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, 2021

Commission file number: 001-34152

WESTPORT FUEL SYSTEMS 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:
Steven B. Stokdyk, Esq.
Lewis W. Kneib, Esq.
Latham & Watkins LLP
355 South Grand Avenue, Suite 100
Los Angeles, CA 90071

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

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange On Which Registered:
Common Shares, no par value	**WPRT**	**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, 2021, 170,799,325 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 every Interactive Data File required to be submitted 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 such files). ý Yes o No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ý

EXPLANATORY NOTE

Westport Fuel Systems 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

The Registrant has made in the documents filed as part of this annual report on Form 40-F, and from time to time may otherwise make "forward-looking statements", within the meaning of Section 21E under the Exchange Act, and related assumptions concerning its operations, economic performance and financial matters. Actual results or events could differ materially from those set forth in, or implied by, the forward-looking statements and the related assumptions due to a variety of factors. Reference is made to the section titled "Reference and Forward-Looking Information" on page 1 of the Annual Information Form for a discussion of such factors.

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, 2021 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.27.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2021 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, 2021 and 2020, including the report of the independent registered public accounting firm 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, 2021, 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, 2021, 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".

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, 2021 and 2020, 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, 2021, 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".

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). On March 14, 2022, the Company's Audit Committee consists of Brenda J. Eprile, Rita Forst, Anthony Guglielmin, Philip Hodge and Karl-Viktor Schaller. Each member of the Audit Committee, in the opinion of the directors, is independent (as determined under Rule 10A-3 of the Exchange Act and Nasdaq Rule 5605(a)(2)) and 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.wfsinc.com.

Audit Committee Financial Expert

The Company's Board of Directors has determined that Brenda J. Eprile, Rita Forst and Anthony Guglielmin qualify as financial experts (as defined in Item 407 of Regulation S-K under the Exchange Act) and are 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 "Principal Accountant Fees and Services" 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 canceled 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.wfsinc.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.

There have been no amendments, waivers or implicit waivers to the Code during the year ended December 31, 2021. Shareholders may submit a request online at the Company's website www.wfsinc.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, 2021, 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, 2021 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

MINE SAFETY DISCLOSURE

Not applicable.

DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

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 AND CONSENT TO SERVICE OF PROCESS

A. **Undertaking**

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission 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.

B. Consent to Service of Process

A Form F-X signed by the Registrant and its agent for service of process was previously filed with the Commission.

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, 2021
99.2	Audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2021 and 2020 together with the report of the independent registered public accounting firm (KPMG LLP, Vancouver, BC, Canada, Auditor Firm ID: 85) thereon
99.3	Management's Discussion and Analysis for the year ended December 31, 2021
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
Exhibits	
101	XBRL Interactive Data File

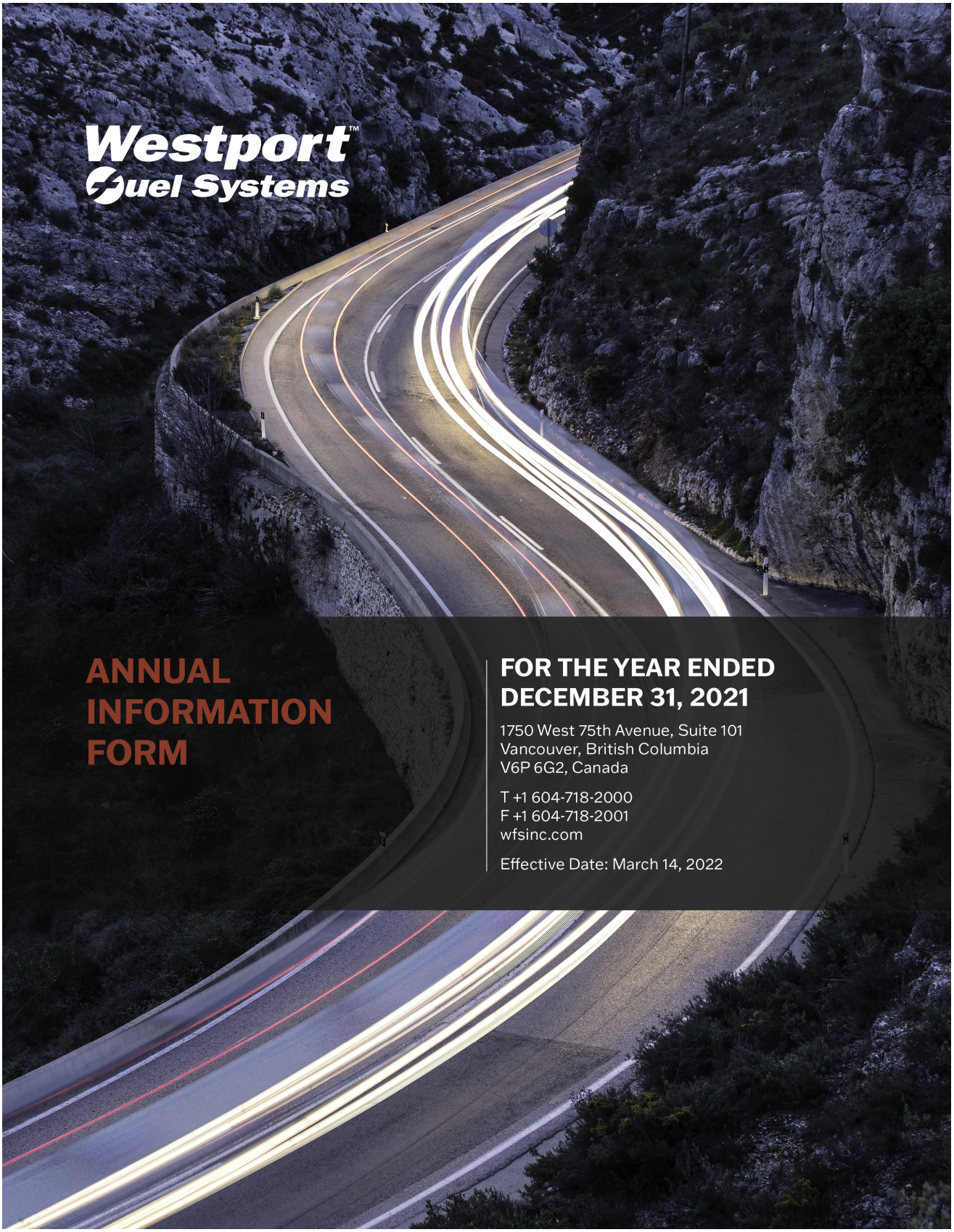
SIGNATURES

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 FUEL SYSTEMS INC.

By: /s/ David M. Johnson
Name: David M. Johnson
Title: Chief Executive Officer

Date: March 14, 2022



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2021

1750 West 75th Avenue, Suite 101
Vancouver, British Columbia
V6P 6G2, Canada

T +1 604-718-2000
F +1 604-718-2001
wfsinc.com

Effective Date: March 14, 2022

Table of Contents

References and Forward-Looking Information 1

Corporate Structure 1

About Westport Fuel Systems 2

Market Overview 3

- Overview of the Market 3
- Competitive Conditions 7

Our Business and Strategy 8

- Three Year History 8
- Significant Acquisitions 11
- Strategy 11
- Description of the Business 12
- Operating Business Segments 13
- Innovation, Research and Development 16
- Production and Operations 17
- Environmental and Social Policies 18
- Human Resources and Related Policies 19

Risk Factors 20

Description of Capital Structure 30

- Description of Common Shares 31
- Market for Securities 31
- Prior Securities Issued 33
- Dividend Policy 33

Directors and Executive Officers 33

- Board of Directors 33
- Audit Committee Matters 34
- Non-Audit Services 35
- External Auditor Fees and Services 35
- Named Executive Officers 36
- Shareholding of Directors and Executive Officers 37
- Cease Trade Orders, Bankruptcies, Penalties or Sanctions 37
- Conflicts of Interest 38

Material Contracts 38

Legal and Regulatory Proceedings 39

Additional Information 39

Schedule A "Forward Looking Information" 41

Schedule B "Audit Committee Charter" 45

Reference and Forward-Looking Information

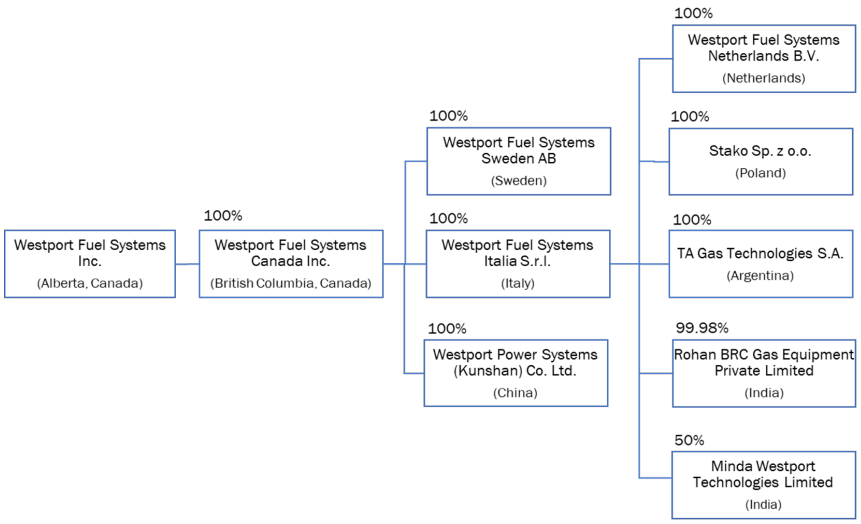
In this Annual Information Form ("AIF") references to "Westport Fuel Systems", "Westport", "the Company", "we", "us" and "our" refer to Westport Fuel Systems Inc. and its subsidiaries, collectively, unless the context otherwise requires. All dollar amounts set forth in this AIF are in U.S. dollars unless specifically stated otherwise. Except where otherwise indicated, all information presented is as of December 31, 2021.

Some of the historical data, statistics, and certain other industry information contained in this AIF are derived by the Company from industry consultants or from recognized industry reports regularly published by independent consulting and data compilation organizations, including IHS Markit ("IHS") and the International Council on Clean Transportation (" ICCT"). Industry consultants and publications generally state that the information provided has been obtained from sources believed to be reliable. We have not independently verified any of the data from third party sources nor have we ascertained the underlying economic assumptions relied upon in these reports.

Certain statements contained in this 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. Such statements are subject to certain risks and uncertainties and are based on a number of assumptions, all of which are outlined in Schedule "A" : Forward Looking Information. While the Company has a reasonable basis for such forward-looking statements, readers are cautioned that actual results may vary materially from the forward-looking statements in this AIF.

Corporate Structure

Westport Fuel Systems 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. In 2016 Westport Fuel Systems amended its articles to change its name from Westport Innovations Inc. to Westport Fuel Systems Inc. following a merger with Fuel Systems Solutions Inc. on June 1, 2016.
The following chart includes the Company's principal operating subsidiaries as of March 14, 2022 and, for each subsidiary, its place of organization and the Company's percentage of voting interests beneficially owned or over which the Company exercises control or direction. The structure is not necessarily indicative of our operational structure.



About Westport Fuel Systems

We are Driving Innovation to Power a Cleaner Tomorrow. And We Are Doing It Today.

Westport Fuel Systems is a global company focused on engineering, manufacturing, and supplying alternative fuel systems and components for transportation applications. Our diverse product offerings sold under a wide range of established global brands enable the use of a number of alternative fuels in the transportation sector which provide environmental and/or economic advantages as compared to diesel, gasoline, batteries or fuel cell powered vehicles. The Company's fuel systems and associated components control the pressure and flow of these alternative fuels, including liquid petroleum gas ("LPG"), compressed natural gas ("CNG"), liquified natural gas ("LNG"), renewable natural gas ("RNG") [(1)] or biomethane, and hydrogen. We supply our products in more than 70 countries through a network of distributors, service providers for the aftermarket and directly to original equipment manufacturers ("OEMs") and Tier 1 and Tier 2 OEM suppliers. We also provide delayed OEM ("DOEM") offerings and engineering services to our customers and partners globally. Today, our products and services are available for passenger car and light-, medium- and heavy-duty truck and off-road applications.

Westport Fuel Systems believes it is well positioned to increase revenues and market share as new stringent environmental regulations mandating greenhouse gas emission ("GHG") and air pollutant reductions have been introduced in key markets around the world. We are leveraging our market-ready products and customer base to capitalize on these opportunities. In addition to our significant operational competency in well-established transportation markets, our development of new technologies provides us a leadership position in gaseous alternative fuel systems which is expected to drive future growth. Westport Fuel Systems has a decades long track record of innovation and specialized engineering capabilities. It has resulted in a strong and unique intellectual property position exemplified in its substantial patent portfolio, trade secrets and copyrights and other intellectual property rights.

Notes:

1. *The terms RNG, biomethane, and renewable gas are used interchangeably. These terms refer to pipeline-quality gas derived from a variety of renewable feedstock sources that is fully blendable with conventional natural gas and can be delivered in the form of CNG or LNG. Therefore, our references to natural gas in this AIF include both geologic natural gas and renewable natural gas.*

2021 Company Highlights



10	70	$312M +	$13.7M +	1,797
Brands	Countries	in Revenue	in Net Income	Global Workforce

Market Overview

Alternative Fuels in Vehicles

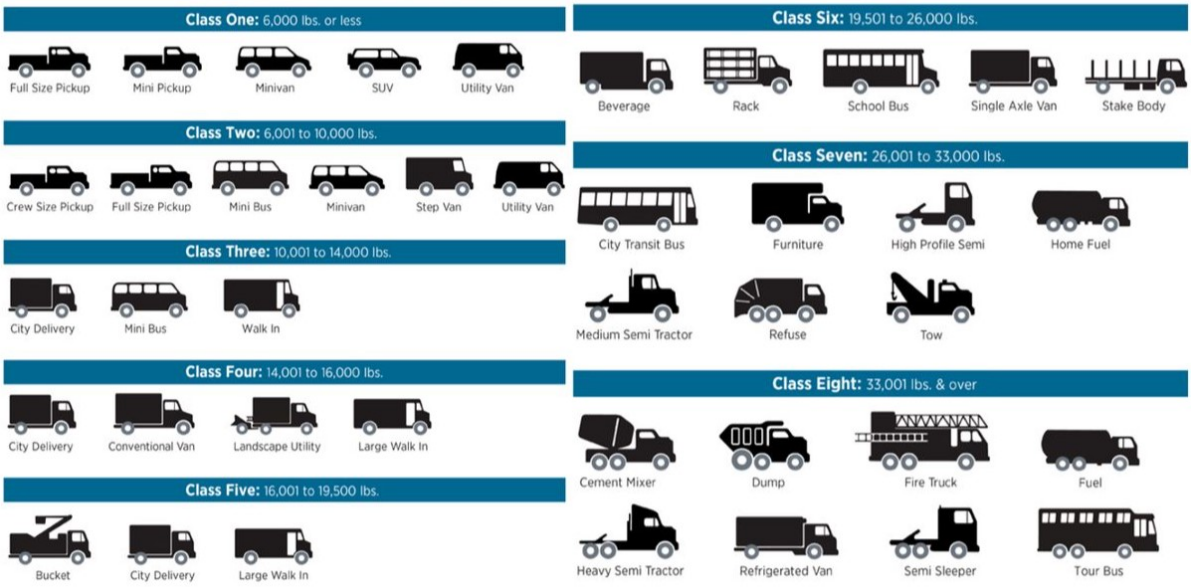
The manufacturing sector for commercial and passenger vehicles faces an inflection point due to regulatory and societal pressures to decarbonize transportation in an effort to mitigate the impacts of climate change and pollution. Capital investment, energy costs, energy consumption, available infrastructure, sustainability goals, and a host of alternative fuels are key factors to consider in a global industry that faces a broad range of macroeconomic, political and sustainability trends.

Diesel has long been the standard fuel used by commercial vehicles but the global goal of reducing carbon emissions has led to increased interest in alternative powertrain solutions such as battery electric, fuel cell and alternative fuel internal combustion engines ("ICE"). Of these different approaches, alternative fuels (such as natural gas, hydrogen and biomethane) utilized in ICE have proven to deliver significant well to wheel and life cycle reductions of carbon emissions. Leveraging commercially available products today means customers can experience the expected and proven performance that is the hallmark of ICE while delivering carbon reduction today that, in most cases, are more economical than their conventionally fuelled competition and other fuel cell and battery electric alternatives.

Total Addressable Market (TAM) for Vehicle Segments

Trucks are largely classified by their weight and payload, and segmented into light, medium and heavy-duty market segments. The truck market is also divided by length of haul into short-haul, medium-haul and long-haul. Each category having their own unique set of requirements and needs that play a factor in the determination of what powertrain approaches are utilized.

The chart below describes the types of trucks by weight class in the United States:



Source: US Department of Energy

The European Union has established regulations for the requirements of heavy-duty vehicles with respect to emissions. The following table outlines the European Union's heavy-duty vehicle classification for the purpose of CO2 emissions and fuel consumption certification:

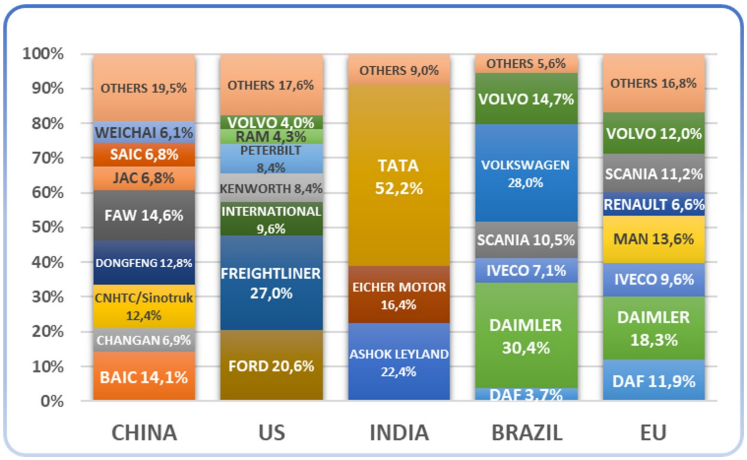
Axle type	Chassis configuration	Gross vehicle weight (tonnes)	Vehicle group	Regulatory cycles[a] and payloads[b] used in VECTO
4x2	Rigid	>3.5 - <7.5	0	Not considered by the regulation
	Rigid (or tractor)	7.5 - 10	1	RD (50%), UD (50%)
	Rigid (or tractor)	>10 - 12	2	LH (75%), RD (50%), UD (50%)
	Rigid (or tractor)	>12 - 16	3	RD (50%), UD (50%)
	Rigid	>16	4	LH (14.0t), RD (4.4t), MU (4.4t)
	Tractor	>16	5	LH (19.3t), RD (12.9t)
4x4	Rigid	7.5 - 16	6	Not considered by the regulation
	Rigid	>16	7	Not considered by the regulation
	Tractor	>16	8	Not considered by the regulation
6x2	Rigid	all weights	9	LH (19.3t), RD (7.1t), MU (7.1t)
	Tractor	all weights	10	LH (19.3t), RD (12.9t)
6x4	Rigid	all weights	11	LH (19.3t), RD (7.1t), MU (7.1t), C(7.1t)
	Tractor	all weights	12	LH (19.3t), RD (12.9t), C (12.9t)
6x6	Rigid	all weights	13	Not considered by the regulation
	Tractor	all weights	14	Not considered by the regulation
8x2	Rigid	all weights	15	Not considered by the regulation
8x4	Rigid	all weights	16	C (7.1t)
8x6 8x8	Rigid	all weights	17	Not considered by the regulation
	New vehicles belonging to groups 4, 5, 9, and 10 will be certified from January 1, 2019. Vehicle registrations belonging to groups 4, 5, 9, and 10 will be certified from July 1, 2019			
	Vehicle registrations belonging to groups 1, 2, and 3 must be certified from January 1, 2020.			
	Vehicle registrations belonging to groups 11, 12, and 16, must be certified from July 1, 2020.			

a. Long-Haul (LH), Regional Delivery (RD), Urban Delivery (UD), Municipal Utility (MU), Construction (C). Rigid trucks in the long haul cycle use an additional trailer.
b. Number in brackets is the payload in tonnes. For vehicle groups 1,2, and 3, the payload is dependent on the GVW; the percentage number in brackets refers the approximate fraction of the maximum payload that is used in the vehicle simulation.

Source: ICCT Policy Update: Certification of CO2 Emissions and Fuel Consumption of On-Road Heavy-Duty Vehicles in the European Union (February 2018)

Global Automotive Production Markets

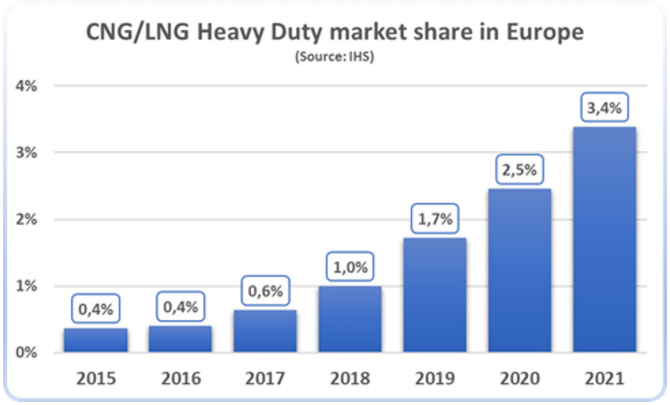
Global automotive production is a complex, high-tech manufacturing industry. As a Tier 1 supplier of alternative fuel systems, components, and related services, Westport supplies its products and services in over 70 countries around the world through a network of distributors, service providers, and OEMs that build vehicles in the regions where those vehicles are primarily sold. China, United States, India, Brazil and Europe represent among the largest heavy-duty vehicle production markets globally.



Heavy Duty Vehicle Manufacturer Breakdown of Main Global Markets in 2021

Source: IHS

In Europe, the market share of CNG or LNG powered trucks in the heavy-duty segment continues to grow. With progressive environmental regulations, Europe represents the most concrete prospect of a transition towards a more environmentally friendly use of ICEs.



Market Dynamics

Automotive Industry Trends

The following is a brief description of several key automotive industry trends that are shaping our long-term strategy:

Continuing focus on reducing vehicle energy consumption and CO2 emissions	• Sustainability and regulatory considerations accelerating push for more efficient, cleaner alternative fuel systems and components
Increase in R&D spending	• Significant development and engineering costs for OEMs may drive increased outsourcing to suppliers and collaboration
OEM cooperative alliances/consolidation	• Joint platform development and costs sharing/joint purchasing
Emergence of new “best-cost” automotive markets	• New “best-cost” automotive markets, which are close to larger established manufacturing markets

Source: Westport Fuel Systems Analysis

Near Term Industry Challenges

Russian-Ukraine Conflict:

We conduct a substantial portion of our light-duty OEM and Independent Aftermarket (“ IAM”) businesses in Russia by selling our products to numerous OEMs and other IAM customers. This Russian business has been a growing and important market for gaseous fuel systems and components. Due to the Russian invasion of Ukraine in late February 2022, the United States, European Union, Canada and other western countries and organizations have announced and enacted numerous sanctions against Russia to impose severe economic pressure on the Russian economy and government. Potential consequences of the sanctions that could impact our business in Russia include but are not limited to: (1) limiting and/or banning the use of the

SWIFT financial and payment system by Russian entities to buy and pay for our products; (2) devaluation of the ruble and the related impact on applicable exchange rates to negatively impact the competitiveness of our products; (3) government-owned entities (or partially owned entities) being potentially limited by sanctions from purchasing our products; and (4) a general deterioration of the Russian economy which may limit the ability for end customers to purchase our products. Moreover, any perceived or actual interruptions in Russia's natural gas supply or pricing, as has been the case since this conflict began, is having a significant impact on global natural gas prices, especially in Europe which may impact the sales of our products globally. The full impact of the commercial and economic consequences of the conflict are uncertain at this time, and we cannot provide assurance that future developments in the Russian-Ukraine conflict would not have an adverse impact on the ongoing operations and financial condition of our business in Russia.

Global Supply Chain Challenges and Shortages of Semiconductors:

- Due to the impact of COVID-19, the global automotive industry is currently experiencing global supply chain challenges to source semiconductors and other production inputs due to supply shortages that are creating production delays
- Consequently, these supply chain challenges are creating price inflation in sourcing semiconductors, raw materials and other parts for OEM and IAM businesses

Fuel Prices:

- Significant increases and continued fluctuations in global fuel prices including oil, gas, LPG, LNG and CNG over the year continue to persist due to uncertainty in supply levels and geopolitical risk, including the Russian-Ukraine conflict
- Fuel price increases of gaseous fuels that negatively impact the price differential between alternative gaseous fuels versus diesel and gasoline, can impact customers' decision to adopt such gaseous fuels as a transportation energy solution in the short term

Industry Growth Drivers

Regulation, technology advancements and improving total cost of ownership (" TCO") are three key growth drivers in the commercial vehicle market:

1. According to the ICCT, trucking is responsible for approximately 40% of the transportation industry’s GHG emissions. Many cities, countries and states have begun to take steps to limit carbon emissions from commercial vehicles through regulations and emission reduction targets. Environmental, social and governance ("ESG") policies at the corporate level are also driving changes. Commercial truck fleets, including UPS, DHL and Amazon for example, are making pledges to reduce their carbon emissions, further accelerating lower to zero emission powertrain adoptions.[(1)]
2. With such strong sentiment to reduce global GHG emissions from leading governments, OEMs will have to spend significant time and resources in research and development ("R&D") to meet regulatory demands. European Union regulations have set CO_2 emissions targets for certain vehicles corresponding to rigid and tractor trucks with a 4x2 axle configuration and a gross vehicle weight above 16 tonnes and all 6x2 vehicles. These are common configurations of European heavy duty trucks. These targets amount to a 15% reduction in CO_2 emissions by 2025 and a 30% reduction target by 2030, attaching a financial penalty for failure to achieve these targets. Conventional diesel technology will most likely not be able to meet these European targets.[(2)]
3. Clean energy technology advancements in the transportation sector are undergoing an unprecedented transformation. Improvements in fuel cells technology have rejuvenated interest in the potential of hydrogen as a source of clean energy. ICE fuelled by diesel power the majority of commercial vehicles globally through sustained technological and manufacturing improvements and breakthroughs. The medium and heavy-duty commercial transportation sectors have been typically dominated by the diesel engine due to its superior attributes in terms of torque, efficiency, reliability, and TCO. Due to the higher manufacturing costs and TCO of BEV and FCEV, many OEM's and Westport Fuel Systems have responded by developing ICE utilizing hydrogen fuel.[(3)]

4. TCO is the total cost to purchase and operate a vehicle for its entire lifecycle. Fleet TCO, refers to the total cost of buying, running, and maintaining a fleet. There are many elements to consider when calculating TCO, including fuel, operating and maintenance. Improving economics of alternative transportation fuels versus traditional diesel, and their respective operating/maintenance costs plays a significant factor in the potential growth and adoption rate of alternative transportation fuel systems.

Sources:

1. *Morgan Stanley Research (March 2021): Global Commercial Vehicles: Mapping Alternative Powertrain Adoption.*
2. *NGVA Europe (April 2021) "CO_2 Emissions Abatement Costs of Gas Mobility and other Road Transport Options.*
3. *Mumford, Baker & Munshi (January 2022): High Performance Hydrogen Engine Applications Using Westport Fuel Systems' Commercially Available HPDI.*

Competitive Conditions

Tier 1 Automotive Supply Industry

Competition in the global Tier 1 automotive supply industry continues to intensify. This is happening despite high barriers to entry and the capital-intensive nature of the business. Competition comes primarily from automakers and other Tier 1 suppliers. To cut costs, automakers are building different vehicle models utilizing similar base platforms. This has allowed them to streamline the number of Tier 1 suppliers they partner with.

