revenue from European operations for the year ended December 31, 2015, including the Prins acquisition increased by €6.2 million, while revenue from North American operations decreased by approximately $17.1 million. The decrease in revenue from North American operations was driven by decreases in Westport's Ford qualified vehicle modifier ("QVM") business, decreased sales of Westport iCEPACK, and a decrease in engineering service contracts. A further decrease of approximately $12.0 million in revenue was driven by unfavourable impacts of foreign currency translation from the Euro to the US dollar equivalent.

Corporate and Technology Investments revenue for the year ended December 31, 2015 decreased $0.4 million, or 11% from $3.6 million to $3.2 million. The decrease is primarily driven by unfavourable impacts of foreign currency translation from the Canadian to the US dollar equivalent. The Company is pleased to report that it met several key milestones during the year with our OEM partners.

CWI revenue for the year ended December 31, 2015 decreased $5.3 million, or 2% from $337.2 million to $331.9 million. CWI product revenue for the year ended December 31, 2015 decreased $9.6 million, or 3%, to $274.0 million on sales of 9,940 units compared to $283.6 million and 10,512 units for the year ended December 31, 2014, which was primarily attributed to the decline of the price of oil and other macroeconomic conditions. CWI parts revenue for the year ended December 31, 2015 was $57.8 million compared with $53.7 million for the year ended December 31, 2014 which was primarily attributed to the increase of natural gas engine population in service.

WWI revenue for the year ended December 31, 2015 decreased $432.5 million, or 70% , from $618.5 million to $186.0 million. WWI shipped 15,956 units in 2015 compared with 51,006 units for the year ended December 31, 2014. Westport's WWI results are in-line with general market conditions in China and in-line with diesel truck sales. Truck demand remains subdued, as demonstrated by the decrease of recent monthly commercial vehicle sales in China year-over-year, according to China Association of Automotive Manufacturers ("CAAM").

Total segments revenues, including 100% of CWI and WWI revenue, increased $145.0 million, or 15% from $941.3 million in 2013 to $1,086.3 million in 2014.

The following table summarizes total revenue by segment for the years ended December 31, 2014 compared to the year ended December 31, 2013:

Revenues

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2014	**2013**	**$**	**%**
Westport Operations	$ 127.0	$ 151.6	$ (24.6)	(16)%
Corporate and Technology Investments	3.6	12.4	(8.8)	(71)%
CWI	337.2	310.7	26.5	9 %
WWI	618.5	466.6	151.9	33 %
Total segment revenues	$ 1,086.3	$ 941.3	$ 145.0	15 %
Less: Equity investees' revenues	955.7	777.3	178.4	23 %
Total consolidated revenues	$ 130.6	$ 164.0	$ (33.4)	(20)%

Westport Operations revenue for the year ended December 31, 2014 decreased $24.6 million, or 16% to $127.0 million from $151.6 million for the year ended December 31, 2013. Revenue from European operations decreased $7.0 million driven by an unfavourable impact of foreign currency translation from the Euro to the US dollar equivalent and weaknesses in certain markets, particularly Europe and Asia. Revenue from North American operations decreased $18.1 million due to the discontinuation of the first generation Westport™ HPDI system in December 2013, offset by increased shipments of Westport iCE PACK, and increased service revenue.

Corporate and Technology Investments revenue for the year ended December 31, 2014 decreased $8.8 million, or 71% from $12.4 million to $3.6 million**.** The decrease is driven by decreases in license fees earned from our development agreements. All costs associated with our development agreements were recorded as research and development expenses in the period incurred in the consolidated statement of operations.

CWI revenue for the year ended December 31, 2014 increased $26.5 million, or 9% from $310.7 million to $337.2 million **.** CWI product revenue for the year ended December 31, 2014 increased $22.6 million, or 9%, to $283.6 million on sales of 10,512 units compared to $261.0 million and 10,314 units for the year ended December 31, 2013, which was primarily attributed to the launch of the ISX12 G heavy duty truck engine in April of 2013 contributing to the increased volumes in North America. CWI parts revenue for the year ended December 31, 2014 was $53.7 million compared with $49.6 million for the year ended December 31, 2013 which was primarily attributed to the increase of natural gas engine population in service.

WWI revenue for the year ended December 31, 2014 increased $151.9 million, or 33%, from $466.6 million to $618.5 million **.** WWI shipped 51,006 units in 2014 compared with 38,138 units for the year ended December 31, 2013.

Gross Margin
Total segments gross margin, including 100% share of CWI and WWI decreased $6.4 million, or 4% from $151.6 million in 2014 to $145.2 million in 2015.

The following table presents gross margin by segment for the year ended December 31, 2015 compared to the year ended December 31, 2014:

Gross Margin
(expressed in millions of U.S. dollars)

	Year ended December 31, 2015	% of Revenue	Year ended December 31, 2014	% of Revenue	Change $	Change %
Westport Operations	$ 16.7	16.7%	$ 29.1	22.9%	$ (12.4)	(43)%
Corporate and Technology Investments	3.3	100.0%	3.6	100.0%	(0.3)	(8)%
CWI	103.8	31.3%	66.4	19.7%	37.4	56 %
WWI	21.4	11.5%	52.5	8.5%	(31.1)	(59)%
Total segment gross margin	$ 145.2	23.4%	$ 151.6	14.0%	$ (6.4)	(4)%
Less: Equity investees' gross margin	125.2	24.2%	118.9	12.4%	6.3	5 %
Total consolidated gross margin	$ 20.0	19.4%	$ 32.7	25.0%	$ (12.7)	(39)%

Westport Operations gross margin decreased $12.4 million to $16.7 million, or 16.7% of revenue, for the year ended December 31, 2015 compared to $29.1 million, or 22.9% of revenue for the year ended December 31, 2014. The decrease in gross margin percentage is due to inventory obsolescence charges of $8.7 million in the current year compared to $2.1 million in the prior year. Adjusted gross margin would have been 24.0% of revenue without the obsolescence, compared to 24.6% in the prior year. Gross margin also decreased due to lower revenue and changes in product mix.

CWI gross margin increased $37.4 million to $103.8 million, or 31.3% of revenue from $66.4 million or 19.7% of revenue. CWI product margin and product gross margin percentage for the year ended December 31, 2015 were $84.2 million and 30.7%, respectively, compared to $52.2 million and 18.4%, respectively, for the year ended December 31, 2014. This increase in CWI gross margin percentage was due primarily to a favourable decrease of $23.5 million in net warranty adjustments and net extended coverage claims compared to the year ended December 31, 2014. Reliability of the ISL G engine has continued to improve as a result of hardware and calibration changes. CWI parts gross margin percentage was 33.9% for the year ended December 31, 2015 compared to 26.5% for the year ended December 31, 2014. The increase in parts gross margin is primarily due to a change in product mix.

WWI gross margin decreased $31.1 million to $21.4 million, from $52.5 million. The decrease in gross margin relates to a decrease in the number of engines sold. Gross margin as a percentage of revenue increased from 8.5% to 11.5% as a result of changes in product mix and product pricing.

Total segments gross margin, including 100% share of CWI and WWI increased $34.8 million, or 30% from $116.8 million in 2013 to $151.6 million in 2014.