Automakers select their suppliers based on many factors, including price, proprietary technologies and innovation, testing ability to validate new technologies for application, scope of in-house engineering and tooling capabilities, quality, manufacturing footprint, timeliness of delivery, financial strength, carbon footprint and alignment with sustainability goals/targets. As a Tier 1 supplier, Westport Fuel Systems must distinguish itself on such bases against its competition.

Specifically, Westport's products and related technologies compete with:

Manufacturers of on-engine and off-engine components and systems for alternative fuels

- These companies produce sub-set components, or manufacture or assemble complete systems and may also manufacture or assemble conversion kits used to convert vehicles fueled by diesel or gasoline to an alternative fuel
- The Company works with certain OEMs as customers, but also competes with other OEMs that develop fuel systems in-house and may also compete with traditional automotive component suppliers in the future

Conversion specialists

- Companies that convert vehicles to run on alternative fuels by installing alternative fuel components or systems on vehicles or by installing aftermarket components and conversion kits that were originally fueled by diesel or gasoline

Conventional spark-ignited or direct injection combustion technology and related systems

- These incumbent technologies such as engines powered by diesel or gasoline produced by global manufacturers, hold a very large market share in our target applications. Although we compete with these systems, our business is based on the conversion of these platforms to enable them to utilize alternative fuels

Alternative-fuel engines and related technologies using broadly the same technical approaches as used by Westport Fuel Systems

- Early and late cycle direct injection fuel system technology, spark-ignited natural gas and dual-fuel engines, LNG tanks, and new and aftermarket fuel system components.

Battery electric vehicles (BEVs) & hydrogen fuel cell electric vehicles (FCEV)

- BEVs and FCEVs are emerging in some markets and applications, primarily in the passenger car, transit bus and urban delivery vehicle segments.
- BEVs and FCEVs currently represent a small share of global vehicle sales to date. Stricter emissions regulations, battery advancements, increasing viability of hydrogen technology in a FCEV and capital being deployed, has fuelled debate around the timeline and adoption rates of these products
- While BEVs and FCEVs are being developed, many variables are still in play including battery cell availability, manufacturing capabilities, the build out of charging/refueling infrastructure, reliability, the durability of FCEVs in heavier duty vehicle applications, economic viability, and well to wheel and total lifecycle carbon emissions

Our Business and Strategy

Three Year History

2022

On February 7, 2022, the Company announced that Cummins Inc. ("Cummins") and Westport Fuel Systems Inc. agreed to a share purchase agreement for the sale of Westport's stake in the Cummins Westport Inc. ("CWI") joint venture for proceeds of approximately $22 million. Westport Fuel Systems also sold its interest in the intellectual property of CWI for proceeds of $20 million. Cummins and Westport also agreed to conduct an initial technical assessment of Westport's HPDI™ fuel system for potential use on Cummins' hydrogen applications, an application designed to directly inject a fuel into the combustion chamber of an ICE. Westport's HPDI™ fuel system is designed to directly inject a fuel into the combustion chamber of an internal combustion engine.

On January 27, 2022, the Company announced that it joined the internationally-recognized Hydrogen Council (www.hydrogencouncil.com) as a supporting member. The Hydrogen Council is a global CEO-level advisory body providing a long-term vision for the important role of hydrogen technologies in an energy transition for cleaner transportation solutions.

On January 25, 2022, the Company announced the appointment of Philip B. Hodge to the Company's Board of Directors (the " Board").

2021

On December 16, 2021, the Company announced that it had refinanced a US$20 million term loan from Export Development Canada (" EDC") providing for the extension of the maturity of the indebtedness to EDC and a reduction in interest rate.

On November 2, 2021, the Company announced the award of a tender issued by NAFTAL, a branch of SONATRACH, the national Algerian Oil & Gas company. Pursuant to the terms of the tender, Westport Fuel Systems will supply 60,000 liquefied petroleum gas systems over the next 18 months with related spare parts for a total value of approximately €9 million.

On September 20, 2021, the Company released its 2020 Environmental, Social and Governance Report (" ESG Report") outlining the Company's progress and sharing its forward plans to evolve and mature an embedded ESG strategy.

On July 7, 2021, the Company announced a joint collaboration with TUPY and AVL List GmbH (" AVL") to develop a highly efficient hydrogen ("H_2") ICE for heavy goods transportation.

On June 8, 2021, the Company announced the closing of an underwritten marketed public offering of Common Shares (" Common Shares") in the United States and Canada for gross proceeds to the Company of US $115,115,000 (the "Offering"). The Company issued a total of 20,930,000 Common Shares, including 2,730,000 Common Shares following the exercise in full by the underwriters of their over-allotment option. The shares were issued at a price to the public of US $5.50 per share.

On May 28th, 2021, the Company announced the acquisition of Stako sp. z o.o., the liquified petroleum gas fuel storage manufacturing subsidiary of Worthington Industries Inc. in a transaction valued at €5 Million.

On March 18, 2021, the Company announced a co-investment with its Tier 1 global injector manufacturing partner to expand their production facility in Yantai, China to supply jointly developed and proprietary fuel injectors to the growing global market for Westport's HPDI 2.0™ fuel system.

On March 17, 2021, the Company announced that its Weichai Westport Inc. joint venture (" WWI") agreed to modified terms for the supply of Westport's HPDI 2.0 fuel systems.

On March 15, 2021, the Company announced its inclusion in the S&P/TSX Composite Index.

On March 10, 2021, the Company announced successful startup and initial trials of a heavy-duty ICE running on hydrogen fuel, using its patented and proprietary Westport HPDI 2.0 fuel system.

On February 25, 2021, the Company announced a joint publication with AVL relating to their comprehensive analysis of the total cost of ownership for heavy duty hydrogen fueled powertrains, applying inputs from the Company's hydrogen simulations and operating costs for Westport's HPDI 2.0 fuel system with AVL's existing total cost of ownership models for diesel and fuel cell powertrains.

On January 21, 2021, the Company announced it had agreed to commence a research project with Scania AB (" Scania") to apply its Westport HPDI 2.0 fuel system with hydrogen to the latest Scania commercial vehicle engine.

On January 7, 2021, the Company announced the appointment of Anthony Guglielmin to the Company's Board. Mr. Guglielmin was also appointed to the Audit Committee and the Nominating and Corporate Governance Committee.

2020

On November 19, 2020, the Company announced that its joint venture, CWI, announced changes to its Board of Directors and Management in accordance with the terms of the 50/50 Joint Venture Agreement between Cummins Inc. and Westport Fuel Systems Inc. ("CWI JVA") The changes took effect January 1, 2021.

On November 16, 2020, the Company announced a follow-on contract for new product development work with its current European-based OEM partner to apply the Westport HPDI 2.0 fuel system to an updated base engine platform. The program is intended to incorporate new features for the resulting HPDI 2.0 fuel system as well as certification to meet Euro VI Step E emission regulations that take effect in 2024.

On November 11, 2020, the Company announced it had established an at-the-market equity offering program (the " ATM Program") to allow the Company to issue up to $50 million (or the equivalent in Canadian dollars) of Common Shares from treasury to the public from time to time, at the Company's discretion and subject to regulatory requirements.

On September 18, 2020, the Company announced that its Weichai Westport Inc. joint venture received certification from the Ministry of Ecology and Environment of China for its 12-liter engine equipped with the HPDI 2.0 fuel system.

On September 15, 2020, the Company announced it signed definitive agreements with its joint venture partner in India, UNO MINDA Group ("UNO MINDA"), to sell the assets of its wholly owned subsidiary Rohan BRC Gas Equipment Pvt. Ltd. to Minda Emer Technologies Ltd., a 50/50 joint venture owned by Westport Fuel Systems and UNO MINDA.

On August 31, 2020, the Company announced it had been awarded a long-term agreement for the supply of electronic control units to a leading Tier 1 automotive supplier involving the manufacture and supply of electronic control units that will be integrated in the electric water pumps of two light-duty vehicle models of the counterparty automotive OEM in Europe. The electronic control units are to be supplied over a seven-year period with an estimated sales value of US $58 million.

On August 11, 2020, the Company released its inaugural ESG Report outlining the Company's progress and focus on strengthening ESG performance and enhanced disclosures.

On August 11, 2020, the Company announced that it had secured a €7 million loan from Deutsche Bank to improve liquidity during the COVID-19 pandemic and finance capital investments for long-term growth. The six-year €7 million term loan was issued to Westport Fuel Systems' Italian subsidiary, Emer S.p.A, ("Emer") under the Italian government's Decreto Liquidità ("Liquidity Decree"), an enhanced framework of business support established to help manage the challenges associated with COVID-19.

On August 4, 2020, the Company announced a new contract between MTM (the fully owned Italian subsidiary of Westport Fuel Systems) and NAFTAL (Algerian State Owned Agency for Distribution and Sale of Oil and Gas) to supply 30,000 LPG systems into the growing Algerian market.

On July 24, 2020, the Company announced that it had secured a €15 million loan from UniCredit Italia (" UniCredit") to improve liquidity during the COVID-19 pandemic. The six-year €15 million term loan was issued to Westport Fuel Systems' Italian subsidiary, MTM, under the Italian government's Liquidity Decree. The loan provided MTM with improved liquidity for working capital, payroll, and capital investment.

On July 24, 2020, the Company announced that it had entered into an agreement for the refinancing of its convertible notes held by funds associated with Pangaea Two Management, LP and Cartesian Capital Group ("Cartesian"), a global private equity firm. Under the terms of the agreement, the Company agreed to pay down the principal amount of then outstanding existing convertible notes from $17.5 million to $10 million. Concurrent with such repayment, the maturity of the remaining amended notes was extended to three years from the date of the amendments, the coupon rate was reduced from 9% annually to 6.5% annually, and the conversion price was revised from $2.17 per share to $1.42 per share. Peter Yu, Managing Partner of Cartesian, resigned his seat on the Westport Fuel Systems Board.

On July 23, 2020, the Company announced that it had closed a $10 million non-revolving term credit facility from (" EDC") to bolster liquidity during the COVID-19 pandemic. The Credit Facility enables the Company to make periodic requests for advances for a period of nine months from the date of the Amended and Restated Loan Agreement and has a final maturity date twelve months from the date of the agreement. The Credit Facility's interest rate is US Prime + 3.00% per annum on drawn amounts and has no prepayment penalty or standby charge.

On May 28, 2020, the Company announced that it had secured a €5 million loan from UniCredit to bolster liquidity during the COVID-19 pandemic. The loan, guaranteed by the Central Guarantee Fund for 90% of its countervalue has a five-year term, in accordance with Article 13 of the Liquidity Decree.

On May 26, 2020, the Company announced it was awarded a competitive tender bid by the Egyptian International Gas Technology Company ("GASTEC") to supply 6,300 CNG sequential injection fuel systems into the growing Egyptian market in 2020.

On April 28th, 2020, the Company announced that production and manufacturing would fully resume at its facilities in Cherasco, Brescia, and Albinea, Italy on May 4, 2020 given the Italian Government's decree of April 24, 2020 regarding the COVID-19 pandemic.

On March 25, 2020, the Company announced that it had amended the terms of its secured term loan with EDC to defer $6.0 million in principal payments in 2020 and to extend the term of the loan until September 30, 2022.

On March 23, 2020, the Company announced the temporary suspension of production in Cherasco and Albinea, Italy pursuant to the Italian Government's decree issued on March 22, 2020 regarding COVID-19.

On March 16, 2020, The Company announced the temporary suspension of production in Brescia, Italy, in light of the COVID-19 pandemic.

On January 9, 2020, CWI announced that it had received certifications from both the U.S. Environmental Protection Agency (" EPA") and Air Resources Board ("ARB") in California for its B6.7N natural gas engine, thereby meeting 2021 EPA GHG requirements.

2019

On September 27, 2019, the Company announced it had reached a settlement with the U.S. Securities Exchange and Commission (" SEC"), resolving the SEC's investigation into the Company's compliance with the U.S Foreign Corrupt Practices Act ("FCPA"), initiated in June 2017.

On September 5, 2019, Natural Gas Innovation Fund announced an investment of $500,000 towards the development and testing of Westport Fuel Systems' high performance CNG storage system. This is in partnership with the project co-funders and supporters including Natural Resources Canada, Ford Motor Company and Linamar Corporation.

On August 22, 2019, the Company announced the appointment of Richard Orazietti as Chief Financial Officer (" CFO") effective September 3, 2019.

On June 18, 2019, CWI announced that Gordon Exel of Westport Fuel Systems had been appointed as President of CWI effective July 8, 2019. Gordon previously held the position of President of CWI in 2014.

On March 4, 2019, the Company stated their support in the upcoming Plenary vote in the European Parliament to pass Europe's first CO_2 regulations which set CO_2 emission reduction targets for heavy-duty vehicles.

On February 4, 2019, the Company announced the resignation of Michael J. Willis as CFO. Jim MacCallum, Vice-President, Finance and Corporate Controller, was named acting CFO.

On January 15, 2019, the Company announced the appointment of David M. Johnson as Chief Executive Officer (" CEO") and the retirement of Nancy S. Gougarty as Westport Fuel Systems' CEO and as a member of the Board of Westport Fuel Systems.

Significant Acquisitions

In May 2021, Westport Fuel Systems reached an agreement to acquire Stako sp. z.o.o., (" Stako"), the liquid petroleum gas fuel storage manufacturing subsidiary of Worthington Industries Inc. The acquisition of Stako represents a fundamental step towards the Company's ability to supply completely integrated fuel systems. This acquisition also brings extensive manufacturing and operational excellence that complements the Company's existing in-house manufacturing capability and capacity.

Based in Słupsk, Poland, Stako is a world leading manufacturer of LPG fuel storage, supplying the aftermarket and OEM market segments through a worldwide network of dealers. Stako's current product range includes over 1,000 models of LPG storage tanks. Over the last 30 years, the company has supplied tanks to leading automobile manufacturers worldwide, including VW, Renault, Fiat, Hyundai, Opel, Ford, Maruti Suzuki and many others.

With almost 27 million vehicles powered by LPG globally, it is the most common alternative fuel used in the world today, due in large part because of the price advantage offered in many countries to operate an LPG vehicle versus higher operating costs for an equivalent model fueled by petrol or diesel. The company is one of the largest suppliers of LPG fuel storage tanks to the aftermarket segment, establishing valuable relationships with important OEMs over many years. It is a world leader in the production of LPG fuel storage for automotive applications.

Strategy

The market dynamics and global trends impacting the continued adoption of alternative fuel systems and components for transportation applications have shaped our corporate strategy to realize the opportunities ahead for Westport Fuel Systems. The foundation of our strategic pillars is based on the continued strengthening of our organizational capability and a focus on operational excellence. Our people are at the heart of what we do. We leverage technology to turn data into insights, driving smart decisions and accelerating sustainable, principled growth. We strive to deliver valuable, impactful products and services to customers around the world, enabling a collective contribution to a decarbonized transportation sector.

Our strategy to leverage innovation and technology to grow our business as the leading Tier 1 supplier towards sustainable profitability is based on the following pillars:

1. Principled Growth Realized through a Diverse Portfolio of Technology, Products, and Services

Our diverse portfolio of technology, products, and services are sold today under a wide range of established brands. They provide the foundation for sustainable growth in existing markets and guide our expansion into new and emerging markets around the world.

- Responsibly achieve sustainable profitability in businesses focused on growth in key markets – Europe, India, North America and China – to satisfy demand for clean, low emissions transportation with our diverse portfolio of technology solutions for low carbon gaseous fuels
- Complement our growth and scale efficiencies through strategic merger and acquisition (" M&A") and corporate development activities

2. Quality and Reliability will drive our reputation as a Leading Tier I Supplier

We strive for operational excellence in our approach to manufacturing and supply chain management. The goal to achieve greater profitability is also predicated on our ability to enhance quality, production efficiency, and reliability that fosters strong long-term partnerships with OEMs, distributors, and customers. This is accomplished in line with our focus on our ESG goals.

- Aim to reduce GHG emissions throughout the value chain while embedding these efforts in our day-to-day business
- Adherence to the WFS Quality Management System across all global operations, validated by requisite ISO certifications
- Improving our business processes and interactions within our ESG framework to guide our actions and improvements

3. Deliver clean, affordable transportation solutions through our innovation & technology that power a cleaner future

Investing in innovation and delivering new technology to the market is a critical aspect to our future growth and building opportunities in our business that address global trends impacting the evolution and diversification of sustainable transportation fuel alternatives. This includes, but is not limited to, advancing our HPDI fuel system, including Westport's HPDI 3.0™ fuel system and hydrogen fuelled H_2 HPDI™ fuel system and advancements in our direct injection aftermarket technologies.

- Provide customers the ability to preserve investments in capital and manufacturing infrastructure while achieving the goal of reducing their carbon footprint with Westport's H_2 HPDI fuel system, and seamlessly integrated engineering services
- Strengthen our product portfolio by identifying and addressing strategic opportunities for growth that complements our business and our technology

Description of the Business

Westport Fuel Systems is a leading global organization for the engineering, manufacturing, and supply of alternative fuel systems and components for transportation applications. The Company believes that gaseous fuels such as LPG, natural gas, biomethane, and hydrogen provide the best alternative to common liquid fossil fuels like gasoline and diesel fuels in many applications, offering compelling environmental, economic, and energy security benefits.

Our Portfolio

Our Products: Fuel System Components and Systems

Westport Fuel Systems designs, manufactures, develops, validates, certifies, and sells alternative fuel (LPG, CNG, LNG, RNG, and hydrogen) components and systems for passenger car and light-, medium- and heavy-duty commercial vehicles, and material handling applications.

Our portfolio of products includes pressure regulators, injectors, electronic control units, valves and filters, complete bi-fuel, mono-fuel and dual-fuel LPG and natural gas conversion kits and high-pressure hydrogen components. Our product portfolio also includes Westport's HPDI 2.0, a complete fully-OEM-integrated LNG system that enables heavy-duty trucks to operate on natural gas and biomethane.



HPDI 2.0™ Fuel System

The heavy-duty commercial vehicle sector has historically been difficult to decarbonize given the challenge of replacing diesel without compromising on vehicle performance and economics. Westport's HPDI 2.0 fuel system is a fully OEM integrated system that enables heavy-duty trucks to operate on natural gas or biomethane with, in most cases, reduced fuel costs, reduced CO2 emissions, and diesel-like performance and efficiency. Westport's HPDI 2.0 fuel system consists of a fully integrated "tank to tip" solution, with a cryogenic tank and integral high pressure LNG pump mounted on the chassis of the truck and plumbed to the engine where fuel pressure is regulated before being supplied to the injectors via high pressure fuel rails. At the heart of the engine is the unique patented injector.

Our HPDI fuel system business is in the early stages of commercialization after launching the product with our initial European OEM launch partner in 2018. Meaningful increases in sales volumes are required for the HPDI fuel system business to benefit from economies of scale. Sales volumes with our initial European launch partner have grown despite the economic impact of COVID-19 and related supply chain challenges. We are poised to supply HPDI systems to the Chinese market, the largest market in the world for commercial vehicles and for natural gas fueled commercial vehicles. We anticipate growth from our supply arrangement with WWI, our joint venture in China with Weichai Holdings Group Co., Ltd. and two other minority shareholders.

Production capacity of the LNG tank assembly for HPDI fuel system applications doubled in 2020 to accommodate the expected ramp-up in sales volumes. In March 2021, we entered into an investment agreement with our Tier 1 global injector manufacturing partner, to expand production at their facility in Yantai, China in anticipation of increased demand for fuel injectors to the growing global market for Westport's HPDI 2.0 fuel system. In the third quarter of 2020, WWI's HPDI fuel system engine was certified to meet China VI emissions, which is an important step in the commercialization in the Chinese market.

Operating Business Segments

We manage and report the results of our business through three segments: OEM, IAM, and Corporate. As noted above, the CWI joint venture ended as at December 31, 2021 and our 50% share in the joint venture was sold to Cummins on February 7, 2022. We recorded the investment as asset held for sale as at December 31, 2021 and no longer considered it as an operating segment, however the income from the investment in the CWI joint venture remained as the Corporate equity income in 2021. Financial information related to each operating segment is provided in the Company's financial statements for the year ended December 31, 2021 and in our 2021 Management's Discussion & Analysis ("MD&A").

CHANNELS TO MARKET

	Original Equipment Manufacturers		Independent Aftermarket
Market Segments	Light- and Medium-Duty OEMs	Heavy-Duty OEMs	Light- and Medium-Duty
Westport Products	Components	HPDI 2.0 Systems	Conversion Kit Components
Fuels	LPG, CNG, LNG, RNG, and Hydrogen		CNG and LPG
Current Geographic Focus	Europe, China, India		Italy, Russia, Turkey, Poland, Algeria, Argentina

OEM

Westport Fuel Systems designs, manufactures, and sells alternative fuel systems, components and electronics, and related engineering services, to OEMs that serve the light-duty, medium-duty and heavy-duty customers. In the medium-duty segment, the Company serves clients such as YaMZ, Tata Motors and Mahindra. YaMZ is the powertrain division of GAZ in Russia and is a leading manufacturer of diesel and CNG engines, powering Liaz, Paz, Ural and GAZ vehicles. The YaMZ CNG 530 engine family includes engines equipped with Westport's engine management system, complete fuel systems and off engine high pressure components.

The Company's product portfolio also includes the supply of hydrogen fuel system components for light-, medium- and heavy-duty applications, supporting the growing interest for fuel-cell powered vehicles. Our customers include leading OEMs in this space like Plug Power and Ballard Power Systems. Today, our portfolio includes 350 bar hydrogen fuel control components and solutions covering a complete spectrum of alternative fuel systems, with 700 bar options under development.

In the heavy-duty segment, Westport's HPDI 2.0 fuel system is a complete fully-OEM-integrated system that enables heavy-duty trucks to operate primarily on natural gas. The Westport HPDI 2.0 fuel system provides global OEMs an integrated solution with attractive price, performance, and fuel economy and can be integrated into diesel engines of approximately 10 litres or higher displacement with minimal mechanical change.

Delayed OEM Vehicle Solutions

Westport Fuel Systems provides Delayed OEM (" DOEM") solutions to address local market needs where an OEM alternative fuel vehicle platform is not available. The DOEM model is an opportunity for OEMs and their channels to increase local market share in countries with relevant alternative fuel presence with a shorter time to market, higher flexibility in tracking market demand and the ability to offer an extension of an LPG/CNG model range without requiring typical OEM investments.

The Company offers turnkey solutions covering all process phases including prototyping, development, calibration, validation, homologation, vehicle conversion and logistic services. Vehicle conversions are performed inside DOEM conversion centers (at 0km) either directly operated by Westport Fuel Systems or in cooperation with local distributors or dealers.

- The Company's main DOEM clients are Kia, Hyundai, Nissan, Mitsubishi, Suzuki, Piaggio, and Ssangyong. In relation to the Italian market, the conversion of the cars is completed at the Cherasco facility. Westport Fuel Systems also provides DOEM solutions in other geographic areas through local conversion centers such as for Honda Turkey, Ford Turkey and Tofas
- Westport Fuel Systems designs, develops, certifies, integrates, sells and supports best-in-class bi-fuel systems to enable petrol vehicles to operate with LPG or CNG. The Company offers a range of bi-fuel products under various brand names, for the latest petrol direct injection (DI) engines as well as for port injection petrol engines. The Company’s bi-fuel systems are available for a range of market applications, including emissions-leading markets and developing markets, via the Company’s DOEM channels and via a network of distributors and importers, enabling end users to achieve emissions benefits and operating cost savings by consuming clean and affordable gaseous fuels

- Westport Fuel Systems also offers systems for diesel-powered vehicles in developing markets, enabling operation with clean and affordable gaseous fuels. The Company's dual fuel conversion systems are tailored for medium to large-sized fleet, ensuring a high level of system integration and optimal fuel utilization

Independent Aftermarket

The world market of LPG/CNG conversion kits is estimated to be in the range of 1 to 1.3 million units per year and Westport is recognized as a leader, with roughly 25% market share globally. Our rich portfolio of IAM products, conversion kits and components allow for the conversion of vehicles after being sold to the end-user through an extensive network of dealers and installers.

Our diverse and complete product offerings sold under various recognized brands including BRC, Prins, Zavoli, OMVL, TA Gas Technology and Valtek and range from premium to value solutions, allowing us to support a broad spectrum of IAM business. Our primary markets include Italy, Russia, Turkey, Poland, Algeria, and Argentina.

CWI Joint Venture

Through the Company's 50:50 joint venture with Cummins, CWI sold spark-ignited natural gas engines in North America. The joint venture term ended on December 31, 2021 as per the terms of the JVA. On February 7, 2022, Westport Fuel Systems and Cummins agreed to a share purchase agreement for the sale of the Company's stake in CWI with Cummins continuing to operate the business as the sole owner. Cummins also agreed to buy Westport Fuel Systems' interest in CWI's intellectual property as provided for in the JVA.

Cummins has also agreed to conduct an initial technical assessment of our hydrogen high pressure direct injection system for potential use on Cummins' hydrogen applications. We continue to believe an integrated solution for natural gas and/or hydrogen using HPDI 2.0 fuel system has an important role to play in markets around the world, including North America, as part of ongoing efforts to reduce GHG emissions in heady-duty transportation applications.

Weichai Westport Inc.

WWI is the Company's joint venture in China with Weichai Holdings Group Co., Ltd., China's largest manufacturer of heavy-duty truck engines. Weichai Holdings Group Co., Ltd., specializes in the research and development, R&D manufacturing and sale of diesel engines for varying transportation sectors including, trucks, buses and construction machinery.

The Company, indirectly through its wholly-owned subsidiary, Westport Innovations (Hong Kong) Limited (" Westport HK"),is the registered holder of a 23.33% equity interest in WWI. In April 2016, the Company sold a derivative economic interest to Cartesian granting it the right to receive an amount of future income received by Westport HK from WWI equivalent to having an 18.78% equity interest in WWI and concurrently granted a Cartesian entity an option to acquire all of the equity securities of Westport HK for a nominal amount. The Company retained the right to transfer any equity interest held by Westport HK in WWI that was in excess of an 18.78% interest in the event that such option was exercised. As a result of such transactions, the Company's residual 23.33% equity interest in WWI currently corresponds to an economic interest in WWI equivalent to 4.55%.

Minda Westport Technologies

India is one of the largest and fastest growing markets for CNG and LPG vehicles given its commitment to sustainable and cost-competitive transportation. In September 2020, the Company signed definitive agreements with its joint venture partner in India, UNO MINDA Group ("UNO MINDA"), to sell the assets of its wholly owned subsidiary Rohan BRC Gas Equipment Pvt. Ltd. to Minda Emer Technologies Ltd., a 50/50 joint venture owned by Westport Fuel Systems and UNO MINDA. In March 2021, Minda Emer Technologies Limited changed its name to Minda Westport Technologies. UNO MINDA, a technology leader in the auto components industry, is a leading Tier-1 supplier of proprietary automotive solutions to OEMs. It manufactures automobile components for OEMs.

Rohan BRC Gas Equipment primarily manufactures and sells CNG pressure reducers to automotive OEMs and sells CNG conversion kits to the aftermarket under the “Rohan BRC” brand in India. Minda Westport Technologies primarily manufactures and sells CNG valves to automotive OEMs in India. Minda Westport Technologies purchased the assets of Rohan BRC Gas Equipment to combine the product lines, provide a single point of contact and offer a better selection for automotive customers in India.

The manufacturing facility of Rohan BRC Gas Equipment is currently located in Ahmedabad, Gujarat, and this manufacturing capability was consolidated into Minda Westport Technologies manufacturing location in Manesar, Haryana, providing cost efficiencies and furthering the partnership. Additional Westport Fuel Systems products were consolidated into Minda Westport Technologies and, where possible, manufacturing for the India market will be localized in the joint venture. The joint venture is Westport Fuel Systems’ operational hub to serve the Indian market for passenger cars, commercial vehicles and the large three-wheel vehicle segment.