The following table presents gross margin by segment for the year ended December 31, 2014 compared to year ended December 31, 2013:

Gross Margin
(expressed in millions of U.S. dollars)

	Year Ended December 31, 2014	% of Revenue	Year Ended December 31, 2013	% of Revenue	Change $	Change %
Westport Operations	$ 29.1	22.9%	$ 3.0	2.0%	$ 26.1	870 %
Corporate and Technology Investments	3.6	100.0%	12.3	100.0%	(8.7)	(71)%
CWI	66.4	19.7%	64.2	20.7%	2.2	3 %
WWI	52.5	8.5%	37.3	8.0%	15.2	41 %
Total segment gross margin	$ 151.6	14.0%	$ 116.8	12.4%	$ 34.8	30 %
Less: Equity investees' gross margin	118.9	12.4%	101.5	13.1%	17.4	17 %
Total consolidated gross margin	$ 32.7	25.0%	$ 15.3	9.3%	$ 17.4	114 %

Westport Operations gross margin increased $26.1 million to $29.1 million, or 22.9% of revenue, for the year ended December 31, 2014 compared to $3.0 million, or 2.0% of revenue for the year ended December 31, 2013. Gross margin from North American operations increased $30.9 million as a result of the prior year including $26.3 million of warranty adjustments and inventory net realizable write downs related to the discontinuation of the first generation Westport™ HPDI system. Gross margin from European operations decreased $4.8 million as a result of changes in product mix and weaknesses in certain markets including Europe and Asia.

Corporate and Technology Investments gross margin decreased $8.7 million from $12.3 million to $3.6 million. The decrease in gross margin is driven by a reduction in revenue. The gross margin percentage was 100% in both periods as Corporate and Technology Investments gross margin relates entirely to service revenue and revenue earned under our development agreements and other fee payments.

CWI gross margin increased $2.2 million to $66.4 million, or 19.7% of revenue from $64.2 million or 20.7% of revenue. CWI product margin and product gross margin percentage for the year ended December 31, 2014 were $52.2 million and 18.4%, respectively, compared to $42.7 million and 16.4%, respectively, for the year ended December 31, 2013. This increase in CWI gross margin percentage was due primarily to a decrease of $8.3 million in net warranty adjustments and net extended coverage claims and mix of sales compared to the year ended December 31, 2013. Warranty adjustments and net extended coverage claims totaling $21.7 million were recorded for the year ended December 31, 2014 which is a decrease of $15.1 million from prior year claims of $36.8 million. CWI parts gross margin percentage was 26.5% for the year ended December 31, 2014 compared to 43.5% for the year ended December 31, 2013, which was due to a change in product mix and pricing.

WWI gross margin increased $15.2 million to $52.5 million, or 8.5% of revenue from $37.3 million or 8.0% of revenue. The increase in gross margin percentage related primarily to a change product mix and product pricing.

Research and Development Expenses
The following table presents details of research and development ("R&D") expense by segment for the year ended December 31, 2015 compared to year ended December 31, 2014:

Research and Development
(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2015	2014	$	%
Westport Operations	$ 13.6	$ 21.3	$ (7.7)	(36)%
Corporate and Technology Investments	39.2	55.3	(16.1)	(29)%
Total research and development	$ 52.8	$ 76.6	$ (23.8)	(31)%

Westport Operations research and development expenses decreased $7.7 million due to reduction in program expenses, decreased headcount, and favorable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent.

Corporate and Technology Investments research and development expenses decreased $16.1 million from $55.3 million to $39.2 million due to reduction in program expenses and prioritizing of investment programs, decreased headcount and favorable impacts of foreign currency translation from the Canadian to the US dollar equivalent.

The following table presents details of R&D expense by segment for the year ended December 31, 2014 compared to year ended December 31, 2013:

Research and Development
(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2014	2013	$	%
Westport Operations	$ 21.3	$ 23.0	$ (1.7)	(7)%
Corporate and Technology Investments	55.3	68.1	(12.8)	(19)%
Total research and development	$ 76.6	$ 91.1	$ (14.5)	(16)%

Westport Operations research and development expenses decreased $1.7 million primarily due to lower R&D expenses spent on Westport WiNG Systems as product development was completed in 2013.

Corporate and Technology Investments research and development expenses decreased $12.8 million from $68.1 million to $55.3 million primarily driven by reduction in program expenses and prioritizing of investment programs.

Selling, General and Administrative Expenses
The following table presents details of Selling, General and Administrative ("SG&A") expense by segment for the year ended December 31, 2015 compared to the year ended December 31, 2014:

Selling, General and Administrative
(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2015	2014	$	%
Westport Operations	$ 18.3	$ 30.5	$ (12.2)	(40)%
Corporate and Technology Investments	34.4	35.3	(0.9)	(3)%
Total selling, general and administrative	$ 52.7	$ 65.8	$ (13.1)	(20)%

Westport Operations SG&A expenses decreased $12.2 million due to decreased headcount and favorable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent.

Corporate and Technology Investments SG&A expenses decreased $0.9 million due to decreased headcount and favorable impacts of foreign currency translation from the Canadian to the US dollar equivalent. Within 2015 SG&A are one time costs of $4.5 million related to the proposed merger between the Company and Fuel Systems. Without these merger costs, SG&A would have decreased 15.3% year over year.

The following table presents details of SG&A expense by segment for the year ended December 31, 2014 compared to the year ended December 31, 2013:

Selling, General and Administrative
(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2014	2013	$	%
Westport Operations	$ 30.5	$ 47.5	$ (17.0)	(36)%
Corporate and Technology Investments	35.3	27.7	7.6	27 %
Total selling, general and administrative	$ 65.8	$ 75.2	$ (9.4)	(13)%

Westport Operations SG&A expenses decreased $17.0 million primarily due to decreased headcount from consolidating our facilities, discontinuation of activity related to the first generation Westport™ HPDI system and decreased scope of off-road programs.

Corporate and Technology Investments SG&A expenses increased $7.6 million due to increase in headcount to support new programs and global market development initiatives and severance recorded during the year.

Foreign exchange gains and losses reflected net realized gains and losses on foreign currency transactions and the net unrealized gains and losses on our net U.S. dollar denominated monetary assets and liabilities in our Canadian operations that were mainly composed of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. In addition, the Company has foreign exchange exposure on Euro denominated monetary assets and liabilities where the functional currency of the subsidiary is not the Euro. For the year ended December 31, 2015, we recognized a net foreign exchange gain of $11.6 million with the decline in the Canadian dollar relative to the U.S. dollar. A majority of the foreign exchange gain for the year ended December 31, 2015 is unrealized.

For the year ended December 31, 2014, we recognized a net foreign exchange gain of $3.4 million with the movement in the Canadian dollar relative to the U.S. dollar. This compares to a net foreign exchange gain of $15.2 million for the year ended December 31, 2013.

Depreciation and amortization for the year ended December 31, 2015 was $13.7 million compared to $18.7 million for the year ended December 31, 2014 and $16.3 million for the year ended December 31, 2013. The decrease primarily related to depreciation of property and equipment purchases, which decreased due to favourable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent.

Income from investments accounted for by the equity method primarily relates to our 50% interest in CWI and our 35% interest in WWI and our increase in equity income results primarily from higher revenues and gross margins for CWI and WWI in the current year compared to the prior year.