Innovation, Research and Development

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 to best enable the successful commercialization of our proprietary products. The Company's intellectual property strategy is designed to be adaptive to our target markets to support the commercial launch of new products, and to sustain Westport’s long-term competitive advantage. As a result, we rely on a combination of patents, trade secrets, trademarks, copyrights and contracts to protect our proprietary technology.

We use patents as the primary means of protecting our technological advances and innovations. They include proprietary claims to components, materials, operating techniques, and systems. We have a proactive approach to identifying, evaluating and choosing strategic inventions to protect through the timely filing and prosecution of patent applications. Patent applications are filed in various jurisdictions internationally, which are carefully chosen based on the likely value and enforceability of intellectual property rights, and to strategically protect anticipated major commercial markets.

Research and Development

HPDI 3.0™ Fuel System

Westport Fuel Systems continues to develop the Westport HPDI fuel system and components to simplify the system architecture, improve engine performance and thermal efficiency, further reduce GHG emissions, and extend the durability of certain key components. These R&D activities are intended to position the market-leading Westport HPDI fuel system for long-term compatibility with anticipated advancements in diesel base engine platforms, including higher peak cylinder pressure, that are expected to be introduced in the next generations of diesel engine platforms.

H_2 HPDI™ Fuel System

The Company is adapting the Westport HPDI fuel system to operate with high pressure hydrogen, which is expected to enable zero or near-zero CO_2 emissions and yield significant benefits in TCO compared to other low emission transportation solutions such as fuel cell electric vehicles and battery electric vehicles. Adapting the Westport HPDI fuel system for operation with hydrogen is expected to require only modest development of the existing on-engine HPDI fuel system components, and to leverage existing, commercially-available high-pressure hydrogen storage and fuel delivery equipment (complemented by our own GFI branded line of high pressure components). The majority of the development work necessary to adapt the Westport HPDI fuel system to operate with hydrogen is expected to be technology development and subsequent product development for onboard hydrogen compression, and overall system integration and injection calibration development to optimize the combustion, performance and emissions of the resulting H_2 HPDI fuel system.

In 2021, the Company:

- in conjunction with TUPY, a world-leading specialist of casting and machining of highly engineered structural components, and AVL, the world's largest independent company for development, simulation and testing in the automotive industry, announced a collaboration to develop a highly efficient hydrogen ICE for heavy goods transportation
- commenced a research project with Scania to apply Westport's HPDI 2.0 fuel system with hydrogen to the latest Scania commercial vehicle engine. Scania is a world-leading provider of transport solutions, including trucks and buses for heavy transport applications
- released a joint publication with AVL, the world's largest independent company for the development, simulation and testing of powertrain systems, entitled "Total Cost of Ownership (TCO) Analysis for Heavy Duty Hydrogen Fueled Powertrains." The analysis presented the case for hydrogen use in an ICE with Westport Fuel Systems' patented HPDI 2.0 fuel system, as the most cost-competitive near-term pathway to reduce CO_2 emissions to near-zero from on-road long-haul transportation

Hydrogen Components

Westport Fuel Systems, via our GFI brand, is a leader in the development and supply of fuel containment and fuel pressure management components for hydrogen fuel storage and fuel delivery systems. With 700 bar hydrogen fuel storage and fuel delivery systems improving the fuel storage density versus existing 350 bar hydrogen systems, the Company is investing in the development and commercial launch of a comprehensive range of 700 bar hydrogen components, including automated shutoff valves for hydrogen storage cylinders, fuel pressure regulators, and pressure relief devices, to complement its existing, extensive product line of 350 bar components.

Production and Operations

Most of the Company's production is localized to respond quickly and efficiently to customer and market demands and to assure a high level of service and support.

Europe

Production activities are carried out in several plants located in Italy and the Netherlands which have automated assembly lines, sophisticated lathes, milling and cutting equipment, robots to perform machining and assembly of critical electronic components, and automated testing capabilities. All Italian facilities are certified to ISO 9001, IATF 16949 and ISO 14001 standards. In the Netherlands, products are assembled and packaged in facilities which are NEN-EN-ISO-9001:2015 certified.

All manufacturing planning activities and current customer management for Westport's HPDI 2.0 fuel system are coordinated from Sweden, allowing rapid response to customer demand. Our Brescia, Italy facility, which supports numerous light- and medium-duty OEM customers, also assembles LNG tanks on a build-to-order system to serve Westport HPDI 2.0 fuel system customer requirements, as well as future needs for tanks and cryogenic systems.

In May 2021, Westport acquired Stako, a manufacturer of LPG fuel storage tanks based in Słupsk, Poland. It supplies the aftermarket and OEM market segments through a worldwide network of dealers. The Company believes that the acquisition will help develop its ability to supply completely integrated fuel systems.

Asia

Minda Westport Technologies Limited is a joint venture between Minda Group and Emer S.p.A. that produces and markets LPG and CNG alternative fuel systems and products in India, Bhutan, Sri Lanka and Nepal. This includes forging, machining and assembly of valves.

In September 2020, Minda Westport Technologies purchased the assets of Rohan BRC Gas Equipment, which manufactures and supplies CNG and LPG components for OEM and aftermarket customers in India.

South America

In Buenos Aires, CNG reducers, valves and injectors are manufactured by TA Gas Technology and distributed in Argentina, Brazil, Perú, Colombia, Bolivia and Mexico. This facility is certified to ISO 9001: 2015 standards.

Operational Procurement

Westport Fuel Systems organizes operational planning into different models to adapt to our diverse customer base and expectations. We operate to optimize our inventories based on customer deliveries, or in a traditional manufacturing planning technique that directly undertakes operational procurement activities. Our procurement is divided into three general categories depending on the type of goods: raw materials, commercial off-the-shelf parts, and custom made-to-order parts. Raw materials are typically sourced from large-scale trading partners and are purchased at the fair market value when benefit can be gained. When practical, the Company will sign long-term agreements on commodity pricing to access lower market prices. Commercial off-the-shelf parts are typically sourced in local regions and can be shared across the organization to ensure a consistent supply where it is needed and to leverage our purchasing power. Custom made-to-order parts are sourced from strategic suppliers, or jointly developed with partners, to ensure the best combination of price, quality and delivery. Our supply base is subject to our general terms and conditions or unique long term supply agreements and is subject to review against key performance indicators to ensure we are getting optimal performance and value.

Environmental and Social Policies

Westport Fuel Systems strives to create leading edge technologies that meet or exceed the requirements of regulation, industry codes and standards to shift the transportation sector to alternative fuels. Working in conjunction with our partners, we are committed to delivering low-emission fuel solutions that will meet the demand for high-efficiency, high-performance, and low-carbon transportation. Risks to our business which are a result of environmental legislation are described in the section **"Risk Factors: Risks Related to our Business and the Automotive Industry."**

As we grow, we are strengthening our governance practices and management processes, advancing our stakeholder engagement practices, and taking steps to amplify our impact on our customers, supply chain and the wider world. In early 2021 we launched a management ESG Steering Committee, which is led by our CEO and includes our CFO, executive vice-presidents and vice-presidents from across our businesses, regions and functions. The 10-member committee oversees ESG management, approves core programs and targets, and works to integrate ESG into the company’s goals and processes. Through this steering committee we released the company's first stakeholder informed ESG Strategy (the "ESG Strategy"). Approved by the Board in early 2021, the ESG Strategy is aligned with our business strategy and informed by external research, recent materiality assessment outcomes, and ongoing internal and external stakeholder engagement. It focuses our efforts on four key areas across our value chain of climate action, safe, diverse and inclusive culture, responsible sourcing and our continued commitment to integrity.

Westport Fuel Systems is committed to an operating philosophy based on fairness and concern for employees, customers, the public, protection of the work environment and the safe design and operation of our products, facilities and equipment, and the communities in which it operates. The health and safety of employees and their active participation in ensuring a safe and healthy workplace is an integral part of our operations. Our Joint Health and Safety Committee members are champions for workplace safety and help to monitor, collect feedback and advise on programs and initiatives. More than 96% of employees work in facilities with a formal joint management-employee health and safety committee. Our committees are made up of cross-functional management and employee representatives who advise and recommend action on any workplace health and safety issues brought to them. We continually seek improvements to our work practices to ensure that they are the most efficient, effective and environmentally prudent in the long run while, at the same time, satisfying or exceeding all applicable government laws and regulations in the various jurisdictions in which we operate.

We are also 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 Company has established an environmental policy (the "Environmental Policy") which guides how our operating sites support this

commitment and assess our environmental performance, compliance with applicable environmental legislation and adherence to our Environmental Policy. Certain production facilities have implemented Environmental Management Systems ("EMS") certified to ISO 14001 standards. A copy of the Environmental Policy can be found on the Company website at wfsinc.com/about/environmental-policy/.

ESG Report Highlights

We published our most recent ESG Report in September 2021. This report provides an overview of our progress and shares our forward plans to evolve and mature a corporate wide embedded ESG strategy. The ESG Report provides three years of environmental and social performance data across our global operations providing a valuable tool for investors and stakeholders to review specific material ESG topics, opportunities and performance.

ESG Report Highlights (% comparison of 2020 vs 2019)

Carbon Footprint	Energy Consumption:	74,405 GJ (↓ 30.97%)	GHG Emissions[1]:	2,933 tonnes CO_2 (↓ 34.41%)
Health and Safety	Recordable Injury Rate:	0.93 (↓ 20.5%)	Lost-Time Injury Rate:	0.77 (↓ 10.4%)
Gender Diversity	Total Workforce:	36% women (↑ 1%)	Total Management:	18% women (↑ 1%)
Business Ethics Training	Anti-Bribery Training:	90% targeted employees trained	Cybersecurity Training:	98% targeted employees trained

1. *Calculated greenhouse gas emissions (GHG) are inclusive of direct (scope 1) and indirect (scope 2) emissions only.*

Our most recent ESG Report can be found on our website at **wfsinc.com/sustainability/** which provides a full review of Westport Fuel System's social and environmental performance including additional policies, procedures, and disclosures.

Human Resources and Related Policies

Westport Fuel Systems employs a highly educated and experienced team of professionals focused on the development and commercialization of a portfolio of products and technologies. The Company actively recruits skilled individuals with diverse backgrounds from around the world and provides them with specific training relating to our product and technology portfolios and retains consultants and contract workers with specific expertise when appropriate. Each employee is required to execute confidentiality and proprietary rights agreements and must certify to having read, understood, and agrees to abide by the Company's Code of Conduct (the "Code of Conduct"). Online training is also available to ensure our global and diverse workforce is empowered to do the right thing, for the right reason, and in the right way.

As at December 31, 2021 our global workforce was 1,797 individuals, which includes direct employees, individuals contracted directly for twelve months or longer and temporary or seasonal workers. Our workforce includes, but is not limited to, of a mix of engineers, manufacturing technicians, and commercial professionals that have experience with alternative fuel systems, combustion technologies, controls and engine management, and fuel storage and delivery systems, including cryogenics and high-pressure storage and delivery systems. Our direct employees are represented by labor unions in Italy and Argentina.

We are committed to a workplace free of discrimination and harassment. Our expectations for individual integrity and ethical, moral, and legal conduct are outlined in the Code of Conduct which applies to everyone in Westport Fuel Systems, including directors, officers, employees, contractors, agents, and consultants who act on behalf of Westport Fuel Systems in any business dealings. An anonymous ethics hotline is made available as an avenue for employees to raise concerns about corporate conduct. The Company's whistleblower policy (the "Whistleblower Policy") includes the reassurance that individuals will be protected from reprisals or victimization for "whistle blowing" in good faith.

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. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. These risk factors could materially affect our future operating results and could cause actual events to differ materially from those described in our forward-looking statements.

Risks Related to our Business and the Automotive Industry

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

Our products face, and will continue to face, significant competition from competing alternative powertrain technologies, including from incumbent technologies, and in particular increased market competition with respect to aftermarket kit providers. 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 noncompetitive 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 (such as fuel cell and battery electric technologies), including other fuel systems and in particular increased competition with respect to natural gas tanks and aftermarket kit providers. 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 unregulated emissions performance, including CO_2 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.

The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption.

Engines with alternative 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; changes to 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 investments we will have made in the development of our products and may never achieve profitability.

Our technologies have been commercialized in heavy-duty trucks, medium-duty, light-duty vehicles, and they have demonstrated in high horsepower applications. However, we do not know whether we will successfully grow all of these market offerings as

required to realize a long-term sustainable business where higher volumes are important drivers to bring costs in line with customer expectations.

Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate.

Natural gas must be carried on board in liquefied or compressed form and refuelling infrastructure is not as well developed as gasoline and diesel fuel infrastructure in many jurisdictions, including for example, Canada and the U.S. Although gaseous refueling infrastructure is expanding rapidly, 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 with our technology is unlikely to develop.

The acceptance of natural gas-fuelled engines by customers may depend in large part on the price differential between natural gas, diesel and gasoline. Current oil price volatility and natural gas price volatility may change what has historically been a price advantage for natural gas, including RNG and LPG. 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 and geopolitical pressures such as those arising from the conflict between Russia and the Ukraine. There can be no assurance that natural gas or LPG will remain less expensive than diesel and gasoline fuels. This may impact upon potential customers' decisions to adopt gaseous fuels as a transportation energy solution in the short term.

While we have benefited historically from certain government environmental policies, mandates and regulations around the world, there are indications this may change in regard to fossil natural gas in particular, where some jurisdictions are keen to move to incentive for only carbon neutral or carbon free fuels. 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 sulfur 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 to influence environmental regulations in ways that delay or repeal requirements for clean vehicle emissions. If these are discontinued, if current requirements are relaxed, or if other regulations (for example those related to zero carbon) are implemented that may impact our business, we may experience a material impact on our competitive position.

Failure of our products to perform as expected could negatively impact our ability to develop, market and sell our products.

If our products contain defects in design and manufacture that cause them not to perform as expected or that require repair, our ability to develop, market and sell our products could be impaired. While we attempt to address any identified product issues as effectively and rapidly as possible, any lack of timeliness may impede production or not satisfy our customers. While we have performed extensive quality control on our products, we cannot provide assurance that we will be able to detect and fix all defects in our products prior to their sale to or installation for customers.

Any product defects, delays or legal restrictions on product features, or other failure of our products to perform as expected, could harm our reputation and result in delivery delays, product recalls, product liability claims, breach of warranty claims, and significant warranty and other expenses, and could have a material adverse impact on our business, financial condition, operating results and prospects.

We may need or want to raise additional funds to grow our business and meet our financial obligations. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected.

The design and manufacture of gaseous fuel systems is a capital intensive business, and the specific timing of cash inflows and outflows may fluctuate substantially from period to period. We have made significant strides in improving the profitability our businesses especially with the rapid growth of Heavy Duty OEM business using Westport's HPDI fuel system technology, but until we are consistently generating positive free cash flows, we may need or want to raise additional funds through the issuance of equity, equity-related or debt securities or through obtaining credit from financial institutions to fund, together with our organic cash flows from operations, the costs of developing and manufacturing our current or future products, to pay any significant unplanned or accelerated expenses or for new significant strategic investments, or to refinance our indebtedness, even if not required contractually. We need sufficient capital to fund our ongoing operations, ramp up our production of HPDI, and continue R&D projects for future generations of our products and/or technologies. We cannot be certain that additional funds will be available to us on favorable terms when required, or at all. If we cannot raise additional funds when we need them, our financial condition, results of operations, business and prospects could be materially and adversely affected.

Management's evaluation has concluded that there are no known or currently foreseeable conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the consolidated financial statements for fiscal year 2021 were issued. The 2021 consolidated financial statements have therefore been prepared on the basis that the Company will continue as a going concern. See Consolidated Financial Statements for additional details on the Company’s discussion on going concern.

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 on terms acceptable to us or at all, 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 are in 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 conduct business in foreign markets that carry risk

We conduct a substantial portion of our business in numerous foreign markets around the world that carry risks relating to: political and economic uncertainty, including those related to nationalization, war, civil unrest, insurrection, acts of terrorism, and other political risk; corruption risks; high inflation; trade, customs and tax risks; currency exchange rates; limitations on the repatriation of funds; competition to attract and retain qualified employees; risks of pandemics or other outbreaks of illness, disease or virus, such as the strain of coronavirus known as COVID-19; expropriation of property and equipment; and other risks associated with conducting business internationally, including other actions by governments that may adversely affect our operations. Expansion of our business internationally to where gaseous fuel systems are opening up due to favourable climate change-related regulation is an important element of our long-term strategy. Consequently, our exposure to the risks described above may be greater in the future and the potential risks to us will vary from country to country and are unpredictable. The occurrence of any such risks could have an adverse effect on our operations, profitability and financial condition.

We derive a substantial portion of our revenue from production and sales by subsidiaries outside of Canada, and the payment of dividends or the making of other cash payments or advances by these subsidiaries to us may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances. We have organized our foreign operations in part based on certain assumptions about various tax laws (including capital gains and withholding taxes), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While we believe that such assumptions are reasonable, we cannot provide assurance that foreign taxation or other authorities will reach the same conclusion. Further, we cannot provide assurance that future developments, including changes in government, civil unrest, changes in laws or other disturbances, would not have an adverse impact on our ongoing operations, and thus not have an adverse impact on our operational and financial results.

Sustained negative economic factors and COVID-19 could negatively impact our business.

Global economic factors beyond our control may negatively affect the capital markets or market for our products and reduce demand for our products as partners and potential customers defer replacing or expanding their fleets. Examples of such factors include, but are not limited to: (i) sustained and far reaching negative economic factors, (ii) war, (iii) more restrictive access to credit markets, (iv) current state of the energy markets and low fuel price differential, (v) fuel price movements, and (vi) pandemics or other outbreaks of illness, disease or virus, such as the strain of coronavirus known as COVID-19, or other broad economic issues. Natural gas and oil 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, energy infrastructure and other factors, including the effects of COVID-19. Fuel price increases of gaseous fuels that negatively impact the price differential between gaseous fuels versus diesel and gasoline, may impact upon our potential customers' decision to adopt such gaseous fuels as a transportation energy solution in the short term.

The continued spread of COVID-19 and any variants of the virus around the globe and the responses of governmental authorities and corporate entities, including through international, national and local border closings, travel restrictions, quarantines, mandated or voluntary shutdowns and service cancellations, may negatively impact the economy and disrupt our work force and facilities, our customers, our sales and operations and our supply chain. The impacts of the current COVID-19 pandemic may affect us in multiple ways, including: our bad debt expense may increase; further increased costs resulting from our efforts to mitigate the impact of COVID-19; our revenues and cash resources may be negatively affected, and we may need to assist potential customers with obtaining financing or government incentives to help customers fund their purchases of our products. As well, any required suspensions or any extended suspension of Westport Fuel Systems' operations, or that of any of Westport Fuel Systems' suppliers, partners or customers may have a material adverse effect on Westport Fuel Systems. The extent to which COVID-19 will impact our business and financial results will depend on future developments which are highly uncertain and cannot currently be predicted, including the severity and duration of the COVID-19 pandemic, the distribution and effectiveness of any vaccines, any subsequent outbreaks of the COVID-19 virus or its variants and directives of government and public health authorities. Even after the COVID-19 outbreak has subsided, we may continue to experience adverse impacts to our businesses as a result of its global economic impact, including any related recession that has occurred or may occur in the future, as well as lingering impacts on our supply chain, partners or customer demand. Depending on the duration and severity of the COVID-19 pandemic, it may also have the effect of heightening many of the other risks described in our disclosure documents, as well as the risk factors described here.

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

We conduct certain of our operations through joint ventures under contractual arrangements under which we share some or all management responsibilities with one or more partners. Joint venture operations carry a range of risks, including those relating to: (1) failure of our joint venture partner(s) to satisfy contractual obligations; (2) strategic objectives of joint venture partner(s) that may differ from our own; (3) potential conflicts between us and our joint venture partner(s) that lead to delays in decision-making; and (4) additional complexity and limitations to implement some or all of our operational policies, Code of Conduct and controls, or control legal and regulatory compliance, within the joint venture(s). Employees or agents of our 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. The likelihood of such occurrences and their potential effect on us vary depending on the joint venture arrangement, however, the occurrence of any such risks could have an adverse effect on our operations, profitability and reputation.

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 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 hazardous 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 Fuel Systems could incur significant costs that could have a material adverse effect upon its financial condition.

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, our 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.

Warranty claims could be higher than forecasted.

There may be 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 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 our first generation of Westport HPDI systems and Westport HPDI 2.0 from which to make our warranty accrual estimates.

We may have difficulty responding to significant demand growth for our products.

As products are launched, sales may be more than we expect. During periods of quicker than anticipated expansion, we may have difficulty expanding the scope of our operations to match the increased demand. 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.

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

Our current 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. We have historically and may, in the future, seek to expand our business through acquisitions, investments and/or joint ventures. Any such transactions 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, specifically, 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 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.

We are at risk of cyber based attacks.

Westport Fuel Systems' information technology systems serve an important role in the operation of its business. Westport Fuel Systems relies on various technologies to operate its production facilities, interact with customers, vendors and employees and to report on its business. Interruption, failure or unsuccessful implementation and integration of Westport Fuel Systems information technology systems could result in material and adverse impacts on the Company's financial condition, operations, sales, and reputation and could also result in damage to Company operations. Westport Fuel Systems' information technology systems and networks could be interrupted or fail due to a variety of causes, such as natural disaster, fire, power outages, vandalism, or cyber-based attacks. Any such interruption or failure could result in operational disruptions or the misappropriation of sensitive or proprietary data that could subject Westport Fuel Systems to civil and criminal penalties, litigation or have a negative impact on the Company's reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact the Company's cash flows and have a material adverse effect on its business, operations, financial condition and operational results. Although to date Westport Fuel Systems has not experienced any material losses relating to cyber risks, there can be no assurance that Westport Fuel Systems will not incur such losses in the future. Given the increased use in remote access to the Company's information technology systems amid the COVID-19 pandemic, our exposure to any cyber risks may be increased. Westport Fuel Systems risk and exposure cannot be fully mitigated due to the nature of these threats. Westport Fuel Systems Information Technology leadership continues to develop and enhance internal controls, policies and procedures designed to protect systems, servers, computers, software, data and networks from attack, damage or unauthorized access. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Legal, Regulatory and Other Related Risks

Our failure to strictly comply with anti-corruption laws could have a material adverse effect on our reputation and results of operations.

Our operations are governed by, and involve interactions with, many levels of government in numerous countries. We are required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act (the "CFPOA") and the U.S. FCPA, as well as similar laws in the countries in which we conduct business. In recent years, the U.S. Department of Justice and the SEC and the Royal Canadian Mounted Police have brought an increasing number of FCPA and CFPOA enforcement cases for non-compliance, many resulting in very large fines, penalties and deferred criminal prosecutions. In 2019, Westport Fuel Systems reached a settlement with the SEC regarding an investigation by the SEC into the Company's compliance with FCPA. Under the terms of the settlement we agreed to pay to the SEC a total of $4 million and agreed to a two year period of self-reporting requirements regarding FCPA compliance activities. A company may be found liable for violations by not only its employees, but also by its contractors and third-party agents. Our Code of Conduct, Anti-Bribery and Corruption policies and programs mandate compliance with anti-bribery and corruption laws. Notwithstanding these policies and programs, there can be no assurance that all employees and third-party intermediaries working on our behalf will comply with anti-bribery and corruption laws, which would result in significant penalties, fines and/or sanctions imposed on us, and/or have a material adverse effect on our operations.

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 ability 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.

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.

Claims may be 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 claims, as our business grows, parties may attempt to take advantage of that growth and assert 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.

We are currently engaged in material intellectual property litigation against others who we believe are infringing on our rights. In addition, 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. Our involvement in intellectual property litigation or disputes, including in respect of, but not limited to, our HPDI fuel system 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. 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.

Economic sanctions may impact 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 whose companies, governments, and people may be subject to sanctions and embargoes imposed by, including but not limited to, the U.S., Canadian, and European Union 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., Canadian, and European 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., Canadian or European 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.

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, including potentially for claims due to the release of methane and other GHG. 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, including those related to climate change, 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, penalties, compliance orders, injunctions, civil liability, or criminal sanctions, 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.

Failure to comply with privacy laws to which we are subject could harm the Company.

Our privacy policy is posted on our website, and any failure by us to comply with it or with privacy, data protection or security laws or regulations to which we are subject, that relate to the collection, use, retention, security and transfer of personally identifiable information could result in regulatory or litigation-related actions against us, legal liability, fines, damages, ongoing audit requirements and other significant costs. Substantial expenses and operational changes may be required in connection with maintaining compliance with such laws, and in particular certain emerging privacy laws are still subject to a high degree of uncertainty as to their interpretation and application.

Additional or higher tariffs may impact the demand for our products.

Increases in trade conflicts and protectionism, as well as political developments, such as the United Kingdom's exit from the European Union, could result in additional or higher tariffs on our products and raw materials needed from our suppliers. These tariffs could cause demand for our products to drop and costs to increase, which could have an adverse effect on our business and profitability.

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. Therefore, you bear the market risk associated with fluctuations in the price of our Common Shares. Unstable market conditions could cause the trading price of our Common Shares to decline or fluctuate in a rapid or unpredictable manner and, in that case, investors could lose all or part of their investment in such securities. 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. See "Market for Securities" for the 52-week trading price of our Common Shares.

There can be no assurance that the current trading price will be maintained, and it is possible that our Common Share price could drop significantly. In addition, future sales of substantial amounts of our Common Shares, or securities convertible into or exchangeable for shares of our Common Shares, into the public market, or the perception that those sales could occur, could negatively affect the market price of our Common Shares and our ability to raise capital in the future. An issuance of additional Common Shares could also dilute the percentage ownership interest and corresponding voting power of the existing

holders of such securities. Holders of our Common Shares are not entitled to preemptive rights or other protections against dilution.

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 and investigations or reviews by regulatory bodies. If we become involved in signification litigation, investigations or reviews by regulatory bodies or other proceedings in the future, it could result in substantial costs and diversion of management’s attention and resources and could adversely affect our financial condition, business and prospects. 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 pay and do not anticipate paying 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 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 ("PFIC"), 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 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.

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, 2021, our issued share capital consisted of 170,799,325 Common Shares and no Preferred Shares. Our Board may at any time issue 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 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 Board shall have complete 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 the Company's 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 Fuel Systems 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, preemptive, conversion, redemption or retraction rights attached to the Common Shares.

The following table provides additional information regarding the outstanding Common Shares as well as Westport Fuel Systems outstanding performance share units ("PSUs"), restricted share units ("RSUs"), and restricted phantom shares (" RPSs") as at December 31, 2021.

OUTSTANDING COMMON SHARES, PSUs, RSUs & RPSs

	Share Units
Shares Outstanding	170,799,325
PSUs	
Outstanding	919,150
Exercisable	—
RSUs	
Outstanding	947,283
Exercisable	61,086
RPSs	
Outstanding	131,552
Exercisable	—

For information on how PSUs, RSUs and RPSs are awarded under the Company's compensation program, please see the latest Company Management Information Circular dated March 14, 2022.