(expressed in millions of U.S. dollars)

	Years ended December 31,		
	2015	**2014**	**2013**
CWI - 50% interest	$ 17.1	$ 8.1	$ 9.4
WWI - 35% interest	1.0	6.0	4.3
Other	0.2	0.1	(0.3)
Income from investment accounted for by the equity method	$ 18.3	$ 14.2	$ 13.4

During the first quarter of 2015, the Company identified adjustments in CWI's estimated 2014 financial statement results, which primarily related to warranty accrual. The identified adjustments resulted in a cumulative $1.2 million understatement of the Company's income from investments accounted for by the equity method for the year ended December 31, 2014. The Company corrected the amounts related to CWI in the first quarter of 2015, which had the net effect of increasing income from investments accounted for by the equity method by $1.2 million for the year ended December 31, 2015. The Company did not believe this adjustment was material to its consolidated financial statements for the year ended December 31, 2014 and, therefore, did not restate any prior period amounts. The Company does not believe the adjustment is material to the year ended December 31, 2015 consolidated financial statements.

Interest on long-term debt and amortization of discount expense primarily relates to our interest expense on Canadian dollar and Euro denominated debentures.

(expressed in millions of U.S. dollars)

	Years ended December 31,		
	2015	**2014**	**2013**
Canadian debentures - 9% per annum	$ 3.9	$ 3.7	$ 3.1
Senior financing facilities	0.9	1.6	1.0
Amortization of discount and non-cash interest expense	0.7	0.5	0.7
Total Interest on long-term debt	$ 5.5	$ 5.8	$ 4.8

Interest on long-term debt for the year ended December 31, 2015 of $5.5 million is lower compared to the year ended December 31, 2014 due to favorable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent.

Interest on long-term debt for the year ended December 31, 2014 of $5.8 million is higher compared to the year ended December 31, 2013 due to additional interest on senior financing facilities as a result of increased borrowings.

Income tax expense for the year ended December 31, 2015 was $0.7 million compared to an income tax recovery of $0.6 million for the year ended December 31, 2014 and an income tax expense of $0.9 million for year ended December 31, 2013.

The increase for the year ended December 31, 2015 primarily relates to higher distributable earnings from our investment in CWI. The decrease in income tax expense for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily relates to lower distributable earnings from our investment in CWI and a recovery of the deferred income tax liability relating to the intangible and goodwill impairment charges.

CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

As at December 31, 2015, our cash, cash equivalents and short-term investment position was $27.8 million, a decrease of $66.2 million from $94.0 million at December 31, 2014. Cash and cash equivalents consist of guaranteed investment certificates, term deposits and bankers acceptances with maturities of 90 days or less when acquired. Short-term investments consist of investment grade bankers' acceptances, term deposits and commercial paper. We invest primarily in short-term paper issued by Schedule 1 Canadian banks, R1 high rated corporations and governments.

The Company has sustained net losses since inception and as at December 31, 2015 has an accumulated deficit of $863.3 million. As at December 31, 2015 the Company has cash and cash equivalents and short-term investments of $27.8 million. The Company's ability to continue as a going concern is dependent on its available cash, its ability to find new sources of financing or raise cash through the sale of assets while in pursuit of operating profitability. There can be no assurance that the Company will be successful in achieving its objectives. Management believes that the cash balances available as of December 31, 2015, combined with cost cutting measures in place and its ability to find new sources of financing or raise cash through the sale of assets subsequent to the balance sheet date, provides sufficient funds for the Company to meet its obligations beyond the next 12 months. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. See also "Cartesian Financing" in the subsequent event section of this MD&A for cash raised subsequent to year end.

Our plan is to use our current cash, cash equivalents and short-term investments, our share of CWI dividends (typically declared and paid quarterly) and borrowings under our credit facility to fund our committed milestones and obligations for our current programs. We will also continue to seek third party and government funding on commercially acceptable terms to offset costs of our investments; however, there are no guarantees that we will be successful in obtaining third party funding on acceptable terms or at all.

Cash Flow from Operating Activities. We prepare our statement of cash flows using the indirect method. Under this method, we reconcile net loss to cash flows from operating activities by adjusting net loss for those items that impact net loss but may not result in actual cash receipts or payments during the period. These reconciling items include but are not limited to depreciation and amortization, stock-based compensation expense, unrealized foreign exchange gain, income from investments accounted for by the equity method, provisions for inventory reserves and doubtful accounts, and changes in the consolidated balance sheet for working capital from the beginning to the end of the period.

2015 compared to 2014. In 2015, our net cash flow used in operating activities was $69.1 million, a decrease of $37.7 million from the net cash flow used in operating activities in the year ended December 31, 2014. This change was primarily driven by a reduction in program expenses, decreased headcount, and favorable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent. Cash used in operations decreased by $4.3 million compared to the prior year. These changes include increases in positive operating cash flow associated with accounts payables (primarily in relation with timing of payments), offset by an increase in accounts receivables (primarily as a result of increased sales in Q4 2015 versus Q4 2014).

Cash Flow from Investing Activities. Our net cash used in investing activities consisted primarily of dividends received from joint ventures, offset by purchases of property, plant and equipment property ("PP&E").

2015 compared to 2014. In 2015, our net cash flow received from investing activities was $16.4 million, a decrease of $4.9 million. Dividends received from joint ventures increased by $17.3 million to $20.5 million, primarily as a result of stronger

net income attributable to CWI. CWI improved the reliability of the ISL G engine, which resulted in a favourable decrease of $23.5 million in net warranty adjustments and net extended coverage claims compared to the year ended December 31, 2014. PP&E additions decreased by $5.4 million to $4.8 million primarily as a result of prioritizing investments and capital asset projects. Net cash flow received from investing activities decreased because no short-term investments matured in 2015, compared to $31.4 million in 2014.

Cash Flow from Financing Activities

2015 compared to 2014. In 2015, our net cash flow from financing activities was negative because our repayment of operating lines of credit and long term facilities was greater than our infusion of cash from drawing on operating lines of credit. In 2014, our net cash flow from financing activities was positive, primarily as a result of raising an extra $17.8 million in unsecured subordinated debentures.

Westport's capital requirements will vary depending on a number of factors, including the timing and size of orders for our LNG systems, our ability to successfully launch products on time, our supply chain and manufacturing requirements, our success in executing our business plan, relationships with current and potential strategic partners, commercial sales and margins, product reliability, progress on research and development activities, capital expenditures and working capital requirements. We also continue to review investment and acquisition opportunities on a regular basis for technologies, businesses and markets that would complement our own products or assist us in our commercialization plans. Significant new orders, expanded engine programs, acquisitions or investments could require additional funding. If such additional funding is not available to us, if expected orders do not materialize or are delayed, or if we have significant overspending in our programs, we may be required to delay, reduce or eliminate certain research and development activities, reduce or cancel inventory orders, and possibly forego new program, acquisition or investment opportunities. Any of those circumstances could potentially result in a delay of the commercialization of our products in development and could have an adverse effect on our business, results of operations, liquidity and financial condition.