Market for Securities

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

TSX (WPRT) in Canadian Dollars

Period	High (C$)	Low (C$)	Close (C$)	Volume
January 2021	$11.20	$6.14	$9.47	12,854,226
February 2021	$16.49	$9.14	$11.87	12,215,538
March 2021	$13.50	$8.09	$9.04	16,846,872
April 2021	$9.42	$7.28	$8.39	6,947,502
May 2021	$8.80	$5.69	$7.37	10,106,489
June 2021	$8.22	$6.23	$6.58	12,935,456
July 2021	$6.61	$4.77	$5.04	6,746,086
August 2021	$6.49	$4.65	$5.00	13,109,313
September 2021	$5.09	$4.05	$4.16	7,464,603
October 2021	$4.45	$3.84	$4.07	5,257,643
November 2021	$4.93	$2.93	$3.05	14,026,416
December 2021	$3.29	$2.63	$3.01	14,169,238
January 2022	$3.14	$2.11	$2.45	4,998,399
February 2022	$2.61	$1.75	$2.05	5,977,291
March 2022 *(to March 10, 2022)*	$3.14	$1.70	$1.97	5,019,967

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

NASDAQ GLOBAL SELECT MARKET (WPRT)

Period	High ($)	Low ($)	Close ($)	Volume
January 2021	$8.87	$4.80	$7.44	82,282,616
February 2021	$12.95	$7.12	$9.37	101,153,322
March 2021	$10.83	$6.40	$7.19	75,228,430
April 2021	$7.50	$5.77	$6.83	37,003,944
May 2021	$7.17	$4.65	$6.26	29,749,348
June 2021	$6.81	$5.03	$5.31	74,091,940
July 2021	$5.49	$3.73	$4.01	30,306,402
August 2021	$5.18	$3.71	$3.96	62,260,148
September 2021	$4.04	$3.16	$3.29	29,609,108
October 2021	$3.58	$3.04	$3.29	22,473,064
November 2021	$3.97	$2.28	$2.40	60,751,770
December 2021	$2.52	$2.03	$2.37	44,197,004
January 2022	$2.48	$1.66	$1.93	33,609,501
February 2022	$2.06	$1.36	$1.59	37,221,194
March 2022 *(to March 10, 2022)*	$2.73	$1.33	$1.55	46,745,989

In the twelve-month period ended December 31, 2021, Westport Fuel Systems granted the following RSUs, RPSs and PSUs pursuant to the Westport Fuel Systems Omnibus Plan. The following grants are in Canadian dollars.

WESTPORT FUEL SYSTEMS OMNIBUS PLAN GRANTS IN UNITS AND CANADIAN DOLLARS

Date	Number of Securities Granted (RSUs)	Number of Securities Granted (PSUs)	Number of Securities Granted (RPSs)	Per Share Market Value of Shares Underlying Securities at Time of Unit Issuance ($CDN)
May 18, 2021	20,768	—	—	$7.44
June 15, 2021	210,497	457,984	74,350	$6.50
June 16, 2021	23,397	—	—	$6.65
September 15, 2021	39,471	—	—	$4.32
December 15, 2021	61,086	—	—	$2.84

Prior Securities Issued

No securities of Westport Fuel Systems not listed or quoted on any exchange were issued during the year ended December 31, 2021, other than RSUs, RPSs, and PSUs. Additional information with respect to the issuance of securities under Westport Fuel Systems equity compensation plan during the most recently completed financial year will be outlined in the Company Management Information Circular in respect of its 2022 Annual General and Special Meeting of Shareholders to be held on May 5, 2022, which will be made available on SEDAR at www.sedar.com.

Dividend Policy

To date, we have not paid out any dividends on our Common Shares and any future dividends will be declared at the sole discretion of the Board. 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 some of our credit facilities, any dividends, shareholder loan repayments and other capital withdrawals require prior consent from our lenders.

Directors and Executive Officers

Board of Directors

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 current members of our Board and named executive officers, as well as the positions and offices held by such persons in the last five years, their principal occupations and in case of the directors, the month and year in which they became directors.

NAME AND MUNICIPALITY OF RESIDENCE	OFFICE	PRINCIPAL OCCUPATION AND POSITIONS DURING THE LAST FIVE YEARS	DIRECTOR SINCE
BUCHIGNANI, MICHELE[1] Vancouver, BC Canada	Director	Corporate Director; CEO of McLean Drive Consulting Ltd since 2010; Managing Partner of McLean Drive Holdings LP since 2012.	March 2018
EPRILE, BRENDA[2] Toronto, ON Canada	Director	Corporate Director	October 2013
FORST, RITA[3] Doersdorf, Germany	Director	Self-employed consultant since 2015, Corporate Director	April 2020
GUGLIELMIN, ANTHONY[4] Vancouver, BC Canada	Director	Corporate Director, SVP and Chief Financial Officer of Ballard Power Systems from 2010 to 2021.	January 2021
HANCOCK, DAN[5] Indianapolis, IN USA	Director and Chair of the Board	Corporate Director and President of DMH Strategic Consulting since 2011.	July 2017
HODGE, PHILIP[6] Calgary, AB Canada	Director	President, Chief Executive Officer and Director of Pine Cliff Energy. Director of the Explorers and Producers Association of Canada.	January 2022
JOHNSON, DAVID Scottsdale, AZ USA	Director and Chief Executive Officer	CEO of Westport Fuel Systems since January 2019, CEO Achates Power Inc. from 2008 to 2018.	January 2019
SCHALLER, KARL-VIKTOR[7] Munich, Germany	Director	Honorary Professor and Managing Director of kvs consulting, Executive Vice President Engineering at BMW AG from April 2014 to July 2019.	April 2020
WHEATMAN, EILEEN[8] Petaluma, CA USA	Director	President of Douglas Communications, CFO of Douglas Communications, Corporate Director	April 2020

NOTES:

1. *Chair of the Nominating and Corporate Governance Committee, member of the Human Resources and Compensation Committee.*
2. *Chair of the Audit Committee, member of the Human Resources and Compensation Committee.*
3. *Member of the Audit Committee, the Human Resources and Compensation Committee and the Technology and Product Strategy Committee.*
4. *Member of the Audit Committee, the Nominating and Corporate Governance Committee and the Technology and Product Strategy Committee.*
5. *Chair of the Human Resources and Compensation Committee, member of the Nominating and Corporate Governance Committee and Technology and Product Strategy Committee.*
6. *Member of the Audit Committee effective March 11, 2022.*
7. *Chair of the Technology and Product Strategy Committee, member of the Audit Committee and Nominating and Corporate Governance Committee.*
8. *Member of the Human Resources and Compensation Committee.*

Audit Committee Matters

Mandate

The mandate of the Audit Committee as prescribed by the Board is set out in the Audit Committee Charter. The latest version of our Audit Committee Charter, which was effective as at March 12, 2021 is attached as **"Schedule B".**

Composition

Each member of the Audit Committee is financially literate and has the ability to perform his or her responsibilities as a member on the Audit Committee based on his or her education and experience, as highlighted under the heading **"Director Biographies"**. As of March 14, 2022 the following Directors serve as Audit Committee members.

Audit Committee Member	Independent
Brenda Eprile (chair)	Yes
Rita Forst	Yes
Anthony Guglielmin	Yes
Philip Hodge	Yes
Karl-Viktor Schaller	Yes

Reliance on Certain Exemptions

At no time since the commencement of Westport Fuel Systems most recently completed financial year has the Company 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 National Instrument 52-110 *Audit Committees* ("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 Fuel Systems' most recent completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

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 SEC rules 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 a preapproval policy as part of the Audit Committee Charter. That policy requires that any proposed audit and permitted non-audit services to be provided by the external auditors to Westport Fuel Systems or its subsidiaries must receive prior approval from the Audit Committee. As a practical matter, the policy also contemplates that such proposals may be received and considered by the Audit Committee Chair (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services) for approval of the proposal on behalf of the Audit Committee, in which case the Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

External Auditor Fees and Services

The following table shows the aggregate fees relating to the years ended December 31, 2021 and 2020 billed to the Company by the Company's independent registered public accounting firm or “external auditors”, KPMG LLP, and other members of its network globally. The following table is shown in Canadian dollars.

EXTERNAL AUDITOR FEES & SERVICES IN CANADIAN DOLLARS

	12/31/2021	12/31/2020
Audit Fees	$ 2,123,077	$ 2,121,215
Audit-Related Fees	7,501	12,600
Tax fees	—	—
All Other Fees	—	—
Total[(1)]	**$ 2,130,578**	**$ 2,133,815**

NOTES:

1. *Out-of-pocket costs incurred in connection with providing professional services, including reimbursed costs, technology, support and administration charges are included in the total.*

Audit Fees

Audit fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditors 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.

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 external auditors. Fees disclosed under this category are for assurance and related services of other entities or derivative projects 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 external auditors KPMG LLP, or other members of its network. Fees disclosed under this category are for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees

"Other Fees" represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditors KPMG LLP, or other members of its network, which are not related to one of the categories described above for which there were none. Fees to be disclosed under this category include all products and services other than those described under the headings audit fees, audit-related fees and tax fees above.

Named Executive Officers

The following table sets forth the names and location of residence of all current named executive officers as well as the positions and offices held by such persons in the last five years and their principal occupations. For David Johnson, see information contained under the heading "**Board of Directors.**"

NAME AND MUNICIPALITY OF RESIDENCE	OFFICE	PRINCIPAL OCCUPATION AND POSITIONS DURING THE LAST FIVE YEARS
COSCIANI, NICOLA Brescia, Italy	Executive Vice President, Global Operations	EVP, and previously, Vice President Global Operations Westport Fuel Systems since 2020. Supply Chain Manager, Operation Manager and Business Unit Manager in multinational companies. CEO equivalent roles in infrastructure components and innovative markets.
FOLLETT, LANCE Surrey, BC Canada	Chief Legal Officer and Executive Vice President	Chief Legal Officer and Executive Vice President since 2020, Senior Vice President of Corporate Development and Intellectual Property from 2017 to 2020. Vice President of Corporate Development 2013 to 2017.
ORAZIETTI, RICHARD Burnaby, BC Canada	Chief Financial Officer	CFO since September 2019, previously Senior Vice President, Treasurer of Goldcorp Inc. and Senior Vice President, Controller of Goldcorp Inc.
VAN AERLE, BART Eindhoven, The Netherlands	Vice President Product and Business Strategy	Vice President Product and Business Strategy since 2020, Vice President Prins since December 2014, President Cummins Westport from January 2018 until June 2019.

Shareholdings of Directors and Executive Officers

As of March 11, 2022 our Board members and executive officers as a group beneficially owned, directly or indirectly 1,407,203 of our Common Shares, representing approximately 0.822% of the 171,180,056 Common Shares outstanding on such date.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as described below, none of the directors or executive officers is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, CEO or CFO of any company (including Westport Fuel Systems) that: (i) was subject to a cease trade, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation (each, an "Order") for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, CEO or CFO; or (ii) was subject to such an Order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

Other than as described below, none of the directors or executive officers, or, to the Company's knowledge, shareholders holding a sufficient number of securities of the Company to materially affect the control of the Company, is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director, executive officer or CFO of any company (including Westport Fuel Systems) 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 February 9, 2017, Home Capital Group Inc. (“Home Capital”) received an enforcement notice from Staff of the Ontario Securities Commission ("OSC") relating to its disclosure in 2015. Ms. Eprile formerly chaired the board of Home Capital Group, having joined as a director in May of 2016. On April 19, 2017, the OSC issued a Statement of Allegations and Notice of Hearing against Home Capital. On June 14, 2017, the Company announced that it had reached two settlement agreements which together comprised a global settlement with the OSC and with respect to a proposed class action involving Home Capital. The settlements were subject to the approval of the OSC and the court.

On September 27, 2019 the Company announced that it had reached a settlement with the SEC resolving an investigation into the Company's investment in WWI and compliance with the FCPA and securities laws related to disclosure in SEC filings in connection with the Westport Fuel Systems operations in China.

None of the directors or executive officers (in their personal capacity), or, to the Company's knowledge, shareholders holding a sufficient number of securities of the Company to materially affect the control of the Company, has, within the ten years before the date of this AIF, 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, or, to the Company's knowledge, shareholders holding a sufficient number of securities of the Company to materially affect the control of the Company, 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.

Conflict of Interests

Certain directors and officers of Westport Fuel Systems may currently, or in the future, also serve as directors and/or officers of other entities that may be involved in the same industry as Westport Fuel Systems, or have competing interests, and therefore it is possible that a conflict may arise between their duties as directors or officers of Westport Fuel Systems and their duties as directors and/or officers of such other companies. Such potential conflicts are described in the director and officer biographies included in this AIF.

Westport Fuel Systems 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 is required to communicate such conflict to the Board and abstain from voting for or against the approval of such items of which they are conflicted. In appropriate cases, Westport Fuel Systems 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 requirements of the *Business Corporations Act* (Alberta), the directors of Westport Fuel Systems are required to act honestly, in good faith and in the best interests of Westport Fuel Systems. In determining whether or not Westport Fuel Systems will participate in a particular transaction, the directors will primarily consider the potential benefits to Westport Fuel Systems, the degree of risk to which Westport Fuel Systems may be exposed, and its financial position at that time. Other than as indicated, Westport Fuel Systems 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 Fuel Systems or any of its subsidiaries and any director or officer of Westport Fuel Systems or of any of its subsidiaries.

Material Contracts

EDC Loan Agreement

EDC is Canada's export credit agency, providing financing, insurance, bonding, trade knowledge and connections to support Canadian companies. In order to bolster liquidity and support the Westport HPDI 2.0 program launch and commercialization, Westport entered into a $20 million secured term loan agreement in December 2017 with EDC (the "EDC Loan Agreement"). In 2020, the Company secured a $10 million non-revolving term credit facility (the "Term Facility"), which was subsequently amended to extend the term. It also amended the terms of the EDC Loan Agreement to extend the term to September 2022, defer principal payments and to recommence payment quarterly starting March 2021. In December 2021, the EDC Loan Agreement and the Term Facility were refinanced to a $20 million term loan with a maturity date of September 15, 2026 (the "Amended EDC Loan Agreement"). A copy of the Amended EDC Agreement is available on SEDAR at **http://www.sedar.com.**

Cartesian

In January 2016, Cartesian provided $17.5 million in capital to Westport in exchange for a percentage of amounts received by Westport on select HPDI and joint venture income through 2025. In April 2016, Westport announced that it had sold a derivative interest in Westport Innovations (Hong Kong) Limited to Cartesian for an up-front payment of $6.3 million plus a potential future payment based on Cartesian's return on investment. Westport received an additional $17.5 million from Cartesian in consideration for the issuance of Westport convertible notes (the "Convertible Notes") to Cartesian upon completion of the 2016 merger with Fuel Systems Solution Inc. In July 2020, Westport announced the amendment and refinancing of the Convertible Notes held by funds affiliated with Cartesian. A copy of the Amended and Restated Investment with Cartesian is available on SEDAR at **http://www.sedar.com**. As of the date hereof the full principal amount of the convertible notes has been repaid or converted into Westport Common Shares leaving no convertible notes outstanding.

CWI Joint Venture Agreement

In February 2012, Cummins and Westport entered into an Amended JVA for the CWI joint venture. The Amended JVA provided among other things, the scope of products within CWI and revised certain economic terms of the prior joint venture agreement. Westport also agreed to focus CWI's future product development investments on North American markets. During the term, Cummins had the sole right to sell and export all CWI products outside of North America. CWI products sold outside of North America would be sold by Cummins as Cummins branded products.

The Amended JVA terminated on December 31, 2021. A copy of the Amended JVA is available on SEDAR at **http://www.sedar.com**. See also section **"Cummins Westport Inc. Joint Venture"** for further information.

Legal and Regulatory Proceedings

On December 15, 2021, Westport Fuel Systems filed patent infringement lawsuits against various auto manufacturers in the court of the Eastern District of Texas. The patents in question relate to directly actuated injection valve technology. Westport Fuel Systems is represented in these lawsuits by counsel on a partial contingency basis. It also entered into an investment agreement with a funder pursuant to which the funder has agreed to fund certain fees and costs associated with the lawsuits.

Additional Information

Additional information regarding Westport Fuel Systems can be found on SEDAR at **http://www.sedar.com**. In particular, additional information as to directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans, is contained in our most recent Management Information Circular.

Additional financial information is contained in our financial statements and MD&A for the year ended December 31, 2021, which should be read in conjunction with this AIF. Additional information relating to Westport Fuel Systems may be found on SEDAR at **http://www.sedar.com**.

Interests of Management and Others in Material Transactions

Other than as described below or elsewhere in this AIF, no director or officer of Westport Fuel Systems, no person or company beneficially owning, or controlling or directing, directly or indirectly, more than ten percent (10%) of any class or series of the Company's outstanding voting securities, nor any associate or affiliate of such persons or companies, has had any material interest, direct or indirect, in any transaction within our three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Westport Fuel Systems.

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.

Interests of Experts

KPMG LLP are the auditors of Westport Fuel Systems and have confirmed with respect to Westport Fuel Systems that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to Westport Fuel Systems under all relevant U.S. professional and regulatory standards.

Schedule "A": Forward-Looking Information

Certain statements contained in this 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:

- Westport HPDI 2.0 providing OEMs with an integrated natural gas solutions with attractive price, performance and fuel economy (set out, for example, under the headings "DESCRIPTION OF THE BUSINESS – HPDI 2.0 FUEL SYSTEM" and "OPERATING BUSINESS SEGMENTS – CWI JOINT VENTURE");
- Westport HPDI 3.0 positioning Westport HPDI fuel system for long-term compatibility with next generation diesel engine platforms (set out, for example, under the headings "OUR BUSINESS AND STRATEGY - STRATEGY" and "INNOVATION AND RESEARCH AND DEVELOPMENT – RESEARCH AND DEVELOPMENT")
- Westport Hydrogen HPDI providing a high pressure hydrogen fuel system solution with zero or near-zero CO2 emissions, optimized performance and improved (set out, for example, under the headings "OUR BUSINESS AND STRATEGY - STRATEGY" and "INNOVATION AND RESEARCH AND DEVELOPMENT – RESEARCH AND DEVELOPMENT")
- the future demand for Westport Fuel Systems 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 headings "OUR BUSINESS AND STRATEGY - STRATEGY", "DESCRIPTION OF THE BUSINESS - HPDI 2.0 FUEL SYSTEM" and under the heading "RISK FACTORS", particularly under the subheadings "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate");
- our ability to successfully launch new technology and market initiatives, integrate our products into existing engine OEM products, and to position the Westport HPDI fuel system for compatibility with advancements in diesel base engine platforms (set out, for example, under the headings "ABOUT WESTPORT FUEL SYSTEMS", "OUR BUSINESS AND STRATEGY - STRATEGY", "OUR BUSINESS AND STRATEGY – RESEARCH AND DEVELOPMENT" and "RISK FACTORS");
- our ability to exploit opportunities in sustainable transportation fuel alternatives and adapt the Westport HPDI fuel system for operation with hydrogen (set out, for example, under the heading "OUR BUSINESS AND STRATEGY - STRATEGY", "INNOVATION AND RESEARCH AND DEVELOPMENT – RESEARCH AND DEVELOPMENT", "OPERATING BUSINESS SEGMENTS – CWI JOINT VENTURE);
- our ability to expand, exploit and protect our intellectual property (set out, for example, under the headings "INNOVATION AND RESEARCH AND DEVELOPMENT – 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 heading, "RISK FACTORS", particularly under the subheadings "We may not realize the anticipated benefits from joint ventures, investments or acquisitions" and " The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption.");
- the future desirability and use of alternative fuel sources within the transportation industry and commodity prices and the fuel price differential between natural gas or LPG with diesel (set out, for example, under the headings "MARKET OVERVIEW – MARKET DYNAMICS" and "RISK FACTORS", particularly under the subheadings "The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption", "Sustained negative economic factors and COVID-19 could negatively impact our business" and "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate."
- ongoing relationships between us and our business partners (set out, for example, under the headings "OUR BUSINESS AND STRATEGY - STRATEGY" and "RISK FACTORS", particularly under the subheading "We are dependent on relationships with strategic partners.");
- potential disputes regarding the rights and obligations of the parties and which may in the future arise under our agreements with our strategic partners (set out, for example, under the heading "RISK FACTORS", particularly under the subheading "We are dependent on relationships with strategic partners");

- 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 "MARKET OVERVIEW - 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 "MARKET OVERVIEW – MARKET DYNAMICS" and "RISK FACTORS", particularly under the subheadings "The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption" and "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate.");
- profit margins and production costs of engines incorporating our technologies, (set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption", "Additional or higher tariffs may impact the demand for our products", "Warranty claims could be higher than forecasted" and "We have foreign currency risk");
- the further development of infrastructure supporting the application of natural gas or hydrogen as an alternative fuel (set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption" and "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate.");
- increasingly stringent environmental and emissions legislation and regulations in the future (set out, for example, under the headings "ABOUT WESTPORT FUEL SYSTEMS" and "RISK FACTORS" particularly under the subheadings "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate" and "We could become liable for environmental damages resulting from our research, development or manufacturing activities.");
- our ability to attract and retain employees (as set out, for example, under the heading "HUMAN RESOURCES AND RELATED POLICIES" and "RISK FACTORS", particularly under the subheading "We could lose or fail to attract the human capital necessary to run our business");
- demand for engines incorporating our technologies (as set out, for example, under the headings "MARKET OVERVIEW – MARKET DYNAMICS" 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");
- 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, for example, "RISK FACTORS", particularly under "Warranty claims could be higher than forecasted" and in our quarterly and annual financial statements);
- our future growth and the expected changes to the transportation sector (as set out, for example, under the headings "ABOUT WESTPORT FUEL SYSTEMS", "OUR BUSINESS AND STRATEGY - STRATEGY", and "MARKET OVERVIEW");
- our ability to predict if or when we will operate profitably or generate positive cash flows as set out for example, under the subheading "We may need or want to raise additional funds to grow our business and meet our financial obligations. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected."
- 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, for example, under the headings "OUR BUSINESS AND STRATEGY - 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");
- the strategy of our Transportation segment (as set out, for example, under the heading "OUR BUSINESS AND STRATEGY - STRATEGY");
- expected fluctuations in our revenues and results of operations (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We may need or want to raise additional funds to grow our business and meet our financial obligations. If we cannot raise additional funds when we need or want them, our operations and

prospects could be negatively affected", "Sustained negative economic factors and COVID-19 could negatively impact our business" and "Warranty claims could be higher than forecasted.").

Such statements reflect management of Westport Fuel Systems' (" Management") 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 the foregoing 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 "The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption" and "We could become subject to product liability claims");
- 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", "We could be adversely affected by the operations of our joint ventures and joint venture partners", "Our limited production trials, commercial launch activities and field tests could encounter problems" and "We could become engaged in intellectual property litigation or disputes that may negatively affect our business");
- changing environmental legislation and regulations (as set out, for example, under "RISK FACTORS", particularly, under the subheadings "The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption" and "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate");
- the ability to attract and retain business partners (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We may need or want to raise additional funds to grow our business and meet our financial obligations. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected" and "We are dependent on relationships with strategic partners");
- 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 "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate" and "Sustained negative economic factors and COVID-19 could negatively impact our business")
- competition from other technologies (as set out, for example, under the heading, "RISK FACTORS", particularly under the subheadings "We currently face, and will continue to face, significant competition" and "The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption");
- 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 "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate");
- 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 subheading "We may not realize the anticipated benefits from joint ventures, investments or acquisitions");

- limitations in the development of natural gas or hydrogen refuelling infrastructure (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate");
- the ability to provide and access 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 conduct business in foreign markets that carry risk", "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate", "We could be adversely affected by the operations of our joint ventures and joint venture partners", "Our failure to strictly comply with anti-corruption laws could have a material adverse effect on our reputation and results of operations", "Sustained negative economic factors and COVID-19 could negatively impact our business" and "Economic Sanctions may Impact on the Business of Certain of our Foreign Subsidiaries and Joint Ventures");
- other risks relating to our Common Shares including the ability of the Board to issue Preferred Shares at its discretion discussed in more detail in this AIF under the heading "Description of Capital Structure" (as set out, for example, under the heading under the heading "RISK FACTORS" particularly under the subheadings "Our Common Share price may fluctuate", "We do not currently pay and do not anticipate 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 ("PFIC"), 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;
- risk of conflict related to directors and officers of Westport Fuel Systems who 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 Fuel Systems, as discussed in more detail in this AIF under the heading "Conflict of Interests".

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.

Schedule "B": Charter of the Audit Committee

REVIEWED AND ACCEPTED BY THE BOARD OF DIRECTORS ON MARCH 11, 2022

1.0 PURPOSE OF THE CHARTER

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

- WFS's accounting and financial reporting processes and audits of its financial statements;
- the integrity of WFS's financial statements, management's discussion and analysis (" MD&A") and other information provided to shareholders and others;
- WFS's risk assessment and risk management processes, including assessment of significant financial and accounting risk exposures and actions taken to mitigate these risks;
- the effectiveness of systems implemented and maintained by WFS management (" Management") to manage those risks, in particular with regard to internal controls and critical information systems pertaining to financial reporting;
- compliance with legal and regulatory requirements and the promotion of legal and ethical conduct;
- the independence and qualifications of the external auditors; and
- the performance of WFS's internal audit function and external auditors.

This Charter (the "Charter") has been adopted by the Board to assist the Committee in the exercise of its duties and responsibilities.

2.0 AUTHORITY

The Committee has unrestricted access to WFS personnel and documents and to its external auditor 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 the Committee Chair (as defined below) is empowered, in his or her discretion, and in consultation with the Chairperson of the Board (the "Board Chair"), to retain independent counsel and other professional advisors at WFS's expense. The Committee shall set the compensation, and oversee the work, of any such outside counsel and other advisors retained by the Committee.

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.

3.0 LIMITATIONS OF THE AUDIT COMMITTEE'S ROLE

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that WFS 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.

4.0 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, and one of whom shall be designated the Chair (the "Committee Chair"), as annually appointed by the Independent Directors (as that term is defined in the Charter of the Board) (the "Independent Directors"). The Committee shall be composed solely of Independent Directors. Unless approved by the Board Chair, no Director may serve on

the Committee if, including the membership on the Committee, they sit on more than three public company audit committees. No member of the Committee shall have participated in the preparation of WFS's or any of its subsidiaries' financial statements at any point during the last three years. Each of the Directors on the Committee shall possess a basic level of "financial literacy", and at least one member should qualify as an "audit committee 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.

5.0 MEETINGS

Regular meetings of the Committee shall be held at least four times per year at such times and places as it deems necessary to fulfill its responsibilities. The meetings will be scheduled to permit timely review of the interim and annual financial statements, as well as WFS's other financial disclosures and related compliance matters. Additional meetings may be called as often as the Committee deems 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 is governed by all other procedural rules regarding meetings, actions without meetings, notice and waiver of notice as are applicable to the Board.

The Committee Chair shall, in consultation with the Board Chair, 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 Committee and WFS's Chief Legal Officer (or, in the event no individual currently has such title, the individual filling the role typically associated with such title in replacement for such individual), shall also meet in executive session to review legal matters that, in Management or the 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 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 WFS or with the secretary of the meeting and circulated to all Board members.

6.0 ROLE AND RESPONSIBILITIES OF THE COMMITTEE

The following paragraphs outline the principal responsibilities and duties of the Committee in carrying out its purpose outlined in Section 1 of this Charter. These responsibilities and duties should serve as a guide, with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of evolving circumstances and legal and regulatory requirements. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purpose of the Committee outlined in Section 1 of this Charter.

6.1 Oversight of the External Auditors

The Committee is responsible for recommending to the Board:

- the selection of an independent, registered, external audit firm for the purpose of auditing WFS's annual financial statements and internal controls over financial reporting;
- the retention of such external auditors;
- the compensation of the external auditors; and
- the selection, retention, compensation and oversight of any other registered public accounting firm engaged for the purpose of preparing or issuing audit reports or performing any other audit, review, or attest services for WFS.

The Committee shall evaluate, on at least an annual basis, the qualifications, performance and independence of the external auditors. The Committee is responsible for ensuring that it receives from the external auditors a formal written statement

delineating all relationships between the external auditors and WFS and its subsidiaries, 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 auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors and for taking, or recommending that the Board take, appropriate action to oversee the independence of the external auditors.

As part of its oversight of auditor independence, the Committee shall also review and approve WFS's policy regarding the hiring of partners and employees and former partners and employees of its present and former external auditors.

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

- approving the audit scope and engagement fees;
- reviewing the results of their work;
- establishing policies and procedures for the Committee's pre-approval of permitted services on an on-going basis;
- pre-approving any permitted non-audit services or delegating such authority to the Committee Chair;
- evaluating their performance and at least annually, receiving input from WFS's CEO and/or the CFO on audit quality, quality of engagement team, and relationship with the auditors; and
- resolving any disagreements between Management and external auditors regarding financial reporting.