This "Capital Requirements, Resources and Liquidity" section contains certain forward looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Readers are encouraged to read the "Forward Looking Statements" and "Basis of Presentation" sections of this MD&A, which discusses forward-looking statements and the "Business Risks and Uncertainties" section of this MD&A and of our AIF.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	1 - 3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 57.5	$ 57.5	$ 57.5	$ —	$ —	$ —
Unsecured subordinated debentures (1)	38.4	46.0	3.6	42.4	—	—
Senior financing (2)	9.1	9.4	6.3	1.8	0.7	0.7
Senior revolving financing (3)	10.9	11.4	0.3	11.1	—	—
Other bank financing (4)	3.2	3.6	2.0	0.2	0.1	1.3
Capital lease obligations	0.8	0.8	0.4	0.4	—	—
Operating lease commitments	—	56.5	3.3	8.0	9.4	35.8
Royalty payments (5)	—	14.5	1.2	2.1	1.9	9.1
	$ 119.9	$ 199.7	$ 74.6	$ 66.0	$ 12.1	$ 46.9

(1) Includes interest at 9%.
(2) Includes interest at rates disclosed in note 13(b) of the annual financial statements in effect at at December 31, 2015.
(3) Includes interest at rates disclosed in note 13(c) of the annual financial statements in effect at December 31, 2015.
(4) Includes interest at rates disclosed in note 13(d) in effect at December 31, 2015.
(5) The Company is obligated to pay annual royalties equal to the greater of CDN $1.4 million or 0.33% of the Company's gross annual revenue from all sources, including CWI, provided that gross revenue exceeds CDN $13.5 million in any aforementioned fiscal year, until a total of CDN $28.2 million has been paid. The Company has assumed the minimum required payments.

Capital lease obligations and operating lease commitments
Capital lease obligations related primarily to office equipment and machinery, have initial terms of three to five years and have interest rates ranging from 3.1% to 4.9%. Operating lease commitments represent our future minimum lease payments under leases related primarily to our operating premises and office equipment.

Senior financing
Senior financing consists of three arrangements with a combined $15.9 million in principal outstanding.

The Emer S.p.A ("Emer") senior financing agreement with outstanding principal of $9.4 million is denominated in EUROS and bears interest at the 6-month Euribor plus 2.5% (2.6% as at December 31, 2015) and is recorded at amortized cost using the effective interest rate method. Interest is paid semi-annually. The Company has pledged its interest in Emer as a general guarantee for its senior financing. The senior financing matures in 2017.

The outstanding principal for the Prins senior financing as of December 31, 2015 is $2.0 million. The senior financing agreement is denominated in EUROS and bears interest at the 3-month Euribor plus 3.5% (3.6% as at December 31, 2015). Interest is paid quarterly. The Company has pledged its interest in Prins as a general guarantee for its senior financing. The senior financing matures in 2016.

The Prins senior mortgage loan was assumed on the acquisition of Prins. The senior mortgage loan is denominated in EUROS and bears interest at 3-month Euribor plus 1% (1.1% as at December 31, 2015). Interest is paid quarterly. The Company has pledged its interest in Prins's building as a general guarantee for its senior mortgage loan. The senior mortgage loan matures in 2020.

The three senior financing agreements will be repaid in accordance with note 13(b) of the annual financial statements.

Senior revolving financing
The senior revolving financing facility is denominated in EUROS and bears interest at the 6-month Euribor plus 2.6% (2.7% as at December 31, 2015) and will be repaid through one principal payment of €10 million on March 31, 2017. Interest is paid semi-annually. The Company has pledged its interest in Emer as a general guarantee for its senior revolving financing.

The principal repayment schedule of the senior financings are as follows for the years ended December 31:

	Subordinated debenture notes	Emer Senior Financing	Prins Senior Financing	Prins Senior Mortgage Loan	Senior revolving financing	Total
2016	$ —	$ 3.8	$ 1.9	$ 0.3	$ —	$ 6.0
2017	38.3	1.0	0.1	0.3	10.9	50.6
2018	—	—	—	0.3	—	0.3
2019	—	—	—	0.4	—	0.4
2020 and thereafter	—	—	—	1.0	—	1.0
	$ 38.3	$ 4.8	$ 2.0	$ 2.3	$ 10.9	$ 58.3

Subordinated Debenture Notes
On September 23, 2011, the Company raised CDN$36.0 million through the issuance of debentures (the "Initial Debentures"). The Initial Debentures were unsecured and subordinated to senior indebtedness, matured on September 22, 2014, and bore interest at 9% per annum, were payable in cash semi-annually in arrears on March 15 and September 15 of each year during the term, which commenced on March 15, 2012.

On June 27, 2014, the Company raised CDN$19.0 million through the issuance of debentures on a private placement basis (the “Additional Debentures”). In conjunction with the issuance of the Additional Debentures, the Company amended the terms of the Initial Debentures (the “Amended Initial Debentures”). The Amended Initial Debentures are ranked *pari passu* with the Additional Debentures and both shall be treated as the same series of debentures (the “New Debentures”) with the same terms. The New Debentures totaling CDN$55.0 million are composed of the Additional Debentures CDN$19.0 million and the Amended Initial Debentures CDN$36.0 million. The New Debentures are unsecured and subordinated to senior indebtedness, mature on September 15, 2017, and bear interest at 9% per annum, payable in cash semi-annually in arrears on March 15 and September 15 of each year during the term.

The New Debentures contain an extension option that will allow each debenture holder to have the option to extend, a maximum of six times, the maturity date for an additional period of six months provided that greater than CDN$10,000 of the aggregate principal amount of the New Debentures remain outstanding.

The Company has performed the assessment of embedded derivatives within the New Debentures and concluded that there is an embedded derivative that requires bifurcation related to the extension option from the New Debentures. The extension option was deemed not clearly and closely related to the New Debentures and is separately accounted for as a standalone derivative. The Company recorded this embedded derivative as a non-current liability on its consolidated balance sheet. At issuance on June 27, 2014, the embedded derivative’s fair value was determined to be CDN$1.3 million, which was recorded as a reduction to the carrying value of the New Debentures. The Company is accreting the carrying value of the debt to interest expense by using the effective interest method through to the maturity date of the New Debentures. The embedded derivative is subsequently adjusted to fair value at each reporting date, with the associated fair value loss (gain) recorded in interest and other income (loss). The derivative liability is included in other long term liabilities on the consolidated balance sheets. The Company determined the fair value of the embedded derivative using the Interest Rate Option Pricing Method which incorporated the Black-Karasinski model.

The table below discloses the accounting values assigned to the subordinated debenture notes. All values are disclosed in CDN ("C$"). The approximate exchange rate used to value the subordinated debenture notes to USD at December 31, 2015 was 0.72 (2014 - 0.86).

	December 31, 2015		December 31, 2014	
Balance, beginning of period	C$	52.0	C$	34.0
Issuance of Additional Debentures		—		19.0
Extension Option Discount		—		(1.2)
Accretion for extension option		0.4		0.2
Accretion of share issuance costs		0.7		—
Balance, end of period	C$	53.1	C$	52.0

(1) We adopted ASU 2015-03 in the fourth quarter of 2015. We applied the change retrospectively to January 1, 2014 for prior period balances of unamortized debt issuance costs, resulting in a CDN $2.0 million reduction in other assets and long-term debt on our consolidated balance sheet as of December 31, 2014.

Royalty Payments
Royalty payments include annual royalties payable to Industry Canada's Industrial Technologies Office ("ITO") as outlined in "Government Funding" below.

Purchase Commitments
The Company purchases components from a variety of suppliers and contract manufacturers. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, the Company enters into agreements with suppliers and contract manufacturers. A portion of our reported estimated purchase commitments arising from these agreements are firm, noncancelable, and unconditional commitments. The Company may be subject to penalties, and may lose important suppliers, if it is unable to meet its purchase commitments. In 2014, the Company entered into several long-term fixed price contracts to purchase parts to produce certain products. These contracts represent firm purchase commitments which are evaluated for potential market value losses. The Company estimated a loss on these firm purchase commitments with reference to the estimated future sales price of these products and recognized a provision for inventory purchase commitments of $4.1 million in 2014. The provision is recognized in other payables in accounts payable and accrued liabilities. During 2015 the provision has been drawn down to $2.1 million.

CONTINGENT OFF-BALANCE SHEET ARRANGEMENTS

Government Funding
We are continually exploring strategic opportunities to work with governments to provide them with alternative fuel solutions. As a result of our government partnerships, we recognized $0.2 million in government funding during the year ended December 31, 2015 compared with $0.9 million for the year ended December 31, 2014 and $0.6 million for the year ended December 31, 2013.

Under certain repayment terms, we are obligated to repay royalties as follows:

AGREEMENT	DESCRIPTION	ROYALTIES	TERM
INDUSTRIAL TECHNOLOGIES OFFICE (FORMERLY TECHNOLOGY PARTNERSHIPS CANADA)	Fund 30% of the eligible costs of, among other research projects, the adaptation of Westport's technology to diesel engines, up to CDN $18.9 million.	Annual royalties equal to the greater of CDN $1.35 million or 0.33% of annual gross revenues from all sources, provided that gross revenues exceed CDN $13.5 million.	Fiscal 2010 to fiscal 2015, inclusive; royalty period may be extended until the earlier of March 31, 2018 or until cumulative royalties total CDN $28.2 million.

For the year ended December 31, 2015, royalties of $0.3 million relating to ITO were paid. $ 2.4 million remain accrued at December 31, 2016. Cumulative royalties paid to date relating to ITO at December 31, 2015 total CDN $10.0 million.

SHARES OUTSTANDING

For the years ended December 31, 2015, December 31, 2014 and the year ended December 31, 2013, the weighted average number of shares used in calculating the loss per share was 64,109,703, 63,130,022 and 57,633,190, respectively. During the year ended December 31, 2015, we granted 5,556,630 RSUs and PSUs (together the "Share Units"). The Common Shares, share options and Share Units outstanding and exercisable as at the following dates are shown below:

	December 31, 2015		March 29, 2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Common Shares outstanding	64,380,819		64,487,305	
Share Units				
Outstanding [1][2]	9,657,921	N/A	9,118,870	N/A
Exercisable	1,150,294	N/A	1,379,694	N/A

(weighted average exercise prices are presented in Canadian dollars)

(1) As at December 31, 2015, excludes 41,302 (March 29, 2016 - 35,315) of phantom share units, respectively, which when vested, are exercisable in exchange for a cash payment and do not result in the issuance of common shares.

(2) As at December 31, 2015, includes 3,561,433 (March 29, 2016 - 3,140,200) PSUs with payout levels ranging between 0% and 200% upon achieving the required performance criteria over the measurement period. None of these PSUs are currently known to be issuable based on the prior achievement of the required 200% conversion ratio as at the date hereof, however such awards have not yet become vested.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. We have identified several policies as critical to our business operations and in understanding our results of operations. These policies, which require the use of judgment, estimates and assumptions in determining their reported amounts, include our accounting of CWI as variable interest entity, warranty liability, revenue recognition, inventories, property, equipment, furniture and leasehold improvements, stock-based compensation, goodwill and intangible assets. The application of these and other accounting policies are described in Note 2 of our calendar year 2015 annual consolidated financial statements. Actual amounts may vary significantly from estimates used.

Variable Interest Entities
A variable interest entity ("VIE") is any type of legal structure not controlled by voting equity but rather by contractual and/or other financial arrangements. Interests in VIEs are consolidated by the company that is the primary beneficiary. The Company's interest in CWI is a VIE but it is determined that there is no primary beneficiary.

Warranty Liability
Estimated warranty costs are recognized at the time we sell our products and included in cost of revenue. We use historical failure rates and costs to repair product defects during the warranty period, together with information on known products to estimate the warranty liability. The ultimate amount payable and the timing will depend on actual failure rates and the actual cost to repair. We review our warranty provision quarterly and record adjustments to our assumptions based on the latest information available at that time. Since a number of our products are new in the market, historical data may not necessarily reflect actual costs to be incurred, and this exposes the Company to potentially significant fluctuations in liabilities and our statement of operations. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. We generally record warranty expense for new products upon shipment using a factor based upon historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. Adjustments to and estimated future direct warranty costs are accrued and charged to cost of revenue in the period when the related revenues are recognized while indirect warranty overhead salaries and related costs are charged to cost of revenue in the period incurred.

During the fourth quarter of 2013, a study of the historical data indicated that the cost to repair product defects continued to increase significantly primarily associated with our extended warranty contracts. As a result, the Company recognized a change in estimate in our base warranty liability and a loss on our extended warranty contracts representing the excess of the estimated cost to service these contracts over the amount of the deferred revenue recognized associated with the contracts. The warranty liability was reviewed in the fourth quarter of 2014 and 2015, and no change in estimate was required.

Revenue Recognition

Product revenue

The Company's primary source of revenue is from the sale of kits, Westport LNG systems and parts, and Westport CNG and LPG fuel systems for OEMs in the light-duty automotive and industrial markets. Product revenue is recognized when contractual terms are agreed upon, the price is fixed or determinable, the products are shipped and title passes to the customer and collectability is reasonably assured.

Revenue from research and development

The Company also earns service revenue from research and development arrangements under which the Company provides contract services relating to developing natural gas engines or biogas engines for use in products and providing ongoing development services to assist with the development and commercialization of products. These contracts provide for the payment for services based on our achieving defined milestones or on the performance of work under product development programs. Revenues are recognized using the milestone method based on assessment of progress achieved against the defined milestones. Revenue may also be recognized using the proportionate performance method of accounting based on the performance of work under the research and development arrangement. All costs incurred related to revenue earned from research and development arrangements are recorded as research and development expense as incurred.

Revenue from contracts

The Company earns revenue under certain contracts to provide engineering development services. These contracts provide for the payment for services based on the performance of work under product development programs. Revenues are recognized under these contracts based on the percentage of completion method of accounting. The components to measure percentage of completion may include estimated costs to complete a contract, estimated hours to completion or management's assessment of work to be performed. When estimates of total costs to be incurred on a contract exceed total estimates of revenue to be earned, a provision for the entire loss on the contract is recorded in the period the loss is determined. Changes to the estimated percentage of completion of a contract may result in an adjustment to previously recognized revenues. All costs incurred related to revenue earned from contracts are recorded in cost of products sold.

Arrangements with customers may include multiple deliverables, including any combination of products, services, and licenses. In these arrangements, the Company allocates revenue to all deliverables based on their relative selling prices. The Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (a) vendor-specific objective evidence of fair value (VSOE), (b) third-party evidence of selling price (TPE), and (c) best estimate of selling price (BESP), which are determined as follows:

VSOE-In limited circumstances are products sold separately in stand-alone arrangements. In determining VSOE, the Company requires that a substantial majority of the selling prices for a product or service falls within a reasonably narrow pricing range, generally evidenced by the pricing rates of approximately 85% of such historical stand-alone transactions falling within plus or minus 10% of the median rate. In addition, the Company considers the geographies in which the products or services are sold, major product and service groups, customer classification, and other environmental or marketing variables in determining VSOE.

TPE-VSOE exists only when the Company sells the deliverable separately. When VSOE does not exist, the Company attempts to determine TPE based on competitor prices for similar deliverables when sold separately. Generally, the Company's go-to-market strategy for many of its products differs from that of its peers and its offerings contain a significant level of customization and differentiation such that the comparable pricing of products with similar functionality sold by other companies cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor products' selling prices are on a stand-alone basis. Therefore, the Company is typically not able to determine TPE.