WFS's external auditors shall report directly to the Committee. 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 most recent internal quality control review, peer review, the Canadian Public Accountability Board or the Public Company Accounting Oversight Board, or 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, (c) any steps taken to deal with any such issues and (d) all relationships between the external auditors and WFS or any of its subsidiaries. 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 external auditor's qualifications, performance and independence 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 WFS'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 WFS; and (g) significant changes to WFS's accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or Management.

The Committee shall discuss with the external auditors and Management: (a) all critical accounting policies and practices to be used in an audit; (b) any issues and disclosure requirements regarding: (1) the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies; (2) any off-balance sheet arrangements; and (3) significant business risks or exposures and Management's assessment of the steps taken to monitor, control and minimize such risk; (c) other material written communications between the auditors and Management; and (d) any other matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 1301, *Communications with Audit Committees*.

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

6.2 Oversight of Risk Management Processes Pertaining to Financial Reporting

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 monitoring the range of risks pertaining to WFS's financial reporting 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 processes in place for identifying and monitoring the management of the principal risks that could impact the financial reporting of WFS; and
- assess, as part of its oversight of the system of internal controls and critical information systems pertaining to financial reporting, the effectiveness of the overall process for identifying business and financial risks impacting WFS and provide its views to the Board.

6.3 Oversight of Internal Control

The Committee shall have the responsibility to review and monitor that Management has designed and implemented an effective system of internal control and critical information systems pertaining to 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.

6.4 Oversight of Legal and Regulatory Compliance Pertaining to Financial Reporting and Promotion of Legal and Ethical Conduct

The Committee shall consult periodically with Management with respect to WFS's policies and procedures regarding compliance with applicable laws and regulations pertaining to financial reporting and with WFS's Code of Conduct. The Committee shall consult with WFS's Chief Legal Officer (or, in the event no individual currently has such title, the individual filling the role typically associated with such title in replacement for such individual) with respect to any significant legal and regulatory matters that may have a significant impact on WFS's financial statements or compliance policies pertaining to financial reporting.

The Committee shall oversee the implementation, operation and effectiveness of WFS's mechanisms for the receipt, retention and treatment of complaints regarding WFS's accounting, internal controls or auditing matters and the confidential, anonymous submission by WFS employees of concerns regarding questionable accounting or auditing matters. In this regard, the Committee shall have responsibility for the implementation and periodic review, not less than annually, of WFS's Whistleblower Policy and related communication channels.

The Committee shall carry out such other specific responsibilities with regard to the Board's oversight of WFS's compliance with all applicable laws and regulations, as may be delegated by the Board to the Committee.

6.5 Oversight of Continuous Disclosure Obligations, Financial Reporting and Other External Reporting

The Committee shall satisfy itself that Management has developed and maintains appropriate programs and policies regarding continuous disclosure obligations applicable to WFS and will have oversight over such programs and policies to effectively communicate with its stakeholders.

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

- the draft and 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 review and approve the final quarterly financial statements and related MD&A of WFS. The Committee shall additionally review and recommend to the Board the approval of the final WFS annual financial statements and related MD&A.

In each instance where a draft is reviewed, the CFO of WFS or his or her delegate 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 WFS and changes in the selection and application of accounting principles;
- significant financial reporting issues that have arisen in connection with the preparation of such 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;
- matters considered by Management's Disclosure Committee in its review of quarterly, annual and other timely disclosure documents before submission; and
- the effect of emerging regulatory and accounting initiatives.

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

The Committee shall also review and assess the adequacy of the reporting systems and related internal controls developed and implemented by Management in connection with disclosures relating to environmental, social and governance ("ESG") matters and other non-financial data included in WFS Sustainability Reports.

6.6 Oversight of Internal Audit

The Committee shall:

- review and approve WFS's internal audit department's annual audit plan and all major changes in 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 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; and
- review the annual performance of the internal audit function.

6.7 Related Companies Financial Results

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

6.8 Related Party Transactions

The Committee shall review, approve, or ratify, any transaction between WFS and any related person (as defined in Item 404 of Regulation S-K under the United States Securities Act of 1933, as amended) on an ongoing basis.

6.9 Approval of Audit and Permitted Non-Audit Services Provided by the External Auditors

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the external auditors to WFS or its subsidiaries must receive prior approval from the Committee. The CFO of WFS, or his or her delegate, shall act as the primary contact to receive and assess any proposed engagements from the external auditors. The Committee shall not approve any non-audit services to be provided by the external auditors to WFS where either: (i) the sum of non-audit fees are expected to exceed the sum of audit fees, audit-related fees and permitted tax compliance/preparation fees; or (ii) the sum of audit fees and audit-related fees is expected to total less than 50% of Westport's overall fees payable to WFS's external auditor (excluding fees resulting from one time transactions). The Committee shall satisfy itself of the adequacy of any public disclosure related to the audit fees paid to the external auditors.

The Committee is also authorized to approve non-audit services that may be provided by a party that is not the external auditors. Examples may be consulting advice relating to financial statements, tax advice and tax consulting services, or any other consulting services that the Committee determines that it will obtain from any party that is not the external auditors.

In the majority of such instances, proposals may be received and considered by the Committee Chair (or such other member of the Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Committee. The Committee Chair will then inform the Committee of any approvals granted at the next scheduled meeting.

7.0 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's and its committee self- assessment process, the Committee shall evaluate its own performance and report the results of such evaluation to WFS's Nominating and Corporate Governance Committee.

C. **Audit Committee Information in the AIF**. The Committee shall review and recommend for Board approval the Audit Committee information required to be included in WFS's Annual Information Form ("AIF")/Form 40F, in compliance with applicable regulations.

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.

E. **Other Activities.** The Committee shall perform any other activities consistent with this Charter, WFS's bylaws, and governing laws that the Board or Committee determines are necessary or appropriate.

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

WESTPORT FUEL SYSTEMS INC.

For the years ended December 31, 2021 and 2020

KPMG LLP
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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors Westport Fuel Systems Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Westport Fuel Systems Inc. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 14, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.
Indicators of impairment for property, plant and equipment in the Company's heavy-duty Original Equipment Manufacturer business

As discussed in Note 9 to the consolidated financial statements, the carrying value of property, plant and equipment as of December 31, 2021 is $64,420 thousand, which includes the property, plant and equipment used in the Company's heavy-duty Original Equipment Manufacturer (OEM) business, including a specific fuel systems business, which is in the early stages of commercialization and has generated losses to date. As discussed in Note 3(k) to the consolidated financial statements, 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. The Company's determination of whether an indicator of impairment exists includes the preparation of a forecast of future cash flows of the specific fuel systems business. The significant assumptions used in the Company's forecast of future cash flows include, amongst others, estimates of component sales in the future.

We identified the assessment of indicators of impairment for property, plant and equipment related to this specific fuel systems business as a critical audit matter. A higher degree of subjective auditor judgment was required to assess the Company's evaluation of indicators of impairment due to the uncertainty in the estimates of component sales in the future.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of an internal control over the Company's process for the identification and evaluation of indicators of impairment. We evaluated the reasonableness of the estimates of component sales in the future by comparing them to the Company's approved budget, internal documentation and external communications and compared their consistency with relevant industry data and regulatory factors. We compared the forecasted sales for a key customer in the heavy-duty OEM business to the demand forecast provided to the Company by this customer. We performed sensitivity analyses to assess the impact of changes of the estimates of component sales in the future. We compared the Company's historical sales forecasts to actual results to assess the accuracy of the Company's forecasts of future sales.

/s/ **KPMG LLP**

Chartered Professional Accountants

We have served as the Company's auditor since 2015.

March 14, 2022
Vancouver, Canada

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors Westport Fuel Systems Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Westport Fuel Systems Inc.'s (and subsidiaries') (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated March [14], 2022 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Stako sp. z.o.o (Stako) during 2021, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, Stako's internal control over financial reporting associated with 4% of total assets and 6% of consolidated sales included in the consolidated financial statements of the Company as of and for the year ended December 31, 2021. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Stako.

Basis for Opinion

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 Annual Report on 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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 of internal control over financial reporting 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ **KPMG LLP**

Chartered Professional Accountants

March 14, 2022
Vancouver, Canada

WESTPORT FUEL SYSTEMS INC.

Consolidated Balance Sheets
(Expressed in thousands of United States dollars, except share amounts)
December 31, 2021 and 2020

	December 31, 2021	December 31, 2020 (Adjusted note 7)
Assets		
Current assets:		
Cash and cash equivalents (including restricted cash, note 3(c))	$ 124,892	$ 64,262
Accounts receivable (note 5)	101,508	90,467
Inventories (note 6)	83,128	51,402
Prepaid expenses	6,997	11,767
Assets held for sale (note 7)	22,039	10,866
Total current assets	338,564	228,764
Long-term investments (note 8)	3,824	3,088
Property, plant and equipment (note 9)	64,420	57,507
Operating lease right-of-use assets (note 13)	28,830	27,962
Intangible assets (note 10)	9,286	11,784
Deferred income tax assets (note 19(b))	11,653	2,140
Goodwill (note 11)	3,121	3,397
Other long-term assets	11,615	11,621
Total assets	$ 471,313	$ 346,263
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 12)	$ 99,238	$ 84,599
Current portion of operating lease liabilities (note 13)	4,190	4,476
Short-term debt (note 14)	12,965	23,445
Current portion of long-term debt (note 15)	11,277	16,302
Current portion of long-term royalty payable (note 16)	5,200	7,451
Current portion of warranty liability (note 17)	13,577	10,749
Total current liabilities	146,447	147,022
Long-term operating lease liabilities (note 13)	24,362	23,486
Long-term debt (note 15)	45,125	45,651
Long-term royalty payable (note 16)	4,747	8,591
Warranty liability (note 17)	5,214	8,187
Deferred income tax liabilities (note 19(b))	3,392	3,250
Other long-term liabilities	5,607	6,017
Total liabilities	234,894	242,204
Shareholders' equity:		
Share capital (note 18):		
Unlimited common and preferred shares, no par value		
170,799,325 (2020 - 144,069,972) common shares issued and outstanding	1,242,006	1,115,092
Other equity instruments	8,412	7,671
Additional paid-in-capital	11,516	11,516
Accumulated deficit	(992,021)	(1,005,679)
Accumulated other comprehensive loss	(33,494)	(24,541)
Total shareholders' equity	236,419	104,059
Total liabilities and shareholders' equity	$ 471,313	$ 346,263
Commitments and contingencies (note 21)		
Subsequent events (note 7)		

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board **Anthony Guglielmin** Director **Brenda J. Eprile** Director

WESTPORT FUEL SYSTEMS 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, 2021 and 2020

	Years ended December 31,	
	2021	2020
Revenue	$ 312,412	$ 252,497
Cost of revenue and expenses:		
Cost of revenue	264,260	212,953
Research and development	25,194	20,976
General and administrative	36,290	26,629
Sales and marketing	13,495	11,510
Foreign exchange gain	(1,984)	(4,300)
Depreciation and amortization (notes 9 and 10)	5,390	6,239
Gain on sale of assets	(146)	—
Impairment on long-lived assets, net (note 9)	459	479
	342,958	274,486
Loss from operations	(30,546)	(21,989)
Income from investments accounted for by the equity method	33,741	24,047
Interest on long-term debt and accretion on royalty payable	(4,937)	(7,988)
Bargain purchase gain from acquisition (note 4)	5,856	—
Interest and other income	1,413	2
Income (loss) before income taxes	5,527	(5,928)
Income tax expense (recovery) (note 19):		
Current	2,172	2,438
Deferred	(10,303)	(1,007)
	(8,131)	1,431
Net income (loss) for the year	13,658	(7,359)
Other comprehensive income (loss):		
Cumulative translation adjustment	(8,953)	(651)
Comprehensive income (loss)	$ 4,705	$ (8,010)
Income (loss) per share:		
Net income (loss) per share - basic	$ 0.09	$ (0.05)
Net income (loss) per share - diluted	$ 0.08	$ (0.05)
Weighted average common shares outstanding:		
Basic	160,232,742	137,092,854
Diluted	162,099,175	137,092,854

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.

Consolidated Statements of Shareholders' Equity
(Expressed in thousands of United States dollars, except share amounts)
December 31, 2021 and 2020

	Common shares outstanding	Share capital	Other equity instruments	Additional paid-in-capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity
January 1, 2020	136,416,981	$ 1,094,633	$ 6,857	$ 10,079	$ (998,320)	$ (23,890)	$ 89,359
Issuance of common shares on exercise of share units	829,553	1,433	(1,433)	—	—	—	—
Issuance of common shares on conversions of convertible debt	3,607,468	5,122	—	—	—	—	5,122
Issuance of common shares on at-the-market public offering, net of costs incurred	3,215,970	13,904	—	—	—	—	13,904
Change in fair value of the embedded conversion feature on convertible debt	—	—	—	1,437	—	—	1,437
Stock-based compensation	—	—	2,247	—	—	—	2,247
Net loss for the year	—	—	—	—	(7,359)	—	(7,359)
Other comprehensive loss	—	—	—	—	—	(651)	(651)
December 31, 2020	144,069,972	$ 1,115,092	$ 7,671	$ 11,516	$ (1,005,679)	$ (24,541)	$ 104,059
Issuance of common shares on exercise of share units	327,774	1,001	(1,001)	—	—	—	—
Issuance of common shares on conversions of convertible debt	3,651,867	5,186	—	—	—	—	5,186
Issuance of common shares on at-the-market public offering, net of costs incurred	1,819,712	12,806	—	—	—	—	12,806
Issuance of common shares on public offering, net of costs incurred	20,930,000	107,921	—	—	—	—	107,921
Stock-based compensation	—	—	1,742	—	—	—	1,742
Net income for the year	—	—	—	—	13,658	—	13,658
Other comprehensive loss	—	—	—	—	—	(8,953)	(8,953)
December 31, 2021	170,799,325	$ 1,242,006	$ 8,412	$ 11,516	$ (992,021)	$ (33,494)	$ 236,419

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
Years ended December 31, 2021 and 2020

	Years ended December 31,	
	2021	2020
Cash flows from (used in) operating activities:		
Net income (loss) for the year	$ 13,658	$ (7,359)
Items not involving cash:		
Depreciation and amortization	14,035	14,034
Stock-based compensation expense	1,911	2,368
Unrealized foreign exchange gain	(1,984)	(4,300)
Deferred income tax	(10,303)	(1,007)
Income from investments accounted for by the equity method	(33,741)	(24,047)
Interest on long-term debt and accretion of royalty payable	4,937	7,988
Impairment on long lived assets, net	459	479
Change in inventory write-downs to net realizable value (note 6)	914	507
Gain on sale of assets	(146)	—
Bargain purchase gain from acquisition	(5,856)	—
Change in bad debt expense	(326)	299
Net cash used before working capital changes	(16,442)	(11,038)
Changes in non-cash operating working capital:		
Accounts receivable	(11,117)	(22,721)
Inventories	(31,744)	(3,225)
Prepaid expenses	3,964	(8,685)
Accounts payable and accrued liabilities	11,313	(420)
Warranty liability	233	10,940
Net cash used in operating activities	(43,793)	(35,149)
Cash flows from (used in) investing activities:		
Purchase of property, plant and equipment	(14,158)	(7,123)
Acquisitions, net of acquired cash (note 5)	(5,948)	—
Proceeds on sale of assets	600	207
Dividends received from joint ventures	21,796	20,758
Net cash from investing activities	2,290	13,842
Cash flows from (used in) financing activities:		
Drawings on operating lines of credit and long-term facilities	74,408	85,258
Repayment of operating lines of credit and long-term facilities	(82,958)	(53,523)
Proceeds from share issuance, net	120,727	13,904
Repayment of royalty payable	(7,451)	(5,948)
Net cash from financing activities	104,726	39,691
Effect of foreign exchange on cash and cash equivalents	(2,593)	(134)
Increase in cash and cash equivalents	60,630	18,250
Cash and cash equivalents, beginning of year (including restricted cash)	64,262	46,012
Cash and cash equivalents, end of year (including restricted cash)	124,892	64,262

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.

Consolidated Statements of Cash Flows (continued)
(Expressed in thousands of United States dollars)
Years ended December 31, 2021 and 2020

	Years ended December 31, 2021	2020
Supplementary information:		
Interest paid	$ 3,916	$ 4,699
Taxes paid, net of refunds	3,106	1,374

Refer to note 18 for non-cash transactions.

See accompanying notes to consolidated financial statements.

1. Company organization and operations:

Westport Fuel Systems Inc. (the “Company”) was incorporated under the Business Corporations Act (Alberta) on March 20, 1995. The Company engineers, manufactures and supplies alternative fuel systems and components for use in transportation markets on a global basis. The Company's components and systems control the pressure and flow of gaseous alternative fuels, such as propane, natural gas, and hydrogen used in internal combustion engines and fuel cells.

2. Liquidity and impact of COVID-19:

The COVID-19 pandemic has impacted the Company's business since March 2020 which led to temporary closure of production plants in Northern Italy in the first half of 2020. Since the second half of 2020, the Company's sales and customer demand have continued to recover and the Company's production plants have since remained open and have been in normal production operations during the full year of 2021. However, the COVID-19 related global supply chain disruptions and inflationary pressures with rising prices for natural gas and liquid petroleum gas are ongoing challenges.

The Company is closely monitoring and making efforts to mitigate the impact on the business from COVID-19 and the related global supply chain shortages of semiconductors, raw materials and other parts. Like other automotive manufacturers or suppliers, the Company sources components globally and has been impacted along with its customers by global supply chain disruptions. At this time, management does not see a material impact to its business; however, the situation not yet stabilized and could become material in case of a prolonged supply chain disruption that results in production delays or end-customer demand declines.

During the year, the Company raised $ 120,727 through equity offerings which strengthened the Company's liquidity position (Refer to note 18 in these consolidated financial statements for more details). Further, the Company restructured its existing non-revolving term facility and COVID-19 credit facility with Export Development Canada ("EDC") into a new 5-year $20,000 term loan. Besides these financing activities, the Company applies, when appropriate, for government wage-subsidy and other support programs in the countries where it operates. The Company has recorded $1,065 in the year ended December 31, 2021 ($ 6,093 in the year ended December 31, 2020), related to these programs.

On February 7, 2022, the Company agreed to sell 100% of its shares in Cummins Westport Inc. ("CWI") to Cummins Inc. for proceeds of approximately $22,200, along with its interest in the intellectual property of CWI for proceeds of $ 20,000 (Refer to note 7 in these consolidated financial statements for more details).

The Company believes that it has considered all possible impacts of known events arising from the COVID-19 pandemic in the preparation of the consolidated financial statements; however, changes in circumstances due to COVID-19 could impact management's judgments and estimates associated with the liquidity and impact of COVID-19 assessment and other critical accounting assessments.

The Company continues to sustain operating losses and negative cash flows from operating activities. As at December 31, 2021, the Company has cash and cash equivalents of $124,892 and during the year ended December 31, 2021, the Company used cash in operating activities of $43,793. The ability to continue as a going concern beyond March 2023 will depend on the Company's ability to generate sufficient positive cash flows from operations specifically through profitable, sustainable growth of Westport's HPDI 2.0™ fuel systems business, and on the Company's ability to finance its long term strategic objectives and operations. Westport’s HPDI™ fuel system is designed to directly inject a fuel into the combustion chamber of an internal combustion engine.

3. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. 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 ("U.S. GAAP").

(b) Foreign currency translation:

The Company's functional currency is the Canadian dollar and its reporting currency for its consolidated financial statement presentation is the United States dollar ("U.S. Dollar"). The functional currencies for the Company's subsidiaries include the following: U.S. dollar, Canadian dollar, Euro, Argentina Peso, Chinese Renminbi ("RMB"), Swedish Krona, Indian Rupee, and Polish Zloty. 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.

Transactions that are denominated in currencies other than the functional currencies of the Company's or its subsidiaries' operations are translated at the rates 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 rates 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.

As at June 30, 2018, the Company concluded that Argentina's economy is highly inflationary. As a result, the Company has remeasured the financial statements of the Argentinian subsidiary in the Company's reporting currency beginning July 1, 2018.

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

	Year-end exchange rate as at:		Average for the year ended:	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Canadian dollar	1.27	1.27	1.25	1.34
Euro	0.88	0.82	0.85	0.88
RMB	6.35	6.53	6.45	6.90
Polish Zloty	4.04	3.72	3.92	3.90
Swedish Krona	9.05	8.19	8.57	9.18
Indian Rupee	74.45	73.00	73.92	74.08
Argentina Peso	102.54	84.06	94.79	69.59

(c) Cash and cash equivalents (including restricted cash):

Cash and cash equivalents include cash on hand, term deposits, banker 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. Cash and cash equivalents at December 31, 2021 include restricted cash of $104 (2020 - $75). Restricted cash at December 31, 2021 and 2020 is related to cash used to secure a letter of credit.

3. Significant accounting policies (continued):

(d) Accounts receivable, net:

The accounts receivable balance reflects invoiced and accrued revenue and is presented net of an allowance for credit losses. The Company expects the majority of its accounts receivable balances to continue to come from large customers as it supplies the majority of its products and services through a network of distributors and Original Equipment Manufacturers ("OEM") and provides Delayed OEM ("DOEM") services. The Company establishes current expected credit losses ("CECL") for pools of assets with similar risk characteristics by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. When specific customers are identified as no longer sharing the same risk profile as their current pool, they are removed from the pool and evaluated separately. The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. When the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company (such as in the case of bankruptcy filings or material deterioration in the customer's operating results or financial position, and payment experiences), the Company records a specific credit loss provision to reduce the customer's related accounts receivable to its estimated net realizable value. If circumstances related to specific customers change, the Company's estimates of the recoverability of accounts receivable balances could be further adjusted.

(e) 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 or first-in, first-out. The cost of fuel system product inventories, assembled parts and work-in-progress includes materials, labour and production overhead, including depreciation. The Company records inventory write-downs based on an analysis of excess and obsolete inventories determined primarily by future demand forecasts. In addition, the Company records a liability for firm, noncancellable, 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.

(f) Property, plant and equipment:

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

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

Depreciation expense on machinery and equipment used in the production and manufacturing process is included in cost of revenue. All other depreciation is included in depreciation and amortization expense in the statement of operations and comprehensive loss.

(g) Long-term investments:

The Company accounts for investments in which it has significant influence, including variable interest entities ("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.

3. Significant accounting policies (continued):

(h) 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 netted against long-term debt and are amortized using the effective interest rate method.

(i) Research and development costs:

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

(j) Intangible assets:

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

(k) 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.

The Company has significant investments in property, plant and equipment used in its heavy-duty OEM business, relating to the HPDI 2.0 fuel systems that is in the early stages of commercialization, and, as a result, is currently generating losses. Based on the Company's current projections, meaningful increases in component sales, compared to 2021 levels, are expected, allowing the business to benefit from economies of scale and become profitable. If these assumptions are not realized, the Company may be required to record an impairment on these assets in future periods.

(l) Goodwill:

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 December 31. 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.

(m) 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 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 costs 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 using 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.

3. Significant accounting policies (continued):

(n) Revenue recognition:

The Company generates revenues primarily from product sales. Product revenues are derived from standard product sales contracts and from long-term fixed price contracts. The Company recognizes revenue when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgment. On standard product sales contracts, revenues are recognized when customers obtain control of the product, that is when transfer of title and risks and rewards of ownership of goods have passed and when obligation to pay is considered certain. Invoices are generated and revenue is recognized at that point in time. Provisions for warranties are made at the time of sale. Service revenue is recognized over time as performance obligations are satisfied.

(o) 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.

Interest and penalties related to income taxes are included as a component of income tax expense.

4. Business combinations:

Acquisition of Stako sp. z.o.o ("Stako"):

On May 28, 2021, the Company entered into an agreement to acquire all of the issued and outstanding shares of Stako from Worthington Industries Inc. for a total purchase price of $7,130. The transaction was completed on May 30, 2021.

Stako is a leading manufacturer of liquid petroleum gas fuel ("LPG") storage, supplying the aftermarket and OEM market segments through a worldwide network of dealers. Stako's current product range includes over 1,000 models of LPG storage tanks. Over the last 30 years, Stako has supplied tanks to leading automobile manufacturers worldwide.

The business combination resulted in a bargain purchase transaction as the fair value of assets acquired and liabilities assumed exceeded the total of the transaction date fair value of consideration paid by $5,856. The Company was able to acquire Stako for less than its fair value due to the decision of the seller to divest their non-core LPG business. The following table summarizes the final allocation of the purchase price to the fair values of assets acquired and liabilities assumed at the date of the acquisition.

Consideration allocated to:		
Cash and cash equivalents	$	1,180
Accounts receivable (1)		5,609
Inventory (2)		4,217
Property, plant and equipment (3)		6,435
Other assets		319
Accounts payable and accrued liabilities (4)		(4,678)
Deferred income tax liabilities		(96)
Total net identifiable assets	$	12,986
Bargain purchase gain		(5,856)
Total consideration	$	7,130

(1) The fair value of $5,609 of accounts receivable was based on the cash flows expected to be collectible.

(2) The fair value of inventory of $ 4,217 assigned to inventory was based on estimated selling prices net of selling costs associated with finished goods, and replacement value for raw materials and unassembled components.

(3) Property, plant and equipment of $ 6,435 was determined based on their estimated fair market values.

(4) The fair value of $4,678 of accounts payable and accrued liabilities acquired was based on the expected amount to be paid. No contingent liabilities were identified subsequent to the acquisition date.

4. Business combinations (continued):

Proforma Results

The following unaudited supplemental proforma information presents the consolidated financial results as if the acquisition of Stako had occurred on January 1, 2020. This supplemental proforma 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, 2020, nor are they indicative of any future results. Included in revenue and net income for the year ended December 31, 2021 are $13,791 and $1,601 related to the operations of Stako, respectively.

	Years ended December 31	
	2021	2020
Revenue		
Revenue for the period	$ 312,412	$ 252,497
Stako for the period (prior to acquisition)	10,217	19,263
Proforma revenue for the period	$ 322,629	$ 271,760
Net income (loss)		
Net income (loss) for the period	$ 13,658	$ (7,359)
Stako for the period (prior to acquisition)	722	1,260
Proforma adjustments (1)	(5,377)	—
Adjusted proforma net income (loss) for the period	$ 9,003	$ (6,099)

(1) Includes adjustment of the bargain purchase gain and transaction costs incurred for the acquisition during the year.

5. Accounts receivable:

	December 31, 2021	December 31, 2020
Customer trade receivables	$ 90,324	$ 80,972
Other receivables	14,504	14,967
Income tax receivable	872	52
Due from related parties (notes 7 and 20)	1,651	1,070
Allowance for credit losses	(5,843)	(6,594)
	$ 101,508	$ 90,467

6. Inventories:

	December 31, 2021	December 31, 2020
Purchased parts and materials	$ 62,896	$ 36,066
Work-in-process	3,681	3,203
Finished goods	16,551	12,133
	$ 83,128	$ 51,402

During the year ended December 31, 2021, the Company recorded write-downs to net realizable value of approximately $ 914 (year ended December 31, 2020 - $507).

7. Assets held for sale:

The Company, indirectly through one of its wholly-owned subsidiary, entered into a joint venture with Cummins Inc. ("Cummins") on March 7, 2001.

On February 19, 2012, the joint venture agreement ("JVA") was amended and restated to provide for, among other things, clarification concerning the scope of products within CWI. In addition, the parties revised certain economic terms of the JVA. Prior to February 19, 2012, the Company and Cummins shared equally in the profits and losses of CWI. Under the amended 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 joint venture term ended December 31, 2021 as per the terms of the joint venture agreement.

The investment was presented as assets held for sale as at December 31, 2021, with the comparative period balance reclassified accordingly. On February 7, 2022, the Company agreed to sell 100% of its shares in CWI to Cummins for proceeds of approximately $22,200, with Cummins continuing to operate the business as the sole owner. As part of the agreement, Cummins also agreed to purchase the Company's interest in the intellectual property with proceeds to the Company of $20,000. The Company received proceeds of $31,445, net of a $10,800 holdback, after the closing date. The holdback will be retained by Cummins for a term of three years to satisfy any extended warranty obligations in excess of the current recorded extended warranty obligation. Any unused amounts will be repaid to the Company at the end of three-year term.