BESP-The objective of BESP is to determine the price at which the Company would transact a sale if the product or service were sold on a stand-alone basis. When both VSOE and TPE do not exist, the Company determines BESP by first collecting all reasonably available data points including sales, cost and margin analysis of the product, and other inputs based on the Company's normal pricing practices. Second, the Company makes any reasonably required adjustments to the data based on market and Company-specific factors. Third, the Company stratifies the data points, when appropriate, based on customer, magnitude of the transaction and sales volume.

Once elements of an arrangement are separated into more than one unit of accounting, revenue is recognized for each separate unit of accounting based on the nature of the revenue as described above.

Changes in cost estimates and the fair values of certain deliverables could negatively impact the Company's operating results. In addition, unforeseen conditions could arise over the contract term that may have a significant impact on the Company's operating results.

License revenue

Revenue from technology license fees is recognized over the duration of the licensing agreement. Amounts received in advance of the revenue recognition criteria being met are recorded as deferred revenue.

Inventories

The Company's inventories consist of the Company's fuel system products (finished goods), work-in-progress, purchased parts and assembled parts. Inventories are recorded at the lower of cost and net realizable value. Cost is determined based on the lower of weighted average cost and net realizable value. The cost of fuel system product inventories, assembled parts and work-in-progress includes materials, labour and production overhead including depreciation. The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. In addition, the Company records a liability for firm, noncancelable, and unconditional purchase commitments with manufacturers for quantities in excess of the Company's future demand forecast consistent with its valuation of excess and obsolete inventory.

Property, Plant and Equipment and Intangible Assets
We consider whether or not there has been an impairment in our long-lived assets, such as equipment, furniture and leasehold improvements and intangible assets, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such assets are not recoverable, we are required to write down the assets to fair value. When quoted market values are not available, we use the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value to determine whether or not a write down is required.

Intangible assets

Based on the revenue and operating results and decline in the oil price, the Company concluded there were impairment indicators requiring the performance of a long-lived assets impairment test for customer contracts, technology and other intangibles as of November 30, 2014. Accordingly non-cash impairment charges aggregating to $5.8 million were recorded during the year ended December 31, 2014 which reduced the carrying values of technology by $0.1 million, customer contracts by $4.7 million and other intangibles by $1.0 million for the Westport Operations segment.

Based on the revenue and operating results and decline in the oil price, the Company concluded there were impairment indicators requiring the performance of a long-lived assets impairment test for customer contracts, technology and other intangibles as of November 30, 2015. The Company completed its annual assessment at November 30, 2015 and concluded that intangible assets were not impaired.

Impairment of property, plant and equipment

During the year ended December 31, 2015, the Company recorded an impairment charge of $4.0 million. The impairment resulted primarily from the write-down of Orca™ LNG trailers ("Orcas") which provide in-yard fleets convenient refueling in the absence of a permanent liquefied natural gas ("LNG") solution. The method used to determine fair value was recent sales of Orcas and the impairment charge was recorded in the Westport Operations segment.

During the year ended December 31, 2014, the Company recorded an impairment charge of $5.2 million. The impairment was primarily recorded against non-utilized test cells, and non-utilized equipment related to facility closures.

Stock-Based Compensation
We account for stock-based compensation related to stock options, Performance Share Units (“PSUs”) and Restricted Share Units (“RSUs”) granted to employees and directors using the fair value method. The resulting compensation expense for stock options is calculated using the Black-Scholes valuation method net of estimated forfeitures and is recognized in results from operations over the period in which the related employee services are rendered. We account for performance shares by calculating the fair value using a Monte-Carlo simulation and RSUs by calculating the fair value based on the market price of the Company’s common shares on the date of grant. The compensation expense is recorded in the period it is earned, which generally is the period over which the units vest.

Goodwill
We do not amortize goodwill but instead test it annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. This impairment test is performed annually at November 30. We use a two-step test to identify the potential impairment and to measure the amount of impairment, if any. The first step is to compare the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired; otherwise, goodwill is impaired and the loss is measured by performing step two. Under step two, the impairment loss is measured by comparing the implied fair value of the reporting unit goodwill with the carrying amount of goodwill.

We determine fair value using widely accepted valuation techniques, including discounted cash flows and market multiple analyses. These types of analyses contain uncertainties because they require management to make assumptions and to apply judgment to estimate industry economic factors and the profitability of future business strategies.

The Company's annual assessment date is November 30. However, based on the revenue and operating results of the Italian reporting unit, which is within the Westport Operations segment in the nine months ended September 30, 2015, the decline in the outlook for the remainder of 2015 and future years and the decline in the Company's share price, the Company concluded there

were impairment indicators requiring an interim goodwill impairment assessment as of September 30, 2015. Based on the Company's assessment, it was determined that the carrying amount of goodwill exceeded the implied fair value of goodwill and as a result an impairment of $18.7 million was recorded in the Italian reporting unit.

The remaining goodwill of $3.0 relates to the Netherlands reporting unit, which is within the Westport Operations' segment. The Company completed its annual assessment at November 30, 2015 and concluded that the goodwill was not impaired.

An assessment of the carrying value of goodwill was previously conducted as of November 30, 2014. Based on the Company's assessment, it was determined that carrying amount of goodwill exceeded the implied fair value of goodwill and as a result an impairment of $18.5 million was recorded in the US reporting unit, which is within the Westport Operations segment for the year ended December 31, 2014.

For 2014 and 2015, the fair value of the reporting units was determined using the present value of expected future cash flows discounted at a rate equivalent to a market participant's weighted-average cost of capital. The estimates and assumptions regarding expected future cash flows and the appropriate discount rates are in part based upon historical experience, financial forecasts and industry trends and conditions.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

(a) New accounting pronouncements adopted in 2015:

Simplifying the Presentation of Debt Issuance Costs:

In April 2015, the FASB issued ASU 2015-03, which requires debt issuance costs related to a debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability instead of being presented as an asset. The recognition and measurement guidance for debt issuance costs has not changed. ASU 2015-03 requires retrospective application and represents a change in accounting principle. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted for financial statements that have not been previously issued. We adopted this update in the fourth quarter of 2015. We applied the change retrospectively to January 1, 2014 for prior period balances of unamortized debt issuance costs, resulting in a $1.5 million (CDN $2.0 million) reduction in other assets and long-term debt on our consolidated balance sheet as of December 31, 2014.

Simplifying the Accounting for Measurement-Period Adjustments (Topic 805): Business Combinations :

In September 2015, the FASB issued ASU 2015-16, which replaces the requirement that an acquirer in a business combination account for measurement period adjustments retrospectively with a requirement that an acquirer recognize adjustments to the provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 requires that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. For public business entities, ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The guidance is to be applied prospectively to adjustments to provisional amounts that occur after the effective date of the guidance, with earlier application permitted for financial statements that have not been issued. Our early adoption of ASU 2015-16 in the third quarter of 2015 did not have a material impact on our consolidated financial statements.