The Company recognized its share of CWI's income and received dividends as follows:

	Years ended December 31,	
	2021	2020
Investment income from CWI	$ 32,969	$ 23,774
Dividends received	21,796	20,758

As at December 31, 2021, the Company has a related party accounts receivable balance of $ 58 (2020 - $74) due from CWI. During the year ended December 31, 2021, total expense recoveries from CWI were $791 (2020 - $1,611).

The carrying amount and maximum exposure to losses relating to CWI were as follows:

	Balance at December 31, 2021		Balance at December 31, 2020	
	Carrying amount	Maximum exposure to loss	Carrying amount	Maximum exposure to loss
Equity method investment in CWI	$ 22,039	$ 22,039	$ 10,866	$ 10,866
Accounts receivable due from CWI	58	58	74	74

7. Assets held for sale (continued):

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

	December 31, 2021	December 31, 2020
Current assets:		
Cash and short-term investments	$ 113,936	$ 94,984
Accounts receivable	9,999	5,681
Long-term assets:		
Property, plant and equipment	259	605
Deferred income tax assets	22,584	21,651
Total assets	$ 146,778	$ 122,921
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,509	$ 5,557
Current portion of warranty liability	26,105	19,485
Current portion of deferred revenue	12,374	13,628
	43,988	38,670
Long-term liabilities:		
Warranty liability	36,267	34,737
Deferred revenue	20,122	23,802
Other long-term liabilities	2,312	3,969
	58,701	62,508
Total liabilities	$ 102,689	$ 101,178

	Years ended December 31,	
	2021	2020
Product revenue	$ 252,135	$ 219,141
Parts revenue	115,371	104,339
	367,506	323,480
Cost of revenue and expenses:		
Cost of product and parts revenue	268,440	236,154
Research and development	6,084	12,185
General and administrative	1,778	1,650
Sales and marketing	12,865	12,567
	289,167	262,556
Income from operations	78,339	60,924
Interest and investment income	522	1,074
Income before income taxes	78,861	61,998
Income tax expense:		
Current	13,857	14,779
Deferred	(933)	(329)
	12,924	14,450
Income for the year	$ 65,937	$ 47,548

8. Long-term investments:

	December 31, 2021	December 31, 2020
Weichai Westport Inc.	$ 1,824	$ 1,824
Minda Westport Technologies Limited	1,852	1,116
Other equity accounted investees	148	148
	$ 3,824	$ 3,088

Weichai Westport Inc. ("WWI"):

The Company, indirectly through its wholly-owned subsidiary, Westport Innovations (Hong Kong) Limited ("Westport HK"), is currently the registered holder of a 23.33% equity interest in WWI. In April 2016, the Company sold to Cartesian Capital Group ("Cartesian") a derivative economic interest granting it the right to receive an amount of future income received by Westport HK from WWI equivalent to having an 18.78% equity interest in WWI and concurrently granted a Cartesian entity an option to acquire all of the equity securities of Westport HK for a nominal amount. The Company retained the right to transfer any equity interest held by Westport HK in WWI that was in excess of an 18.78% interest in the event that such option was exercised. As a result of such transactions, the Company's residual 23.33% equity interest in WWI currently corresponds to an economic interest in WWI equivalent to just 4.55%.

Cartesian had financing arrangements with the Company through convertible debt and a royalty payable described in notes 15(b) and 16. Various Cartesian entities are associated with these investments including Pangaea Two Management, LP; Pangaea Two Acquisition Holdings XIV, LLC, Pangaea Two Acquisition Holdings Parallel XIV, LLC. Collectively, these entities will be referred to as "Cartesian".

9. Property, plant and equipment:

December 31, 2021	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 8,843	$ 1,883	$ 6,960
Computer equipment and software	7,965	6,054	1,911
Furniture and fixtures	6,223	5,149	1,074
Machinery and equipment	113,479	62,320	51,159
Leasehold improvements	13,502	10,186	3,316
	$ 150,012	$ 85,592	$ 64,420

December 31, 2020	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 5,303	$ 1,701	$ 3,602
Computer equipment and software	7,045	5,570	1,475
Furniture and fixtures	4,968	4,148	820
Machinery and equipment	102,834	54,387	48,447
Leasehold improvements	12,479	9,316	3,163
	$ 132,629	$ 75,122	$ 57,507

From the acquisition of Stako in 2021, the Company had additions in land and buildings, furniture and fixtures, and machinery and equipment of $4,155, $75, and $2,205, respectively.

During the year ended December 31, 2021, an impairment charge of $ 459 was recorded related to property, plant and equipment in Rohan BRC Gas Equipment Pvt. Ltd., one of the Company's subsidiaries in India (December 31, 2020 - $479).

Total depreciation expense for the year ended December 31, 2021 was $ 12,437 (year ended December 31, 2020 - $ 12,288). The amount of depreciation expense included in cost of revenue for the year ended December 31, 2021 was $8,645 (year ended December 31, 2020 - $ 7,795).

10. Intangible assets:

December 31, 2021	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 20,748	$ 11,823	$ 8,925
Technology	4,202	3,894	308
Customer contracts	11,954	11,901	53
Total	$ 36,904	$ 27,618	$ 9,286

December 31, 2020	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 21,763	$ 11,513	$ 10,250
Technology	6,040	5,613	427
Customer contracts	13,234	12,283	951
Other intangibles	477	321	156
Total	$ 41,514	$ 29,730	$ 11,784

During the year ended December 31, 2021, amortization of $ 1,598 (year ended December 31, 2020 - $ 1,746) was recognized in the consolidated statement of operations.

11. Goodwill:

A continuity of goodwill is as follows:

	December 31, 2021	December 31, 2020
Balance, beginning of year	$ 3,397	$ 3,110
Impact of foreign exchange changes	(276)	287
Balance, end of year	$ 3,121	$ 3,397

Goodwill of $3,121 (December 31, 2020 - $3,397), relates to the acquisition of Prins Autogassystemen Holding B.V. in 2014. The Company completed its annual assessment of impairment and concluded that goodwill of $3,121 related to the IAM business segment was not impaired as at December 31, 2021.

12. Accounts payable and accrued liabilities:

	December 31, 2021	December 31, 2020
Trade accounts payable	$ 73,388	$ 57,307
Accrued payroll	16,591	14,737
Accrued interest	—	137
Taxes payable	4,621	3,905
Deferred revenue	3,503	8,008
Other payables	1,135	505
	$ 99,238	$ 84,599

13. Operating leases right-of-use assets:

The Company has entered into various non-cancellable operating lease agreements primarily for its manufacturing facilities and offices. The Company's leases have lease terms expiring between 2021 and 2033. Many leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. The average remaining lease term is approximately five years and the present value of the outstanding operating lease liability was determined applying a weighted average discount rate of 3.0% based on incremental borrowing rates applicable in each location.

The components of lease cost are as follows:

	Years ended December 31, 2021	2020
Operating lease cost:		
Amortization of right-of-use assets	$ 3,620	$ 3,874
Interest	891	813
Total lease cost	$ 4,511	$ 4,687

The maturities of lease liabilities as of December 31, 2021 are as follows:

2022	$ 4,190
2023	3,499
2024	3,088
2025	2,549
2026	2,048
Thereafter	17,449
Total undiscounted cash flows	32,823
Less: imputed interest	(4,271)
Present value of operating lease liabilities	28,552
Less: current portion	(4,190)
Long term operating lease liabilities	$ 24,362

14. Short-term debt:

	December 31, 2021	December 31, 2020
Revolving financing facility (a)	$ 12,965	$ 17,428
Credit facility (b)	—	6,017
Balance, end of year	$ 12,965	$ 23,445

(a) The Company has a revolving financing facility with HSBC. This facility is secured by certain receivables of the Company and the maximum draw amount is $20,000, based on the receivables outstanding. As the Company collects these secured receivables, the facility is repaid. The interest rate for this facility was the LIBOR rate plus 2.5%. On December 22, 2021, the Company and HSBC amended the revolving financing facility's advances denominated in U.S. Dollars' and Euros' interest rates to the secured overnight financing rate plus 2.66% per annum and Euro short-term rate plus 2.5%, respectively.

(b) On July 23, 2020, the Company entered into a one-year $10,000 non-revolving term credit facility with EDC to provide working capital support in response to short-term liquidity shortfalls as a result of the COVID-19 pandemic. This credit facility's interest rate was U.S. Prime Rate plus 3.0% per annum on amounts drawn and had no prepayment penalty or standby charge. On December 13, 2021, the Company and EDC amended the credit facility and non-revolving term facility and refinanced the $6,000 as part of the EDC non-revolving term facility. Refer to note 15 (a) for the details of the amendment.

15. Long-term debt:

	December 31, 2021	December 31, 2020
Term loan facilities, net of debt issuance costs (a)	$ 53,516	$ 53,731
Convertible debt (b)	—	4,362
Other bank financing (c)	1,231	1,325
Capital lease obligations (d)	1,655	2,535
Balance, end of year	56,402	61,953
Current portion	(11,277)	(16,302)
Long-term portion	$ 45,125	$ 45,651

(a) On December 20, 2017, the Company entered into a loan agreement with EDC for a $ 20,000 non-revolving term facility. The Company incurred debt issuance costs of $1,013 related to this loan, which are being amortized over the loan term using the effective interest rate method. The loan bore interest at 6% (prior to March 1, 2019, 9% plus monitoring fees), payable quarterly, as well as quarterly principal repayments. On December 13, 2021, the credit facility and non-revolving term facility were refinanced to a $20,000 term loan. The refinanced term loan provides an extension of the maturity of the indebtedness to EDC to September 15, 2026 and reduced the interest rate to U.S. Prime rate plus 2.01% per annum. The Company incurred transaction costs of $300 related to this amendment, which are being amortized over the remainder of the loan term from the debt modification date using the effective interest rate method.

As at December 31, 2021 the amount outstanding for this loan was $ 18,583, net of transaction costs, compared to $ 13,618, net of transaction costs, as at December 31, 2020. The loan is secured by share pledges over Westport Fuel Systems Canada Inc., Fuel Systems Solutions, Inc., Westport Luxembourg S.a.r.l and by certain of the Company's property, plant and equipment.

15. Long-term debt (continued):

On October 9, 2018, and November 28, 2019, the Company entered into Euro denominated loan agreements with UniCredit S.p.A. ("UniCredit"). These loan bears interest at an annual rate of 2.3% and 1.8%, respectively, and interest is paid quarterly. The loans matures on December 31, 2023 and September 30, 2023, respectively. On April 29, 2021, the Company and UniCredit amended the terms of the above Euro denominated loan agreements to combine the facilities into one $8,803 loan facility. This loan matures on March 31, 2027, bears interest at an annual rate of 1.65% and interest is paid quarterly. The cash pledge is removed after the amendment. As at December 31, 2021, the amount outstanding for this loan was $8,470 compared to $7,246 as at December 31, 2020.

On May 20, 2020, the Company entered into a third Euro denominated loan agreement with UniCredit. The effective interest rate of this loan is 1.82% with a maturity date of May 31, 2025. As at December 31, 2021, the amount outstanding for this loan was $ 4,000 compared to $5,558 as at December 31, 2020. There is no security on the loan as it was made as part of the Italian government's COVID-19 Decreto Liquidità to help Italian companies to secure liquidity to continue operating while mitigating some of the impact of COVID-19.

On July 17, 2020, the Company entered into a fourth Euro denominated loan agreement with UniCredit. The effective interest rate of this loan is 1.75% with a maturity date of July 31, 2026. As at December 31, 2021, the amount outstanding for this loan was $ 15,335 compared to $18,650 as at December 31, 2020. There is no security on the loan as it was made as part of the Italian government's COVID-19 Decreto Liquidità.

On August 11, 2020, the Company entered into a Euro denominated loan agreement with Deutsche Bank. The effective interest rate of this loan is 1.7% with a maturity date of August 31, 2026. As at December 31, 2021, the amount outstanding for this loan was $ 7,128 compared to $8,659 as at December 31, 2020. There is no security on the loan as it was made as part of the Italian government's COVID-19 Decreto Liquidità.

(b) On January 11, 2016, the Company entered into a financing agreement ("Tranche 2 Financing") with Cartesian. As part of the agreement, on June 1, 2016, convertible debt was issued in exchange for 9.0% convertible unsecured notes due June 1, 2021, which are convertible into common shares of the Company in whole or in part, at Cartesian's option, at any time following the twelve month anniversary of the closing at a conversion price of $2.17 per share. Interest is payable annually in arrears on December 31 of each year during the term. On July 24, 2020, Westport restructured the Tranche 2 Financing agreement and entered into a new financing agreement with Cartesian. Under the terms of the agreement, the Company agreed to pay down the principal amount of the existing convertible notes from $17,500 to $10,000. Concurrent with such repayment, the maturity of the remaining amended notes was extended three years to July 30, 2023, the coupon rate was reduced from 9.0% annually to 6.5% annually, and the conversion price was revised from $ 2.17 per share to $1.42 per share.

During the fourth quarter of 2020, Cartesian exercised its option to convert principal amounts of $ 5,000, plus accrued but unpaid interest on such principal amounts, into common shares of the Company.

On January 21, 2021, and August 31, 2021, respectively, Cartesian exercised its options to convert a principal amount of $ 2,500, plus accrued and unpaid interest on such principal amount, into 1,815,117 common shares of the Company and the final principal balance of $ 2,500, plus accrued and unpaid interest on such principal amount, into 1,836,750 common shares of the Company, respectively. As at December 31, 2021, the convertible note was fully repaid and converted into common shares of the Company.

(c) Other bank financing consists of various secured and unsecured bank financing arrangements that carry rates of interest ranging from 0.75% to 3.8% and have various maturities out to 2025. Security includes a building owned by the Company in the Netherlands and certain accounts receivable.

(d) The Company has capital lease obligations that have terms of two to five years at interest rates ranging from 1.3% to 5.7%.

15. Long-term debt (continued):

Throughout the term of certain of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of December 31, 2021, the Company is in compliance with all covenants under the financing arrangements.

The principal repayment schedule of long-term debt is as follows as at December 31, 2021:

	Term loan facilities	Other bank financing	Capital lease obligations	Total
2022	$ 10,057	$ 687	$ 517	$ 11,261
2023	11,582	—	460	12,042
2024	12,167	136	427	12,730
2025	11,609	136	228	11,973
2026 and thereafter	8,101	272	23	8,396
	$ 53,516	$ 1,231	$ 1,655	$ 56,402

16. Long-term royalty payable:

	December 31, 2021	December 31, 2020
Balance, beginning of year	$ 16,042	$ 18,258
Accretion expense	1,356	3,732
Repayment	(7,451)	(5,948)
Balance, end of year	9,947	16,042
Current portion	(5,200)	(7,451)
Long-term portion	$ 4,747	$ 8,591

On January 11, 2016, the Company entered into a financing agreement with Cartesian to support the Company's global growth initiatives. The financing agreement immediately provided $17,500 in cash (the “Tranche 1 Financing”). In consideration for the funds provided to the Company, Cartesian is entitled to royalty payments based on the greater of (i) a percentage of amounts received by the Company on select HPDI 2.0 fuel systems and CWI joint venture income through 2025 and (ii) stated fixed amounts per annum subject to adjustment for asset sales. The carrying value is being accreted to the expected redemption value using the effective interest method, which is approximately 23% per annum. Amounts due to Cartesian are secured by an interest in the Company's HPDI 2.0 fuel systems intellectual property and a priority interest in the Company's CWI joint venture interest.

In January 2017, the Company and Cartesian signed a Consent Agreement which allows the Company to sell certain assets in exchange for prepayment of the Cartesian royalty. Cartesian is paid 15% of the net proceeds from these asset sales to a maximum of $ 15,000, with these payments being allocated on a non-discounted basis to future years' minimum payments.

As of December 31, 2021, the total royalty prepayments paid to Cartesian as a result of the Consent Agreement was $ 11,912.

16. Long-term royalty payable (continued):

The estimated repayments including interest are as follows, for the years ending December 31:

2022	$ 5,200
2023	1,320
2024	1,848
2025	2,270
2026	2,851
	$ 13,489

17. Warranty liability:

A continuity of the warranty liability is as follows:

	Years ended December 31,	
	2021	2020
Balance, beginning of year	$ 18,936	$ 8,901
Warranty claims	(5,322)	(6,906)
Warranty accruals	7,025	16,191
Change in estimate	(337)	(291)
Impact of foreign exchange changes	(1,511)	1,041
Balance, end of year	18,791	18,936
Current portion	(13,577)	(10,749)
Long-term portion	$ 5,214	$ 8,187

During the year ended December 31, 2020, the Company recorded a $11,224 warranty accrual related to a field service campaign for the replacement of a pressure release device that the Company manufactures and sells to OEM customers. No safety events or field performance issues have been identified from this product. The Company recorded an insurance recovery of $8,865 related to this issue during the year ended December 31, 2020, including $3,521 in other receivables and $5,344 as an other long-term assets. As at December 31, 2021, the Company had a remaining balance of $655 and $6,931 in other receivables and other long-term assets, respectively, for the aforementioned insurance recovery.

18. Share capital, stock options and other stock-based plans:

On November 9, 2020, the Company filed a prospectus supplement to establish an at-the-market equity offering program (the "ATM Program") which allowed the Company to issue up to $50,000 of common shares from treasury to the public from time to time, at the Company's discretion and subject to regulatory requirements. In the first quarter of 2021, the Company issued 1,819,712 common shares at weighted average share price of $7.26 per share for gross proceeds of $13,211, net of total transaction costs of $ 405, including commission of $264, resulting in net proceeds of $12,806. The ATM Program was completed as of March 20, 2021 and the Company raised a total of $ 27,586 gross proceeds through this ATM Program.

On January 21, 2021, Cartesian exercised its option to convert a principal amount of $ 2,500, plus accrued and unpaid interest on such principal amount, into 1,815,117 common shares of the Company.

On June 8, 2021, the Company completed a marketed public offering of common shares for gross proceeds to the Company of $ 115,115. The Company issued a total of 20,930,000 common shares at $5.50 per common share, including 2,730,000 common shares following the exercise in full by the underwriters of their over-allotment option. Total transaction costs of $7,194 were incurred and deducted from the gross proceeds for net proceeds of $107,921.

18. Share capital, stock options and other stock-based plans (continued):

On August 31, 2021, the Company exercised its option to convert the final principal balance of $ 2,500, plus accrued and unpaid interest on such principal amount, into 1,836,750 common shares of the Company. As at December 31, 2021, the convertible note was fully repaid and converted into common shares of the Company.

During the year ended December 31, 2021, the Company issued 327,774 common shares, net of cancellations, upon exercises of share units (year ended December 31, 2020 – 829,553 common shares). The Company issues shares from treasury to satisfy share unit exercises.

(a) Share Units ("Units"):

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

During the year ended December 31, 2021, the Company recognized $ 1,911 (year ended December 31, 2020 - $ 2,368) of stock-based compensation associated with the Westport Omnibus Plan.

A continuity of the Units issued under the Westport Omnibus Plan are as follows:

	December 31, 2021		December 31, 2020	
	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)
Outstanding, beginning of year	1,452,378	$ 3.29	1,777,941	$ 3.19
Granted	875,703	4.87	525,807	2.09
Vested and exercised	(327,774)	3.86	(829,553)	2.31
Forfeited/expired	(133,874)	1.62	(21,817)	3.37
Outstanding, end of year	1,866,433	$ 2.98	1,452,378	$ 3.29
Units outstanding and exercisable, end of year	61,086	$ 2.84	22,588	$ 5.69

During the year ended December 31, 2021, 875,703 share units were granted to directors, executives and employees (2020 - 525,807). This included 417,719 Restricted Share Units ("RSUs") (2020 - 504,907) and 457,984 Performance Share Units ("PSUs") (2020 - 20,900). Values of RSU awards are generally determined based on the fair market value of the underlying common shares 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 be issued over time, but are based on future performance and other conditions tied to the payout of the PSU.

As at December 31, 2021, $2,709 of compensation expense related to Units has yet to be recognized in results from operations and will be recognized ratably over two years.

18. Share capital, stock options and other stock-based plans (continued):

(b) Aggregate intrinsic values:

The aggregate intrinsic value of the Company's share units at December 31, 2021 and 2020 are as follows:

	December 31, 2021 CDN$	December 31, 2020 CDN$
Share units:		
Outstanding	$ 5,434	$ 9,787
Exercisable	173	153

(c) Stock-based compensation:

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

	Years ended December 31, 2021	2020
Cost of revenue	$ 91	$ 140
Research and development	217	365
General and administrative	1,502	1,621
Sales and marketing	101	242
	$ 1,911	$ 2,368

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 27% for the year ended December 31, 2021 (year ended December 31, 2020 – 27%) as follows:

	Years ended December 31, 2021	2020
Income (loss) before income taxes	$ 5,527	$ (5,928)
Expected income tax expense (recovery)	1,492	(1,601)
Increase (reduction) in income taxes resulting from:		
Non-deductible stock-based compensation	389	244
Other permanent differences	4,559	3,819
Withholding taxes and other foreign taxes	76	804
Change in enacted tax rates	61	(189)
Foreign tax rate differences, foreign exchange and other adjustments	457	(1,177)
Non-taxable income from equity investment	(8,902)	(6,418)
Change in valuation allowance	2,970	5,949
Bargain purchase gain	(1,579)	—
Tax realignment due to Italian tax law changes	(7,654)	—
Income tax expense (recovery)	$ (8,131)	$ 1,431

19. Income taxes (continued):

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

	December 31, 2021	December 31, 2020
Deferred income tax assets:		
Net loss carry forwards	$ 223,129	$ 218,323
Intangible assets	4,571	4,629
Property, plant and equipment	18,225	17,155
Warranty liability	4,785	4,752
Foreign tax credits	620	620
Inventory	1,614	1,631
Research and development	7,537	6,316
Tax realignment due to Italian tax law changes	8,705	—
Other	10,858	10,592
Total gross deferred income tax assets	280,044	264,018
Valuation allowance	(268,391)	(261,878)
Total deferred income tax assets	$ 11,653	$ 2,140
Deferred income tax liabilities:		
Intangible assets	$ (430)	$ (430)
Property, plant and equipment	(12)	(22)
Other	(2,950)	(2,798)
Total deferred income tax liabilities	$ (3,392)	$ (3,250)
Total net deferred income tax assets (liabilities)	$ 8,261	$ (1,110)

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):

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

	Net income (loss) before income taxes	Income tax expense (recovery)		
		Current	Deferred	Total
Year ended December 31, 2021				
Italy	$ 921	$ 1,417	$ (10,373)	$ (8,956)
United States	31,476	(3)	—	(3)
Canada	(35,809)	69	—	69
Other	8,939	689	70	759
	$ 5,527	$ 2,172	$ (10,303)	$ (8,131)
Year ended December 31, 2020				
Italy	$ 5,244	$ 2,007	$ (1,146)	$ 861
United States	21,400	(274)	—	(274)
Canada	(31,429)	80	—	80
Other	(1,143)	625	139	764
	$ (5,928)	$ 2,438	$ (1,007)	$ 1,431

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

	2022	2023	2024	2025 and later	Total
Canada	$ —	$ —	$ —	$ 619,313	$ 619,313
Italy	—	—	—	3,254	3,254
United States	—	—	—	97,233	97,233
Sweden	—	—	—	13,241	13,241
Other	3,966	1,660	1,030	15,722	22,378
Total	$ 3,966	$ 1,660	$ 1,030	$ 748,763	$ 755,419

Certain tax attributes are subject to an annual limitation as a result of the acquisition of Fuel Systems which constitutes a change of ownership as defined under Internal Revenue Code Section 382.

(e) The Company has not recognized a deferred income tax liability for certain undistributed earnings of 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, 2021, the total amount of the Company's uncertain tax benefits was $5,152 (year ended December 31, 2020 - $ 3,852). 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 2018 to 2021 taxation years remain open to examination by the Internal Revenue Service and the 2016 to 2021 taxation years remain open to examination by the Italian Revenue Agency, and various years remain open in the other foreign jurisdictions.

20. Related party transactions:

The Company's related parties are CWI, Minda Westport Technologies Limited, directors, officers and shareholders which own greater than 10% of the Company's shares.

(a) Pursuant to the amended and restated JVA, the Company engages in transactions with CWI (see note 7). 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.

(b) The Company engages in transactions with Minda Westport Technologies Limited and recorded $ 1,593 of accounts receivable as at December 31, 2021 (December 31, 2020 - $996). During the year ended December 31, 2021, the Company sold inventory to Minda Westport Technologies Limited for $2,232 (December 31, 2020 - $1,927).

21. Commitments and contingencies:

(a) Contractual commitments

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.

(b) Contingencies

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

22. Segment information:

The Company manages and reports the results of its business through three segments: OEM, Independent Aftermarket ("IAM"), and Corporate. This reflects the manner in which operating decisions and assessing business performance is currently managed by the Chief Operating Decision Maker ("CODM").

As discussed in note 7 of these consolidated financial statements, the CWI joint venture ended as at December 31, 2021 and the Company's 50% share in the joint venture was sold to Cummins on February 7, 2022. The Company recorded the investment as an asset held for sale as at December 31, 2021 and no longer considered it as an operating segment, however the income from the investment in the CWI joint venture remained as the Corporate equity income in 2021. The comparative segment information below was also adjusted.

Financial information by business segment as follows:

	Year ended December 31, 2021			
	Revenue	Operating income (loss)	Depreciation & amortization	Equity income
OEM	$ 195,476	$ (22,259)	$ 8,654	$ 773
IAM	116,936	2,046	5,113	—
Corporate	—	(10,333)	268	32,968
Total consolidated	$ 312,412	$ (30,546)	$ 14,035	$ 33,741

	Year ended December 31, 2020			
	Revenue	Operating income (loss)	Depreciation & amortization	Equity income
OEM	$ 149,632	$ (21,214)	$ 8,225	$ 273
IAM	102,865	6,624	5,562	—
Corporate	—	(7,399)	247	23,774
Total consolidated	$ 252,497	$ (21,989)	$ 14,034	$ 24,047

	Years ended December 31,	
	2021	2020
Total additions to long-lived assets, excluding business combinations:		
OEM	$ 9,878	$ 2,477
IAM	2,493	3,403
Corporate	1,787	1,243
Total consolidated	$ 14,158	$ 7,123

22. Segment information (continued):

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 revenue			
	Years ended December 31,			
	2021		2020	
Europe	66	%	70	%
Americas	11	%	13	%
Asia	12	%	9	%
Africa	7	%	3	%
Other	4	%	5	%

During the year ended December 31, 2021, total revenue of 49,683 (2020 - 51,580), or 16% (2020 - 20%) of total revenue, was generated from our OEM launch partner.

As at December 31, 2021, total goodwill of $ 3,121 (December 31, 2020 - $3,397) was allocated to the IAM segment.

As at December 31, 2021, total long-term investments of $ 1,972 (December 31, 2020 - $1,972) were allocated to the Corporate segment and $1,852 (December 31, 2020 - $1,116) to the OEM segment.

Total assets are allocated as follows :

	Total assets by operating segment	
	Years ended December 31	
	2021	2020
OEM	$ 193,928	$ 148,959
IAM	148,745	156,967
Corporate	128,640	40,337
Total consolidated assets	$ 471,313	$ 346,263

22. Segment information (continued):

The Company's long-lived assets consist of property, plant and equipment, intangible assets and goodwill.