Simplifying the balance sheet classification of deferred taxes (Topic 740): Income Taxes:

In November 2015, the FASB issued ASU 2015-17 amending the accounting for income taxes and requiring all deferred tax assets and liabilities to be classified as non-current on the consolidated balance sheet. The ASU is effective for reporting periods beginning after December 15, 2016, with early adoption permitted. The ASU may be adopted either prospectively or retrospectively. We adopted this update as of December 31, 2015 and applied the change retrospectively to January 1, 2014 for prior period balances of deferred tax assets and liabilities, resulting in a $3.6 million reduction in total current assets and corresponding increase in long term assets, along with a $0.4 million reduction in total current liabilities and corresponding increase in long term liabilities on our consolidated balance sheet as of December 31, 2014.

(b) New accounting pronouncements to be adopted in the future::

Revenue:

In May 2014, Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue From Contracts With Customers* ("Topic 606"). Topic 606 removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, provides more useful information to users of financial statements through improved disclosure requirements and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The guidance in this update supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally, this update supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts. Topic 606 is effective for public entities with reporting periods beginning after December 15, 2017. Early adoption would be permitted as of the original effective date in ASU 2014-09 (i.e., annual reporting periods beginning after December 15, 2016, including interim reporting periods within the annual periods). The Company has not yet evaluated the impact of the adoption of this new standard.

Going Concern:

In August 2014, the FASB issued ASU 2014-15 "Presentation of Financial Statements - Going Concern," outlining management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern, along with the required disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016 with early adoption permitted. The Company does not anticipate a material impact to the Company's financial statements as a result of this change.

Amendments to the Consolidation Analysis (Topic 810): Consolidation

In February 2015 the FASB issued ASU 2015-02, which revises the current consolidation guidance which results in a change in the determination of whether an entity consolidates certain types of legal entities. The Company is currently assessing the impact of the new standard on its consolidated financial statements. The new standard is effective for annual and interim reporting periods beginning after December 15, 2015 and may be applied on a full or modified retrospective basis.

Simplifying the Measurement of Inventory (Topic 330): Inventory

In July 2015, the FASB issued ASU 2015-11, which requires an entity to measure inventory at the lower of cost or net realizable value, which consists of the estimated selling prices in the ordinary course of business, less reasonably predictable cost of completion, disposal, and transportation. For public entities, the updated guidance is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The guidance is to be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company does not anticipate a material impact to the Company's financial statements as a result of this change.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Evaluation of Disclosure Controls and Procedures

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 ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis such that appropriate decisions can be made regarding public disclosures. As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of management, including the CEO and CFO, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act").

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act. Our internal control over financial reporting is designed under our supervision, and affected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. GAAP and the requirements of the SEC, as applicable. There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances.

All internal control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under potential future conditions, regardless of how remote. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

On July 23, 2015, we reported that we had identified a material weakness in our internal control over financial reporting as further described in our amended Management's Discussion and Analysis for the year ended December 31, 2014. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual financial statements will not be prevented or detected on a timely basis. As a result of this material weakness, our CEO and CFO concluded that our disclosure controls and procedures were not effective at a reasonable assurance level as of December 31, 2014. Accordingly, management had concluded that the Company's internal control over financial reporting was not effective as of December 31, 2014. In response to the identified material weakness, management took specific actions to address the material weakness as further described in our amended Management's Discussion and Analysis for the year ended December 31, 2014 filed on July 23, 2015. As a result of these actions, management has concluded that the material weakness has been remediated as of December 31, 2015.

Management, including the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, in relation to criteria described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has determined that our internal control over financial reporting was effective as of December 31, 2015.

KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of our internal control over financial reporting as of December 31, 2015.

Changes in Internal Control over Financial Reporting

Other than the changes described above with respect to the remediation of the material weakness at December 31, 2014, there were no changes in our internal control over financial reporting that occurred during the year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

SUMMARY OF QUARTERLY RESULTS AND DISCUSSION OF THE QUARTER ENDED DECEMBER 31, 2015

Our revenues and operating results can vary significantly from quarter to quarter depending on the timing of product deliveries, product mix, product launch dates, research and development project cycles, timing of related government funding, impairment charges, stock-based compensation awards and foreign exchange impacts. Net loss has and can vary significantly from one quarter to another depending on operating results, gains and losses from investing activities, recognition of tax benefits and other similar events.

The following table provides summary unaudited consolidated financial data for our last eight quarters:

Selected Consolidated Quarterly Operations Data (unaudited)

Three months ended	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15
(expressed in millions of United States dollars except for per share amounts)								
Product revenue (1)	$ 34.8	$ 31.8	$ 24.0	$ 27.4	$ 27.0	$ 24.6	$ 21.3	$ 24.9
Service and other revenue	5.1	6.1	1.4	—	1.0	3.2	1.0	0.2
Total revenue	39.9	37.9	25.4	27.4	28.0	27.8	22.3	25.1
Cost of product and parts revenue	27.6	24.3	17.3	28.7	22.6	18.1	21.0	21.6
Gross margin	$ 12.3	$ 13.6	$ 8.1	$ (1.3)	$ 5.4	$ 9.7	$ 1.3	$ 3.5
Gross margin percentage	*30.8%*	*35.9%*	*31.9%*	*(4.7)%*	*19.3%*	*34.9%*	*5.8%*	*13.9%*
Net loss for the period	$ (23.9)	$ (35.4)	$ (25.5)	$ (64.8)	$ (17.2)	$ (20.5)	$ (37.4)	$ (23.3)
EBITDA (2)	$ (18.8)	$ (28.8)	$ (20.8)	$ (57.5)	$ (11.7)	$ (14.8)	$ (32.5)	$ (19.3)
Adjusted EBITDA (3)	$ (22.1)	$ (16.9)	$ (22.0)	$ (23.0)	$ (9.2)	$ (7.7)	$ (9.8)	$ (12.3)
Loss per share								
Basic and Diluted	$ (0.38)	$ (0.56)	$ (0.40)	$ (1.03)	$ (0.30)	$ (0.30)	$ (0.58)	$ (0.35)
Income from unconsolidated joint ventures:								
CWI net income attributable to the Company	$ (0.8)	$ 0.4	$ 0.9	$ 7.6	$ 5.9	$ 3.4	$ 3.5	$ 4.3
WWI net income attributable to the Company	$ 0.5	$ 0.7	$ 1.2	$ 3.6	$ 0.3	$ 0.1	$ 0.1	$ 0.5

(1) In 2014, the Company combined the parts revenue with product revenue into a single line item in the consolidated statement of operations and comprehensive loss for all periods presented.

(2) The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have a standardized meaning according to U.S. GAAP. See non-GAAP measures for more information.

(3) The term Adjusted EBITDA is not defined under U.S. GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Westport defines Adjusted EBITDA as EBITDA adjusted for amortization of stock-based compensation, unrealized foreign exchange gain or loss, and non-cash and other unusual adjustments. See non-GAAP measures for more information.

THREE MONTHS ENDED December 31, 2015 AND 2014

Our consolidated revenue for the three months ended December 31, 2015 was $25.1 million, a decrease of $2.3 million, or 8.4%, from $27.4 million for the three months ended December 31, 2014.

Our consolidated net loss for the three months ended December 31, 2015 was $23.3 million, or a loss of $0.36 per diluted share, compared to a net loss of $64.8 million, or a loss of $1.03 per diluted share, for the three months ended December 31, 2014. The decrease in net loss primarily relates to lower SG&A and R+D costs in 2015 and higher non-cash and other unusual adjustments taken in the fourth quarter of 2014.

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 in U.S. GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

EBITDA

The term EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-GAAP financial measure. The Company defines EBITDA as loss before income taxes adjusted for interest expense (net) and depreciation and amortization.