Long-lived assets information by geographic area:

December 31, 2021	Property, plant and equipment	Intangible assets and goodwill	Total
Italy	$ 21,140	$ 9,131	$ 30,271
Canada	29,095	155	29,250
United States	—	—	—
Rest of Europe	9,480	3,121	12,601
Asia Pacific	4,705	—	4,705
Total consolidated long-lived assets	$ 64,420	$ 12,407	$ 76,827

December 31, 2020	Property, plant and equipment	Intangible assets and goodwill	Total
Italy	$ 24,490	$ 11,613	$ 36,103
Canada	28,557	171	28,728
United States	719	—	719
Rest of Europe	3,713	3,397	7,110
Asia Pacific	633	—	633
Total consolidated long-lived assets	$ 57,507	$ 15,181	$ 72,688

23. Financial instruments:

Financial risk management

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

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 a history of losses and negative cash flows from operations since inception. At December 31, 2021, the Company has $124,892 of cash, cash equivalents and short-term investments, including of $104 restricted cash (see note 3(c)).

The following are the contractual maturities of financial obligations as at December 31, 2021:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	>5 years
Accounts payable and accrued liabilities	$ 99,238	$ 99,238	$ 99,238	$ —	$ —	$ —
Short-term debt (note 14)	12,965	12,965	12,965	—	—	—
Term loan facilities (note 15(a))	53,516	59,514	12,189	26,713	20,075	537
Other bank financing (note 15(c))	1,231	1,236	690	137	273	136
Capital lease obligations (note 15(d))	1,655	1,726	587	888	251	—
Long-term royalty payable (note 16)	9,947	13,489	5,200	5,438	2,851	
Operating lease commitments (note 13)	28,552	32,823	4,190	6,587	4,597	17,449
	$ 207,104	$ 220,991	$ 135,059	$ 39,763	$ 28,047	$ 18,122

23. Financial instruments (continued):

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 by regularly investing primarily in liquid short-term paper issued by major banks. 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 other receivables. As at December 31, 2021, 83% (December 31, 2020 - 83%) of accounts receivable relates to customer receivables, and 17% (December 31, 2020 - 17%) relates to amounts due from related parties and income tax authorities for value added taxes and other tax related refunds. 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. Refer to note 3(d) for the Company's policy with respect to an allowance for credit losses.

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 U.S. dollar and the Euro. We are subject to foreign currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, since our consolidated financial statements are denominated in U.S. dollars, changes in foreign currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our results of operations, financial condition and cash flows.

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. The Company's functional currency is the Canadian dollar.

The fluctuation in the average U.S. dollar in recent years has resulted in material impacts on our revenues in those years. If the U.S. dollar continues to fluctuate against other currencies, we will experience additional volatility in our financial statements.

A 5% increase/decrease in the relative value of the U.S. dollar against the Canadian dollar and Euro compared to the exchange rates in effect for the year ended December 31, 2021 would have resulted in lower/higher income from operations of approximately $1,851. This assumes a consistent 5% appreciation in the U.S. dollar against the Canadian dollar and the Euro throughout the fiscal year. The timing of changes in the relative value of the U.S. dollar can affect the magnitude of the impact that fluctuations in foreign exchange rates have on our income from operations.

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 short-term and 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, 2021 had increased or decreased by 100 basis points, with all other variables held constant, net loss for the year ended December 31, 2021 would have increased or decreased by $694.

23. Financial instruments (continued):

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 approximate their fair values due to the short-term period to maturity of these instruments.

The long-term investments represent our interest in WWI, Minda Westport Technologies Limited, and other investments. CWI was accounted for as assets held for sale. WWI and other investments are accounted for at fair value.

The carrying values reported in the consolidated balance sheet for obligations under capital and operating leases, which are based upon discounted cash flows, approximate their fair values.

The carrying value of the term loan facilities, and other bank financing included in the long-term debt (note 15) do not materially differ from their fair value as at December 31, 2021, as the majority of the term loan facilities, and other bank financing were raised or amended recently.

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, 2021, cash and cash equivalents and short-term investments are measured at fair value on a recurring basis and are included in Level 1.

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") for Westport Fuel Systems Inc. ("Westport Fuel Systems", the "Company", "we", "us", "our") for the three months and year ended December 31, 2021 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, 2021 ("Annual Financial Statements"). Our Annual 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 United States dollar ("U.S. dollar"). This MD&A is dated as of March 14, 2022.

Additional information relating to Westport Fuel Systems, including our Annual Information Form ("AIF") and Form 40-F each for the year ended December 31, 2021, 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 forward-looking statements include, but are not limited to, statements regarding the impact of the acquisition of Stako sp. zo.o. ("Stako") on our business, the orders or demand for our products (including from our HPDI 2.0™ fuel systems) supply agreement with Weichai Westport Inc. ("WWI"), the timing for the launch of WWI's HPDI 2.0 fuel systems engine, the variation of gross margins from our HPDI 2.0 fuel systems product and causes thereof, margin pressure in 2022 and the timing for amelioration of supply chain issues (including those related to semiconductor supply restrictions), opportunities available to sell and supply our products in North America, the impact of the COVID-19 pandemic (including variants thereof) and the supply and effectiveness of vaccines on future performance, earnings, supply, and demand for our products, consumer confidence levels, the recovery of our revenues and the timing thereof, our ability to strengthen our liquidity, growth in our heavy-duty business and improvements in our light-duty original equipment manufacturer ("OEM") business and timing thereof, improved aftermarket revenues, our capital expenditures, our investments, cash and capital requirements, the intentions of our partners and potential customers, monetization of joint venture intellectual property, the performance of our products, our future market opportunities, our ability to continue our business as a going concern and generate sufficient cash flows to fund operations, the availability of funding and funding requirements, our future cash flows, our estimates and assumptions used in our accounting policies, our accruals, including warranty accruals, our financial condition, the timing of when we will adopt or meet certain accounting and regulatory standards and the alignment of our business segments.

These forward-looking 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, our industry and products, the general economy, conditions of the capital and debt markets, government or accounting policies and regulations, regulatory investigations, climate change legislation or 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. In addition, the impacts of the COVID-19 pandemic could cause actual results to differ materially from the forward-looking statements contained in this MD&A. 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, product development delays in contractual commitments, the ability to attract and retain business partners, competition from other technologies, the impact of the COVID-19 pandemic, conditions or events affecting cash flows or our ability to continue as a going concern, price differential between compressed natural gas, liquefied natural gas, and liquefied petroleum gas relative to petroleum-based fuels, 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 are pertinent only as of the date they were made.

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 Fuel Systems 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.

FULL YEAR 2021 HIGHLIGHTS

- Revenues of $312.4 million, an increase of 24% as we continue to recover from COVID-19 pandemic's economic impact and global supply chain issues
- Net income of $13.7 million and net income per share of $0.09
- Completed Stako acquisition for a total purchase price of $7.1 million, for which we recognized a bargain purchase gain of $5.9 million.
- Total net proceeds of $120.7 million raised through equity offerings
- Refinanced the Export Development Canada ("EDC") COVID-19 credit facility and non-revolving term facility to a $20.0 million term loan with a maturity date of September 15, 2026
- On November 2, 2021, we announced the award of a tender issued by NAFTAL, a branch of SONATRACH, the national Algerian Oil and Gas company. Westport Fuel Systems will supply 60,000 liquefied petroleum gas systems over the next 18 months with related spare parts for a total value of €9 million
- Attributable Cummins Westport Inc. ("CWI") net income of $33.0 million. On February 7, 2022, we agreed to sell 100% of our shares in CWI to Cummins Inc. for proceeds of approximately $22.2 million, along with our interest in the joint venture's intellectual property for an additional $20.0 million. We received proceeds of $31.4 million, net of a $10.8 million holdback, after the closing date. See CWI section in this MD&A and note 7 in the Annual Financial Statements for more details

BUSINESS OVERVIEW AND GENERAL DEVELOPMENTS

Westport Fuel Systems is focused on engineering, manufacturing, and supplying alternative fuel systems and components for transportation vehicles. Our diverse product offering sold under a wide range of established brands enables the deployment of a range of alternative fuels offering both environmental and economic advantages, including liquefied petroleum gas ("LPG"), compressed natural gas ("CNG"), liquefied natural gas ("LNG"), renewable natural gas ("RNG"), and hydrogen (together known as "gaseous fuels"). We supply our products and services through a network of distributors, directly to OEMs and to supplier OEMs and we provide delayed OEM services. In total, we have customers in more than 70 countries. Today, our products and services are available for passenger car, light-, medium- and heavy-duty truck, cryogenic, and hydrogen applications.

The majority of our revenues are generated through the following businesses:

- **Independent aftermarket ("IAM")**: We sell systems and components across a wide range of brands, primarily through a global network of distributors that consumers can purchase and have installed onto their vehicles to use LPG or CNG fuels, in addition to gasoline.
- **Delayed OEM ("DOEM")**: We directly or indirectly convert new passenger cars for OEMs or importers, to address local market needs when a global LPG or CNG bi-fuel vehicle platform is not available directly from the OEM.
- **Light-duty OEM**: We sell systems and components to OEMs that are used to manufacture new, direct off the assembly line LPG or CNG-fueled vehicles.
- **Heavy-duty OEM**: We sell systems and components, including HPDI 2.0 fuel system products, to engine OEMs and commercial vehicle OEMs. Our fully integrated HPDI 2.0 fuel systems, enables diesel engines using primarily natural gas fuel to match the power, torque, and fuel economy benefits found in traditional compression ignition engines using only diesel fuel, resulting in reduced greenhouse gas emissions and the capability to cost-effectively run on renewable fuels.
- **Electronics:** We design, industrialize and assemble electronic control modules.
- **Hydrogen**: We design, develop, produce and sell hydrogen components for transportation and industrial applications. Also, we are adapting our HPDI fuel systems to use hydrogen or hydrogen/natural gas blends in internal combustion engines. This segment of our business saw substantial growth in 2021 and remained strong in the current quarter.
- **Fuel Storage**: We manufacture LPG fuel storage solutions and supply fuel storage tanks to the aftermarket, OEM, and other market segments.

HPDI™

Our HPDI™ technology is in the early stage of commercialization in the Heavy-duty OEM segment. Meaningful increases in sales volumes are required for the HPDI 2.0 fuel systems business to benefit from economies of scale. Sales volumes with our initial launch partner have grown year-over-year despite the economic impact of COVID-19 and the related global supply chain challenges. We anticipate additional growth in sales volumes in China, the largest market for natural gas powered commercial vehicles, from our supply arrangement with WWI, as well as additional OEMs entering into supply agreements for our HPDI 2.0 fuel systems technology. In March 2021, we entered into an investment agreement with our Tier 1 global injector manufacturing partner to expand production at their facility in Yantai, China in anticipation of increased demand for fuel injectors to the growing global market for HPDI 2.0 fuel systems. During the first quarter of 2021, WWI agreed to extend the term of the original supply agreement signed in 2018 to December 31, 2024 and increased the minimum purchase of HPDI 2.0 fuel systems components required to produce a minimum of 25,000 engines by the end of 2024, up from 18,000 engines.

Gross margin and gross margin percentage from our HPDI 2.0 fuel systems product will vary based on production and sales volumes, levels of development work, successful implementation of initiatives to reduce the cost input materials, and foreign exchange rates. Margin pressure is expected to continue through 2022 as production costs and contracted price discounts with the existing OEM customers are only partially offset by cost reductions of materials until higher scale is achieved. Although production challenges caused by supply chain issues experienced by our initial OEM launch partner negatively impacted our sales volumes of HPDI 2.0 fuel systems products in 2021, sales volumes to our initial OEM launch partner improved in the fourth quarter of 2021 as production increased to meet end-customer demand.

CWI

We generated a significant portion of our income from CWI, our 50:50 joint venture with Cummins, Inc. ("Cummins"), by selling spark-ignited natural gas engines. The joint venture term ended on December 31, 2021 as per the joint venture agreement. On February 7, 2022, we agreed to sell 100% of our shares in CWI for proceeds of approximately $22.2 million, with Cummins continuing to operate the business as the sole owner. As part of the agreement, Cummins also agreed to purchase our interest in the intellectual property for proceeds of $20.0 million. We received proceeds of $31.4 million, net of a $10.8 million holdback, after the closing date. The holdback will be retained by Cummins for a term of three years to satisfy any extended warranty obligations in excess of the current recorded extended warranty obligation. Any unused amounts will be repaid to us at the end of the three-year term. Cummins agreed to conduct an initial technical assessment of our hydrogen high pressure direct injection system for potential use on Cummins' hydrogen applications. We believe an integrated solution for natural gas and/or hydrogen using HPDI 2.0 fuel systems has an important role to play in the North American market as part of ongoing efforts to reduce carbon in heady-duty transportation applications.

Russia-Ukraine Conflict

We conduct a substantial portion of our LD OEM and IAM businesses in Russia by selling our products to numerous OEMs and other IAM customers. This Russian business has been a growing and important market for gaseous fuel systems and components. Due to the Russian invasion of Ukraine in late February 2022, the United States, European Union, Canada and other Western countries and organizations have announced and enacted numerous sanctions against Russia to impose severe economic pressure on the Russian economy and government. Potential consequences of the sanctions that could impact our business in Russia include but are not limited to: (1) limiting and/or banning the use of the SWIFT financial and payment system by Russian entities to buy and pay for our products; (2) devaluation of the Ruble and the related impact on applicable exchange rates to negatively impact the competitiveness of our products; (3) government-owned entities (or partially owned entities) being potentially limited by sanctions from purchasing our products; and (4) a general deterioration of the Russian economy which may limit the ability for end customers to purchase our products. The full impact of the commercial and economic consequences of the conflict are uncertain at this time, and we cannot provide assurance that future developments in the Russian-Ukraine conflict would not have an adverse impact on the ongoing operations and financial condition of our business in Russia.

LIQUIDITY AND IMPACT OF COVID-19 ON OUR BUSINESS

The COVID-19 pandemic has had a significant impact on our businesses since March 2020 which led to temporary closure of production plants in Northern Italy in the first half of 2020. Since the second half of 2020, our sales and customer demand have continued to recover and our production plants have since remained open and have been in normal production operations during the full year of 2021. We continue to face ongoing global supply chain disruptions commonly experienced throughout the automotive industry (including shortages of raw materials and semiconductors, and cost inflation).

While we are cautiously optimistic about 2022, the global supply and effectiveness of vaccines and spread of new virus variants may adversely affect customer demand going forward and have a negative impact on our supply chain.

Global Supply Chain Challenges and Shortage of Semiconductors

The automotive industry and Westport Fuel Systems are currently experiencing global supply chain challenges to source semiconductors and other inputs to production due to supply shortages. While demand for more climate-friendly vehicles with favorable fuel price economics is growing, the global shortage of semiconductors and raw materials is impacting automotive manufacturing and creating bottlenecks. We expect the global semiconductor supply and raw materials shortage affecting the automotive industry will continue to impact our business for the foreseeable future. We are closely monitoring and making efforts to mitigate the impact of COVID-19 and the global shortage of semiconductors, raw materials and parts on our businesses, however, we do not expect this shortage to impact our long-term growth.

Demand for medium- and heavy-duty trucks has increased due to an ongoing need for freight transportation and the growing demand for more climate-friendly vehicles in markets with favorable fuel price economics. Sales of our HPDI 2.0 fuel systems to our OEM launch partner continue to be adversely affected by the impact of the continued global shortage of semiconductors experienced by our OEM launch partner on its manufacturing production levels, that included temporary plant shutdowns during the third quarter of 2021. Although sales orders and production levels for trucks equipped with HPDI 2.0 fuel systems increased significantly in the fourth quarter of 2021 and are expected to ramp up in 2022, the risk of production delays due to supply chain challenges remain.

Further, we are experiencing supply chain challenges and high price inflation sourcing semiconductors, raw materials and parts for our other OEM and IAM businesses. The situation is evolving daily and could become material in the event of a prolonged supply chain disruption that results in production delays or end-customer demand declines.

Fuel Prices

There have been significant increases and continued global gaseous price fluctuations including LPG, LNG, and CNG for the year but also for liquid fuels including crude oil, diesel, and gasoline, which continue to persist due to uncertainty in supply levels and geopolitical risk. Fuel price increases of gaseous fuels that negatively impact the price differential of gaseous fuels versus diesel and gasoline, may impact our potential customers' decision to adopt such gaseous fuels as a transportation energy solution in the short term. Since the fourth quarter of 2021, we have observed softness in demand caused by the continued uncertainty of the elevated prices of gaseous fuels relative to diesel and gasoline. At this time, management is uncertain as to the duration of the price fluctuations and its impact on sales volumes, but remain cautiously optimistic that price differentials will return to historically normal ranges in the long term.

Long-term Profitability and Liquidity

During 2021, we raised $120.7 million through equity offerings to expand the production capacity of our HPDI 2.0 fuel systems products to meet customer demand, and to advance the research and development of our HPDI technology to decarbonize transportation economically and efficiently, including through the use of hydrogen fuel. The remainder of the proceeds will be allocated for potential acquisitions of bolt-on businesses that offer complementary capabilities or technologies to existing businesses and to further strengthen the balance sheet. We also successfully restructured $18.0 million of debt with EDC into a new five-year $20.0 million term loan with the support of the creditor to strengthen our liquidity and reduce our cost of capital through debt financing to align with our investment profile and expected cash flows of our HPDI business. Besides these financing activities, we participate in government wage-subsidy and other support programs in the countries where we operate when available. We have recorded $1.1 million in the year ended December 31, 2021 (December 31, 2020 - $6.1 million) related to these programs.

We believe that we have considered all possible impacts of known events arising from the COVID-19 pandemic in the preparation of the Annual Financial Statements for the year ended December 31, 2021. However, changes in circumstances due

to COVID-19 could impact our judgments and estimates associated with the liquidity and impact of COVID-19 assessment and other critical accounting assessments.

We continue to sustain operating losses and negative cash flows from operating activities for the year. Despite the successful monetization of the CWI joint venture's intellectual property and the wind-up of CWI described above, the loss of income from the equity interest in the former CWI business will have a significant near-term impact on our annual cash flows from recurring operating losses as our Heavy-duty OEM business scales to profitable growth.

As at December 31, 2021, we have cash and cash equivalents of $124.9 million and cash used in operating activities of $43.8 million for the year ended December 31, 2021. The ability to continue as a going concern beyond March 2023 will be dependent on our ability to generate sufficient positive cash flows from operations specifically through profitable, sustainable growth of the HPDI business and on our ability to finance our long term strategic objectives and operations. If, as a result of future events, we were to determine we were no longer able to continue as a going concern, significant adjustments would be required to the carrying value of assets and liabilities in the accompanying Annual Financial Statements and the adjustments could be material.

Overview of Financial Results for 2021

Revenues of $312.4 million for the year ended December 31, 2021 were higher by 24%, compared to $252.5 million in the prior year, due to the continued recovery of sales volumes in our OEM and IAM businesses and the addition of $13.8 million in revenue from our recently acquired fuel storage business.

We reported net income of $13.7 million for the year ended December 31, 2021 compared to net loss of $7.4 million for the prior year. The $21.0 million increase was primarily the result of:

- increases in gross margin of $8.7 million from higher sales volumes,
- higher equity income from CWI of $9.2 million,
- bargain purchase gain of $5.9 million from the acquisition of Stako,
- income tax recovery of $8.1 million compared to an income tax expense of $1.4 million in the prior year,
- decrease in interest on long-term debt and accretion of royalty payable of $3.0 million and,
- higher interest and other income, offset by increases in expenditures in research and development and in general and administrative expenditures including lower government wage subsidy and support programs received, and lower foreign exchange gain.

We reported $17.5 million Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), see "Non-GAAP Measures" section in the MD&A) during the year ended December 31, 2021, compared to $14.7 million in the prior year.

SELECTED FINANCIAL INFORMATION

The following tables sets forth a summary of our financial results:

Selected Consolidated Statements of Operations Data

	Years ended December 31,		
	2021	**2020**	**2019**
(expressed in millions of U.S. dollars, except for per share amounts and shares outstanding)			
Revenue	$ 312.4	$ 252.5	$ 305.3
Gross margin[1]	$ 48.2	$ 39.5	$ 68.2
Gross margin %[1]	15 %	16 %	22 %
Loss from operations	$ (30.5)	$ (22.0)	$ (21.4)
Income from investments accounted for by the equity method	$ 33.7	$ 24.0	$ 26.7
Net income (loss)	$ 13.7	$ (7.4)	$ 0.0
Net income (loss) per share - basic	$ 0.09	$ (0.05)	$ 0.00
Net income (loss) per share - diluted	$ 0.08	$ (0.05)	$ 0.00
Weighted average basic shares outstanding (millions)	160.2	137.1	134.2
Weighted average diluted shares outstanding (millions)	162.1	137.1	144.1
EBIT[1]	$ 9.0	$ 2.1	$ 8.6
EBITDA[1]	$ 23.0	$ 16.1	$ 24.9
Adjusted EBITDA[1]	$ 17.5	$ 14.7	$ 28.4

(1) These financial measures or ratios are non-GAAP financial measures or ratios. See the section 'Non-GAAP Financial Measures' for explanations and discussion of these non-GAAP financial measures or ratios.

	Three Months Ended December 31,	
	2021	**2020**
(expressed in millions of U.S. dollars, except for per share amounts and shares outstanding)		
Revenue	$ 82.7	$ 83.9
Gross margin[1]	$ 9.3	$ 13.0
Gross margin %[1]	11 %	15 %
Loss from operations	$ (10.0)	$ (0.7)
Income from investments accounted for by the equity method	$ 15.0	$ 9.9
Net income	$ 5.4	$ 4.1
Net income per share - basic	$ 0.04	$ 0.03
Net income per share - diluted	$ 0.03	$ 0.03
Weighted average basic shares outstanding (millions)	170.8	138.5
Weighted average diluted shares outstanding (millions)	172.7	143.5
EBIT[1]	$ 4.9	$ 9.3
EBITDA[1]	$ 8.4	$ 13.1
Adjusted EBITDA[1]	$ 10.0	$ 8.1

(1) These financial measures or ratios are non-GAAP financial measures or ratios. See the section 'Non-GAAP Financial Measures' for explanations and discussion of these non-GAAP financial measures or ratios.

Selected Balance Sheet Data

The following table sets forth a summary of our financial position:

(expressed in millions of U.S. dollars)	December 31, 2021	December 31, 2020
Cash and short-term investments	$ 124.9	$ 64.3
Net working capital[1]	96.7	64.7
Total assets	471.3	346.3
Short-term debt	13.0	23.4
Long-term debt, including current portion	56.4	62.1
Royalty payable, including current portion	9.8	16.2
Non-current liabilities[1]	38.6	40.9
Total liabilities	234.9	242.2
Shareholder's equity	236.4	104.1

(1) These financial measures or ratios are non-GAAP financial measures or ratios. See the section 'Non-GAAP Financial Measures' for explanations and discussion of these non-GAAP financial measures or ratios.

RESULTS FROM OPERATIONS

OPERATING SEGMENTS

We manage and report the results of our business through three segments: OEM, IAM, and Corporate. This reflects the way operating decisions and the assessment of business performance is currently managed by the Chief Operating Decision Maker ("CODM"). As discussed in note 7 of the Annual Financial Statements, the CWI joint venture ended as at December 31, 2021 and our 50% share in the joint venture was sold to Cummins on February 7, 2022. We recorded the investment as asset held for sale as at December 31, 2021 and no longer considered it as an operating segment, however the income from the investment in the CWI joint venture remained as the Corporate equity income in 2021. The comparative segment information below was also adjusted.

OEM Business Segment

Our OEM segment designs, manufactures, and sells alternative fuel systems, components and electronics, including the HPDI 2.0 fuel systems product and related engineering services, to OEMs and to supplier OEMs. Our diverse product offerings are sold under established global brands and utilize a broad range of alternative fuels, which have numerous environmental and economic advantages including: LPG, CNG, LNG, RNG, and hydrogen. The OEM business segment's products and services are available for passenger cars, light-, medium- and heavy-duty trucks, cryogenics, and hydrogen applications. The OEM group includes the light-duty and heavy-duty OEM product lines and the DOEM and electronic and fuel storage businesses.

IAM Business Segment

Our IAM segment designs, manufactures, and sells alternative fuel systems and components that consumers can purchase and have installed onto their vehicles to use LPG or CNG fuels in addition to gasoline. Distribution of such products is realized through a comprehensive distribution network (in more than 70 countries) selling our products to the workshops that are responsible for conversion, maintenance and service.

CWI Joint Venture

CWI was the leading supplier of natural gas engines to the North American medium and heavy-duty truck and transit bus industries. CWI engines were 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 purpose of the joint venture was to engage in the business of developing, marketing and selling spark-ignited natural gas or propane engines for on-highway use. CWI utilizes Cummins' supply chain, back office systems and distribution and sales networks. CWI was a Delaware corporation owned 50% by Westport Fuel Systems Canada Inc., a wholly-owned subsidiary of Westport Fuel Systems, and 50% by Cummins.

On February 7, 2022, Westport Fuel Systems and Cummins agreed to a share purchase agreement for the sale of its stake in CWI with Cummins continuing to operate the business as the sole owner. As part of the agreement, Cummins also agreed to purchase our interest in the intellectual property with proceeds to us from the sale of such intellectual property of $20.0 million. We received proceeds of $31.4 million, net of $10.8 million holdback, after the closing date. The holdback fund will be retained by Cummins for a term of three years to satisfy any extended warranty obligations in excess of the current extended warranty obligation. Any unused amounts will be repaid to the Company at the end of the three-year term.

Corporate Business Segment

The Corporate business segment is responsible for public company activities, corporate oversight, financing, capital allocation and general administrative duties, such as securing our intellectual property.

	Three months ended December 31, 2021			
	Revenue	Operating income (loss)	Depreciation & amortization	Equity income (loss)
OEM	$ 57.4	$ (5.0)	$ 2.1	$ 0.3
IAM	25.3	(1.3)	1.4	—
Corporate	—	(3.7)	0.1	14.7
Total consolidated	$ 82.7	$ (10.0)	$ 3.6	$ 15.0

	Three months ended December 31, 2020			
	Revenue	Operating income (loss)	Depreciation & amortization	Equity income
OEM	$ 58.8	$ (3.0)	$ 2.2	$ 0.5
IAM	25.1	1.3	1.6	—
Corporate	—	0.9	—	9.4
Total consolidated	$ 83.9	$ (0.8)	$ 3.8	$ 9.9

Revenue

OEM
Revenue for the three months and year ended December 31, 2021 was $57.4 million and $195.5 million, respectively, compared with $58.8 million and $149.6 million for the three months and year ended December 31, 2020. OEM revenue decreased by $1.4 million in the fourth quarter mainly due to decrease in sales for our heavy-duty OEM impacted by year-over-year contractual HPDI 2.0 fuel systems price reductions to our initial OEM launch partner, partially offset by additional revenue of $6.7 million from the acquired fuel storage business.

OEM revenue increased by $45.9 million for the year. The increase was mainly due to higher sales in heavy-duty OEM, light-duty OEM, $13.8 million additional revenue from the acquired fuel storage business, and increased sales due to growth in our electronics business. The impact of COVID-19 was significant in the prior year period, which was impacted by plant shutdowns combined with lower light-duty OEM sales to German and Russian OEMs. Heavy-duty OEM revenue was higher year-over-year and reflects higher sales volume, partially offset by year-over-year HPDI contractual price reductions, the impact on customer demand due to manufacturing delays caused by the shortage of semiconductors on our initial OEM launch partner.

IAM
Revenue for the three months and year ended December 31, 2021 was $25.3 million and $116.9 million, respectively, compared with $25.1 million and $102.9 million for the three months and year ended December 31, 2020. Revenue for the three months and year ended December 31, 2021 for the IAM business segment increased by $0.2 million and $14.0 million, respectively, primarily due to higher sales to African and South American markets, offset by softness in demand from the Russian and Turkish markets due to the rapid increase in LPG prices. We expect to see continued improvement in revenues from the IAM business segment for the full year of 2022, but temper expectations in the near term due to the elevated LPG prices in our key markets.