Management believes that EBITDA is an important indicator commonly reported and widely used by investors and analysts as an indicator of the Company's operating performance and ability. The intent is to provide additional useful information to investors and analysts and such measures do not have any standardized meaning under U.S. GAAP. These measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP. Other issuers may define EBITDA differently.

Three months ended	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15
Loss before income taxes	$ (23.9)	$ (35.1)	$ (26.2)	$ (65.1)	$ (16.7)	$ (19.9)	$ (37.2)	$ (23.9)
Interest Expense, net (1)	0.8	1.7	0.7	2.5	1.4	1.6	1.4	1.3
Depreciation	4.3	4.6	4.7	5.1	3.6	3.5	3.3	3.3
EBITDA	$ (18.8)	$ (28.8)	$ (20.8)	$ (57.5)	$ (11.7)	$ (14.8)	$ (32.5)	$ (19.3)

(1) Interest expense, net is defined as the aggregate of bank charges, interest, and other, interest on long term-debt and amortization of discount.

EBITDA increased $13.2 million in the three months ended December 31, 2015 to a loss of $19.3 million from a loss of $32.5 million for the three months ended September 30, 2015 primarily as a result of a goodwill impairment charge taken in the third quarter of 2015.

Non-GAAP Measures continued:

Adjusted EBITDA

The term Adjusted EBITDA is not defined under U.S. GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP.

Adjusted EBITDA is used by management to review operational progress of its business units and investment programs over successive periods and as a long-term indicator of operational performance since it ties closely to the unit's ability to generate sustained cash flows.

Westport defines Adjusted EBITDA as EBITDA adjusted for stock-based compensation, unrealized foreign exchange gain or loss, and non-cash and other unusual adjustments. Adjusted EBITDA has limitations as an analytical tool, and when assessing Westport's operating performance, investors should not consider Adjusted EBITDA in isolation, or as a substitute for net loss or other consolidated statement of operations data prepared in accordance with U.S. GAAP. Among other things, Adjusted EBITDA does not reflect Westport's actual cash expenditures. Other companies may calculate similar measures differently than Westport, limiting their usefulness as comparative tools. Westport compensates for these limitations by relying primarily on its U.S. GAAP results.

Three months ended	31-Mar-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15
EBITDA	$ (18.8)	$ (28.8)	$ (20.8)	$ (57.5)	$ (11.7)	$ (14.8)	$ (32.5)	$ (19.3)
Stock based compensation	4.7	3.3	1.0	—	3.4	4.7	3.3	3.5
Unrealized foreign exchange (gain) loss	(8.9)	8.6	(2.2)	(0.9)	(2.9)	(1.2)	(8.0)	0.5
Non-cash and other unusual adjustments (1)	0.9	—	—	35.4	2.0	3.6	27.4	3.0
Adjusted EBITDA	$ (22.1)	$ (16.9)	$ (22.0)	$ (23.0)	$ (9.2)	$ (7.7)	$ (9.8)	$ (12.3)

(1) Non-cash and other unusual adjustments include impairment of long lived assets, provision for inventory purchase commitments, intangible impairment, goodwill impairment, one time inventory obsolescence charges and one time costs related to the proposed merger between the Company and Fuel Systems. The three month ended December 31, 2015 figure included other unusual adjustments related to the discontinuation of the first generation of Westport HPDI systems.

Adjusted EBITDA decreased $2.5 million in the three months ended December 31, 2015 to a loss of $12.3 million from a loss of $9.8 million for the three months ended September 30, 2015 primarily as a result of lower margins, and higher R&D and SG&A expenses.

RELATED PARTY TRANSACTIONS

As part of our joint venture agreement, we engage in transactions with CWI.

As at December 31, 2015, net amounts due from CWI total $1.2 million (2014 - $2.5 million). Amounts receivable relate to costs incurred by the Company on behalf of CWI. The amounts are generally reimbursed by CWI to the Company in the month following the month in which the payable is incurred. Cost reimbursements from CWI consisted of the following:

	2015	2014	2013
Research and development	$ —	$ —	$ 0.2
General and administrative	0.9	1.5	1.4
Sales and marketing	4.8	4.9	4.7
	$ 5.7	$ 6.5	$ 6.3

All material transactions between the Company and CWI have been eliminated on application of equity accounting.

Subsequent Events

See General Development section on page 5 of this MD&A for updates related to Cartesian Financing and The Merger with Fuel Systems Solutions, Inc.

BUSINESS RISKS AND UNCERTAINTIES

An investment in our business involves risk and readers should carefully consider the risks described in our AIF and other filings on www.sedar.com and www.sec.gov. Our ability to generate revenue and profit from our technologies is dependent on a number of factors, and the risks discussed in our AIF, if they were to occur, could have a material impact on our business, financial condition, liquidity, results of operation or prospects. While we have attempted to identify the primary known risks that are material to our business, the risks and uncertainties discussed in our AIF may not be the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operation or prospects. A full discussion of the risks impacting our business is contained in the AIF for the year ended December 31, 2015 under the heading “Risk Factors” and is available on SEDAR at www.sedar.com.

Exhibit 99.4

CERTIFICATION

I, David R. Demers, certify that:

1 I have reviewed this annual report on Form 40-F of Westport Innovations Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2016

By: /s/ David R. Demers

Name: David R. Demers
Title: Chief Executive Officer

Exhibit 99.5

CERTIFICATION

I, Ashoka Achuthan, certify that:

1 I have reviewed this annual report on Form 40-F of Westport Innovations Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2016

By: /s/ Ashoka Achuthan

Name: Ashoka Achuthan
Title: Chief Financial Officer

Exhibit 99.6

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Westport Innovations Inc. (the "Company") on Form 40-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David R. Demers, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 29, 2016 /s/ David R. Demers

David R. Demers
Chief Executive Officer

This certification accompanies this annual report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 99.7

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Westport Innovations Inc. (the "Company") on Form 40-F for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ashoka Achuthan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 29, 2016 /s/ Ashoka Achuthan

Ashoka Achuthan
Chief Financial Officer

This certification accompanies this annual report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Westport Innovations Inc.

We consent to the use of our reports, each dated March 29, 2016 with respect to the consolidated financial statements of Westport Innovations Inc. (the "Company") as at December 31, 2015 and for the years ended December 31, 2015 and December 31, 2013, and the effectiveness of internal control over financial reporting as of December 31, 2015 included in this annual report on Form 40-F.

We also consent to the incorporation by reference of such reports in the Registration Statements (No. 333-165812 and No. 333-168847) on Form S-8, (No. 333-205869) on Form F-10/A and (No. 333-207523) on Form F-4/A of the Company.

/s/ KPMG LLP

Chartered Professional Accountants

March 29, 2016
Vancouver, Canada

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KPMG Canada provides services to KPMG LLP.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-165812 and No. 333-168847 on Form S-8 and No. 333-205869 on Form F-10/A and No. 333-207523 on Post-Effective Amendment No. 1 to Form F-4 of our report dated March 9, 2015 (October 15, 2015 as to Note 23), relating to the 2014 consolidated financial statements (before the effects of the retrospective adjustments to the consolidated financial statements and financial statement disclosures) of Westport Innovations Inc. and subsidiaries ("Westport") (not presented herein), appearing in this Annual Report on Form 40-F of Westport for the year ended December 31, 2015.

/S/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 29, 2016