(expressed in millions of U.S. dollars)

	Three months ended December 31,		Change		Years ended December 31,		Change	
	2021	2020	$	%	2021	2020	$	%
OEM	$ 57.4	$ 58.8	$ (1.4)	(2)%	$ 195.5	$ 149.6	$ 45.9	31 %
IAM	25.3	25.1	0.2	1 %	116.9	102.9	14.0	14 %
Total Revenue	$ 82.7	$ 83.9	$ (1.2)	(1)%	$ 312.4	$ 252.5	$ 59.9	24 %

Gross Margin for the three months ended December 31, 2021

OEM
Gross margin decreased year-over-year by $1.5 million to $5.1 million, or 9% of revenue, for the three months ended December 31, 2021 compared to $6.6 million, or 11% of revenue, for the same prior year period. The decrease in the fourth quarter gross margin and gross margin as a percentage of revenue were mainly due to an increase in material costs stemming from the global supply chain disruption across all business segments, change in sales mix for light-duty OEM and aforementioned year-over-year HPDI contractual price reductions, partially offset by additional gross margin from the acquired fuel storage business.

IAM
Gross margin decreased year-over-year by $2.2 million to $4.2 million, or 17% of revenue, for the three months ended December 31, 2021 compared to $6.4 million, or 25% of revenue, for the same prior year period. The decrease in gross margin and gross margin percentage was due to change in sales mix toward lower margin in the African market and higher material costs due to the global supply chain disruption. The prior year also benefited from government subsidies, which resulted in a higher gross margin percentage.

(expressed in millions of U.S. dollars)

	Three months ended December 31, 2021	% of Revenue	Three months ended December 31, 2020	% of Revenue	Change $	Change %
OEM	$ 5.1	9 %	$ 6.6	11 %	$ (1.5)	(23)%
IAM	4.2	17 %	6.4	25 %	(2.2)	(34)%
Total gross margin	$ 9.3	11 %	$ 13.0	15 %	$ (3.7)	(28)%

Gross Margin for the year ended December 31, 2021

OEM

Gross margin increased year-over-year by $8.1 million to $20.4 million, or 10% of revenue, for the year ended December 31, 2021 compared to $12.3 million, or 8% of revenue, for the prior year. The increase in gross margin was due to higher sales volumes for HPDI 2.0 fuel system products and higher service revenue from heavy-duty OEM, increased sales volume in our light-duty OEM, and additional gross margin of $3.2 million from the acquired fuel storage business, partially offset by contractual HPDI price reductions and higher material costs. The prior year was impacted by a net warranty charge of $2.4 million related to the field service campaign of the pressure relief device for light-duty OEM vehicles.

IAM

Gross margin increased by $0.6 million to $27.8 million, or 24% of revenue, for the year ended December 31, 2021 compared to $27.2 million, or 26% of revenue, for the prior year. The decrease in gross margin as a percentage of revenue was due to change in sales mix toward lower margin African markets and higher material costs. The prior year also benefited from government subsidies, which resulted in a higher gross margin percentage.

(expressed in millions of U.S. dollars)

	Year ended December 31, 2021	% of Revenue	Year ended December 31, 2020	% of Revenue	Change $	Change %
OEM	$ 20.4	10 %	$ 12.3	8 %	$ 8.1	66 %
IAM	27.8	24 %	27.2	26 %	0.6	2 %
Total gross margin	$ 48.2	15 %	$ 39.5	16 %	$ 8.7	22 %

Research and Development Expenses ("R&D")

OEM

R&D expenses for the three months and year ended December 31, 2021 were $3.1 million and $19.3 million, respectively, compared to $4.9 million and $16.4 million for the same prior year periods. The decrease in the current quarter R&D expenses of $1.8 million is due to an increase in R&D activity in the last quarter of 2020 from shutdowns and delayed projects during COVID-19 pandemic. The increase in R&D expenses of $2.9 million for the year is primarily due to investments in improving and evolving HPDI technology. The prior year comparative periods include lower compensation expense in response to COVID-19 pandemic.

IAM

R&D expenses for the three months and year ended December 31, 2021 were $1.7 million and $5.9 million, respectively, compared to $1.4 million and $4.2 million for the same prior year periods. The increase in R&D expenses of $0.3 million for the quarter and $1.7 million for the year are primarily due to higher compensation expense as R&D projects resumed in the current year. The prior year comparative periods include lower compensation expense in response to the COVID-19 pandemic and higher government wage subsidies received in 2020.

(expressed in millions of U.S. dollars)

	Three months ended December 31,		Change		Years ended December 31,		Change	
	2021	2020	$	%	2021	2020	$	%
OEM	$ 3.1	$ 4.9	$ (1.8)	(37)%	$ 19.3	$ 16.4	$ 2.9	18 %
IAM	1.7	1.4	0.3	21 %	5.9	4.2	1.7	40 %
Corporate	—	0.1	(0.1)	(100)%	—	0.4	(0.4)	(100)%
Total R&D	$ 4.8	$ 6.4	$ (1.6)	(25)%	$ 25.2	$ 21.0	$ 4.2	20 %

Selling, General and Administrative Expenses ("SG&A")

OEM
SG&A expenses for the three months and year ended December 31, 2021 were $6.1 million and $20.5 million, respectively, compared to $3.6 million and $13.4 million for the same prior year periods. The increases of $2.5 million and $7.1 million for the respective periods are mainly due to resumption of activities to pre-COVID-19 levels, lower government wage subsidies and support programs received, and to a lesser extent, a 3.4% increase in the average Euro rate versus the U.S. dollar rate year-over-year that resulted in higher compensation expense.

IAM
SG&A expenses for the three months and year ended December 31, 2021 were $3.1 million and $16.8 million, respectively, compared to $3.0 million and $13.6 million for the same prior year periods. The increase of $3.2 million for the year is due to resumption of activities to pre-COVID-19 levels, lower government wage subsidies and support programs received, and to a lesser extent, a 3.4% increase in the average Euro rate versus the U.S. dollar rate year-over-year that resulted in higher compensation expense.

Corporate
SG&A expenses for the three months and year ended December 31, 2021 were $3.1 million and $12.5 million, respectively, compared to $4.3 million and $11.1 million for the same prior year periods. The decrease of $1.2 million in the current quarter is due to lower compensation expense. The increase of $1.4 million for the year is mainly due to resumption of activities to pre-COVID-19 levels, lower government wage subsidies and support programs received, and to a lesser extent, a 6.7% increase in the average Canadian dollar rate versus the U.S. dollar rate year-over-year that resulted in higher compensation expense.

(expressed in millions of U.S. dollars)

	Three months ended December 31,		Change		Years ended December 31,		Change	
	2021	2020	$	%	2021	2020	$	%
OEM	$ 6.1	$ 3.6	$ 2.5	69 %	$ 20.5	$ 13.4	$ 7.1	53 %
IAM	3.1	3.0	0.1	3 %	16.8	13.6	3.2	24 %
Corporate	3.1	4.3	(1.2)	(28)%	12.5	11.1	1.4	13 %
Total SG&A	$ 12.3	$ 10.9	$ 1.4	13 %	$ 49.8	$ 38.1	$ 11.7	31 %

Selected CWI Statements of Operations Data

We account for CWI using the equity method of accounting. However, due to its significance to our operating results, we disclose CWI's assets, liabilities and income statement in note 7 of our Annual Financial Statements and discuss revenue and gross margins in this MD&A. The following table sets forth a summary of the financial results of CWI for the years ended December 31, 2021 and 2020, and three months ended December 31, 2021 and 2020:

	Three months ended December 31,		Change		Years ended December 31,		Change	
	2021	2020	$	%	2021	2020	$	%
(expressed in millions of U.S. dollars except for number of units)								
Unit sales	2,648	2,288	360	16 %	8,290	7,065	1,225	17 %
Product revenue	$ 79.6	$ 70.9	$ 8.7	12 %	$ 252.1	$ 219.2	$ 32.9	15 %
Parts revenue	$ 32.1	$ 25.1	$ 7.0	28 %	$ 115.4	$ 104.3	$ 11.1	11 %
Total revenue	$ 111.7	$ 96.0	$ 15.7	16 %	$ 367.5	$ 323.5	$ 44.0	14 %
Gross margin	$ 39.2	$ 28.5	$ 10.7	38 %	$ 99.1	$ 87.3	$ 11.8	14 %
Gross margin %	35 %	30 %			27 %	27 %		
Net income before income taxes	$ 33.3	$ 24.5	$ 8.8	36 %	$ 78.9	$ 62.0	$ 16.9	27 %
Net income	$ 29.5	$ 18.7	$ 10.8	58 %	$ 65.9	$ 47.5	$ 18.4	39 %
Net income attributable to the Company	$ 14.8	$ 9.4	$ 5.4	57 %	$ 33.0	$ 23.8	$ 9.2	39 %

Revenue for the three months ended December 31, 2021

Revenue for the three months ended December 31, 2021 was $111.7 million compared to $96.0 million year-over-year. Unit sales for the three months ended December 31, 2021 were 2,648 compared to 2,288 year-over-year. The increase in unit sales was due to the timing of sales from the slowdown in Q3 2021 due to supply chain issues. Parts revenue for the three months ended December 31, 2021, was $32.1 million compared to $25.1 million year-over-year.

Revenue for the year ended December 31, 2021

Revenue for the year ended December 31, 2021 was $367.5 million compared to $323.5 million year-over-year. Unit sales for the year ended December 31, 2021 were 8,290 compared to 7,065 for the prior year. Unit sales were higher during the year ended December 31, 2021 compared to the prior year reflecting the impact of OEM factory shutdowns in April and May 2020 in response to the COVID-19 pandemic. Parts revenue for the year ended December 31, 2021 was $115.4 million compared to $104.3 million for the prior year.

Gross Margin for the three months ended December 31, 2021

Gross margin increased by $10.7 million to $39.2 million from $28.5 million, for the current quarter due to the favorable warranty adjustment in the current quarter. The increase in gross margin percentage from 30% to 35% of revenue in the current quarter is largely driven by increases in sales volume of high-margin parts revenue.

Gross Margin for the year ended December 31, 2021

Gross margin increased by $11.8 million to $99.1 million from $87.3 million, mainly due to higher revenue compared to the prior year period. The gross margin percentage has remained consistent year-over-year.

Other significant expense and income items for the year ended December 31, 2021

Foreign exchange gains and losses reflect net realized gains and losses on foreign currency transactions and net unrealized gains and losses on our net U.S. dollar denominated monetary assets and liabilities in our Canadian operations that were mainly comprised of cash and cash equivalents, assets held for sale, accounts receivable and accounts payable. In addition, we have 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, 2021, we recognized a foreign exchange gain of $2.0 million compared to a foreign exchange gain of $4.3 million for the year ended December 31, 2020. The gain recognized in the current year primarily relates to unrealized foreign exchange gains that resulted from the translation of U.S. dollar cash balances partially offset by the translation of the U.S. dollar denominated debt in our Canadian legal entities.

Depreciation and amortization for the years ended December 31, 2021 and December 31, 2020 were $14.0 million for both periods. The amounts included in cost of revenue for the same periods were $8.7 million and $7.8 million, respectively. Depreciation and amortization has remained consistent year-over-year.

Income from investments primarily relates to our 50% interest in CWI, accounted for by the equity method. See the "Selected CWI Statements of Operations Data" section in this MD&A for more detail.

Interest on debt and amortization of discount

(expressed in millions of U.S. dollars)

	Three months ended December 31,		Years ended December 31,	
	2021	**2020**	**2021**	**2020**
Interest expense on long-term debt	$ 0.7	$ 1.7	$ 3.6	$ 4.3
Royalty payable accretion expense	(0.1)	1.6	1.4	3.7
Total interest on long-term debt and accretion on royalty payable	$ 0.6	$ 3.3	$ 5.0	$ 8.0

The decrease in interest expense on long-term debt for the three months ended December 31, 2021 compared to prior year period was mainly due to our refinancing efforts during the COVID-19 pandemic, with lower cost of borrowing achieved through government-sponsored debt programs in Canada and Italy and the conversion of the convertible notes held by Cartesian (defined in note 15 in our Annual Financial Statements) on January 21, 2021 and August 31, 2021. The royalty payable accretion expense decreased as we continued to make repayments as scheduled and adjusted the current quarter accretion expense due to a change in estimate on future royalty repayments.

Bargain purchase gain from acquisition of Stako was $5.9 million as the fair value of assets acquired and liabilities assumed exceeded the total transaction date fair value of consideration paid. See note 4 in our Annual Financial Statements for more details.

Income tax recovery for the year ended December 31, 2021 was $8.1 million compared to $1.4 million of income tax expense in the prior year. This was primarily related to recognition of the tax benefits of a step up in the tax basis of certain of our Italian assets. This step up was a result of recent measures introduced in Italy by art. 110 of the Law Decree No. 104/2020 converted in the Law n. 126/2020, enacting "Urgent measures to support and relaunch the economy".

CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

Our cash and cash equivalents, including restricted cash, increased by $60.6 million to $124.9 million from $64.3 million at December 31, 2020. The increase was directly attributed to the marketed public offering of common shares and the at-the-market ("ATM") offering conducted during the year, offset by the cash outflows described below. Refer to note 18 in our Annual Financial Statements for details on the marketed public offering and the ATM program for more details.

COVID-19 and its related economic impact on customer demand and our supply chain materially impacted our business. We were able to access various government supports related to the COVID-19 pandemic, and we have significantly strengthened our balance sheet by negotiating more attractive financing rates, and extending maturity of our debt to ensure sufficient liquidity to meet obligations.

Cash Flow from Operating Activities

For the year ended December 31, 2021, net cash flow used in operating activities increased by $8.7 million to $43.8 million, from the $35.1 million in the year ended December 31, 2020. The increase in cash used in operating activities is primarily due to the increase in inventory in anticipation for next year's customer demands and increases in operating expenditures.

Cash Flow from Investing Activities

Our net cash flows from investing activities consisted primarily of cash acquired through dividends received from joint ventures, offset by purchases of property, plant and equipment and the acquisition of Stako, net of acquired cash.

For the year ended December 31, 2021, our net cash flows received from investing activities were $2.3 million compared to $13.8 million for the year ended December 31, 2020. The decrease in net cash flows compared to the prior year is due to increase in capital expenditures by $7.3 million to $14.2 million, and the acquisition of Stako for $5.9 million. The dividends received from our joint ventures were comparable year-over-year.

Cash Flow from Financing Activities

For the year ended December 31, 2021, our net cash flows from financing activities were $104.7 million, an increase of $65.0 million compared to net cash flows from financing activities of $39.7 million during the year ended December 31, 2020. In 2021, we received $12.8 million in net proceeds from the issuance of 1,819,712 common shares through our ATM equity offering in the first quarter of 2021. We also received $107.9 million, net of transaction costs, from a marketed public offering which closed on June 8, 2021. We amended our term loan with EDC in the fourth quarter of 2021, which resulted in $1.0 million additional borrowings, net of repayments. This was offset by repayment of the royalty payable to Cartesian of $7.5 million and a net decrease of $4.5 million in the drawdown from our revolving financing facility with HSBC.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	1 - 3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 99.2	$ 99.2	$ 99.2	$ —	$ —	$ —
Short-term debt (1)	13.0	13.0	13.0	—	—	—
Long-term debt, principal (2)	56.4	56.4	11.3	24.8	19.7	0.6
Long-term debt, interest (2)	—	6.0	2.2	2.9	0.9	—
Long-term royalty payable (3)	9.9	13.5	5.1	5.4	2.9	—
Operating lease commitments (4)	28.6	32.8	4.2	6.6	4.6	17.4
	$ 207.2	$ 221.0	$ 135.0	$ 39.5	$ 28.2	$ 18.0

Notes

(1) For details of our short-term debt, see note 14 of the Annual Financial Statements.

(2) For details of our long-term debt, principal and interest, see note 15 of the Annual Financial Statements.

(3) For additional information on the long-term royalty payable, see note 16 of the Annual Financial Statements.

(4) For additional information on operating lease obligations, see note 13 of the Annual Financial Statements.

SHARES OUTSTANDING

For the year ended December 31, 2021, the weighted average number of shares used in calculating the income per share was 160,232,742. During the year ended December 31, 2021, 875,703 share units were granted to directors, executives and employees (2020 - 525,807 share units). This included 417,719 Restricted Share Units ("RSUs") (2020 - 504,907 RSUs) and 457,984 Performance Share Units ("PSUs") (2020 - 20,900 PSUs). The common shares, share options and share units outstanding and exercisable as at the following dates are shown below:

(weighted average exercise prices are presented in Canadian dollars)

	December 31, 2021		March 14, 2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Common shares outstanding	170,799,325		171,180,056	
Share units				
Outstanding	1,866,433	2.98	1,468,489	N/A
Exercisable	61,086	2.84	17,213	N/A

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Annual 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 Annual 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 the assessment of liquidity and going concern, warranty liability, revenue recognition, inventories, and property, equipment, furniture and leasehold improvements. The application of these and other accounting policies are described in note 3 of the Annual Financial Statements. Actual amounts may vary significantly from estimates used.

We believe that we have taken into account all the possible impacts of known events arising from the COVID-19 pandemic in the preparation of our Annual Financial Statements. However, changes in circumstances due to COVID-19 could impact our judgments and estimates associated with our liquidity and going concern assessment, and other critical accounting assessments.

Warranty Liability

Estimated warranty costs are recognized at the time we sell our products and are included in cost of revenue. We provide warranty coverage on products sold from the date the products are put into service by customers. Warranty liability represents our best estimate of warranty costs expected to be incurred during the warranty period. Furthermore, the current portion of warranty liability represents our best estimate of the costs to be incurred in the next twelve-month period. We use 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. We generally record warranty expense for new products using 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 us and the timing will depend on actual failure rates and cost to repair failures of our products.

Revenue Recognition

We generate revenues primarily from product sales. Product revenues are derived primarily from standard product sales contracts and from long-term fixed price contracts. Under ASC 606, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgment. On standard product sales contracts, revenues are recognized when customers obtain control of the product, that is when transfer of title and risks and rewards of ownership of goods have passed and when the obligation to pay is considered certain. Invoices are generated and revenue is recognized at that point in time. Provisions for warranties are made at the time of sale.

Inventories

Our inventories consist of our 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 or first-in, first-out. The cost of fuel system product inventories, assembled parts and work-in-progress includes materials, labour and production overhead including depreciation. We record inventory write-downs based on an analysis of excess and obsolete inventories determined primarily by future demand forecasts. In addition, we record a liability for firm, non-cancelable, and unconditional purchase commitments with manufacturers for quantities in excess of our future demand forecast consistent with our valuation of excess and obsolete inventory.

PP&E and Intangible Assets

We consider whether or not there has been an impairment in our long-lived assets, such as plant and 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.

Impairment of PP&E

During the year ended December 31, 2021, we recorded an impairment charge of $0.5 million related to the write-down of property, plant and equipment ("PPE") in Rohan BRC, our India subsidiary. We concluded that there were no other impairment indicators as of December 31, 2021 related to PP&E.

We have significant investments in PP&E related to our HPDI business. The HPDI business is still in the early stages of commercialization, and, as a result, is currently generating losses. Based on our current projections, meaningful increases in component sales are expected compared to 2021 levels, allowing the business to benefit from economies of scale and become profitable. If these assumptions are not realized, we may be required to record an impairment on these assets in future periods.

Intangible assets

We concluded that there were no impairment indicators as of December 31, 2021 related to intangible assets. Therefore, no impairment on intangible assets was recorded in the year ended December 31, 2021.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Evaluation of Disclosure Controls and Procedures

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"), are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act and applicable Canadian securities law requirements is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and applicable Canadian securities law requirements, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") (our principal executive officer and principal financial officer, respectively), as appropriate to allow timely decisions regarding required disclosures. As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of management, including our CEO and CFO, the effectiveness of the design and operation of our disclosure controls and procedures.

We evaluated the effectiveness of our internal controls over financial reporting as of December 31, 2021 with the participation, and under the supervision, of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2021, our internal controls over financial reporting were effective for the period. In the second quarter of 2021, we identified a material weakness described below:

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 Company's annual or interim consolidated financial statements may not be prevented or detected on a timely basis.

Specifically, in the second quarter of 2021 a control in the accounting function to reconcile the intercompany transactions to final general ledger was not in place for a non-routine transaction, and a review control did not operate on a timely basis. As a result, we failed to identify an adjustment needed to eliminate revenue and cost of revenue recorded for a non-routine intercompany inventory sale in the second quarter.

We have remediated the material weakness identified by implementing additional controls over the accounting for and financial reporting of intercompany transactions and enhancing management review controls and procedures to detect and prevent material misstatements related to intercompany transactions. Our internal auditors concluded operating effectiveness after testing the aforementioned internal controls over financial reporting.

KPMG LLP ("KPMG"), 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, 2021. KPMG's audit report on effectiveness of internal control over financial reporting is included in the Annual Financial Statements.

Limitation on scope of design

In accordance with the provisions of National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Stako. We completed the acquisition of Stako on May 30, 2021. Stako's contribution to our Annual Financial Statements for the year ended December 31, 2021 was approximately 6% of consolidated sales and 4% of total assets.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our 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.

Because of these inherent limitations, 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, and 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.

Management, including the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting, based on the criteria in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has determined that our internal control over financial reporting was effective as of December 31, 2021.

Except for the additional controls implemented over the accounting for and financial reporting of intercompany transactions aforementioned above, during the year ended December 31, 2021, there were no changes to our internal control over financial reporting that 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, 2021

Our revenues and operating results can vary significantly from quarter to quarter depending on factors such as the timing of product deliveries, product mix, product launch dates, R&D project cycles, timing of related government funding, impairment charges, restructuring 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

Three months ended	**31-Mar-20**	**30-Jun-20**	**30-Sep-20**	**31-Dec-20**	**31-Mar-21**	**30-Jun-21**	**30-Sep-21**	**31-Dec-21**
(expressed in millions of U.S. dollars except for per share amounts)	(1)	(2)				(3)		
Total revenue	$ 67.2	$ 36.0	$ 65.4	$ 83.9	$ 76.4	$ 79.0	$ 74.3	$ 82.7
Cost of product and parts revenue	$ 62.9	$ 23.8	$ 55.4	$ 70.9	$ 63.4	$ 63.3	$ 64.2	$ 73.4
Gross margin	$ 4.3	$ 12.2	$ 10.0	$ 13.0	$ 13.0	$ 15.7	$ 10.1	$ 9.3
Gross margin percentage	*6.4 %*	*33.9 %*	*15.3 %*	*15.5 %*	*17.0 %*	*19.9 %*	*13.6 %*	*11.2 %*
Net income (loss)	$ (15.3)	$ 3.0	$ 0.8	$ 4.1	$ (3.1)	$ 17.2	$ (5.8)	$ 5.4
EBITDA (3)	$ (11.1)	$ 9.2	$ 4.9	$ 13.1	$ 1.9	$ 13.9	$ (1.2)	$ 8.4
Adjusted EBITDA (4)	$ (3.6)	$ 6.2	$ 4.0	$ 8.1	$ 2.7	$ 6.2	$ (1.4)	$ 10.0
U.S. dollar to Euro average exchange rate	0.91	0.91	0.85	0.84	0.83	0.83	0.85	0.87
U.S. dollar to Canadian dollar average exchange rate	1.35	1.39	1.33	1.30	1.27	1.23	1.26	1.26
Earnings (loss) per share								
Basic and diluted	$ (0.11)	$ 0.02	$ 0.01	$ 0.03	$ (0.02)	$ 0.11	$ (0.03)	$ 0.03
CWI net income attributable to the Company	5.3	4.2	4.9	9.4	6.4	8.0	3.8	14.8

Notes

(1) During the first quarter of 2020, we recorded a $10.0 million expense related to a field service campaign as discussed in the "Gross Margin" section of this MD&A.

(2) During the second quarter of 2020, we recorded a $7.7 million insurance recovery related to the field service campaign as discussed in the "Gross Margin" section of this MD&A.

(3) During the second quarter of 2021, we recorded a 5.9 million bargain purchase gain from the acquisition of Stako. See note 4 of the Annual Financial Statements for more details.

(4) 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.

(5) 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 Fuel Systems defines Adjusted EBITDA as EBITDA adjusted for amortization of stock-based compensation, unrealized foreign exchange gain or loss, and non-cash and other adjustments. See non-GAAP measures for more information.

NON-GAAP MEASURES

We have included certain non-GAAP performance measures throughout this MD&A. These performance measures are employed by us internally to measure operating and economic performance and to assist in business decision-making, as well as providing key performance information to senior management. We believe that, in addition to conventional measures prepared in accordance with U.S. GAAP, certain investors and other stakeholders also use this information to evaluate our operating and financial performance; however, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP. Other companies may calculate gross margin, gross margin as a percentage of revenue, net working capital, and non-current liabilities differently.

NON-GAAP FINANCIAL MEASURES RECONCILIATION

Gross Margin

	Years ended December 31,		
	2021	**2020**	**2019**
(expressed in millions of U.S. dollars)			
Revenue	$ 312.4	$ 252.5	$ 305.3
Less: Cost of revenue	$ 264.2	$ 213.0	$ 237.1
Gross Margin	**$ 48.2**	**$ 39.5**	**$ 68.2**

Gross Margin as a percentage of Revenue

	Years ended December 31,		
	2021	**2020**	**2019**
(expressed in millions of U.S. dollars)			
Revenue	$ 312.4	$ 252.5	$ 305.3
Gross Margin	$ 48.2	$ 39.5	$ 68.2
Gross Margin as a percentage of Revenue	**15 %**	**16 %**	**22 %**

Net Working Capital

	December 31, 2021	**December 31, 2020**
(expressed in millions of U.S. dollars)		
Accounts receivable	$ 101.5	$ 90.5
Inventories	83.1	51.4
Prepaid expenses	7.0	11.8
Assets held for sale	22.0	10.9
Accounts payable and accrued liabilities	(99.2)	(84.6)
Current portion of operating lease liabilities	(4.2)	(4.4)
Current portion of warranty liability	(13.5)	(10.7)
Net Working Capital	**96.7**	**64.7**

Non-Current Liabilities

(expressed in millions of U.S. dollars)	December 31, 2021	December 31, 2020
Total liabilities	$ 234.9	$ 242.2
Less:		
Total current liabilities	146.5	147.0
Long-term debt	45.1	45.7
Long-term royalty payable	4.7	8.6
Non-Current Liabilities	**38.6**	**40.9**

EBIT, EBITDA and Adjusted EBITDA

Our financial statements are prepared in accordance with U.S. GAAP. These U.S. GAAP financial statements include non-cash charges and other charges and benefits that may be unusual or infrequent in nature or that we believe may make comparisons to our prior or future performance difficult. In addition to conventional measures prepared in accordance with U.S. GAAP, Westport Fuel Systems and certain investors use EBIT, EBITDA and Adjusted EBITDA as an indicator of our ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations and fund capital expenditures. Management also uses these non-GAAP measures in its review and evaluation of the financial performance of Westport Fuel Systems. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" that is based on an observed or inferred relationship between EBITDA and market values to determine the approximate total enterprise value of a company. We believe that these non-GAAP financial measures also provide additional insight to investors and securities analysts as supplemental information to our U.S. GAAP results and as a basis to compare our financial performance period-over-period and to compare our financial performance with that of other companies. We believe that these non-GAAP financial measures facilitate comparisons of our core operating results from period to period and to other companies by, in the case of EBITDA, removing the effects of our capital structure (net interest income on cash deposits, interest expense on outstanding debt and debt facilities), asset base (depreciation and amortization) and tax consequences. Adjusted EBITDA provides this same indicator of Westport Fuel Systems' EBITDA from continuing operations and removing such effects of our capital structure, asset base and tax consequences, but additionally excludes any unrealized foreign exchange gains or losses, stock-based compensation charges and other one-time impairments and costs which are not expected to be repeated in order to provide greater insight into the cash flow being produced from our operating business, without the influence of extraneous events.

EBITDA and Adjusted EBITDA are intended to provide additional information to investors and analysts and do not have any standardized definition under U.S. GAAP, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore are not necessarily indicative of operating profit or cash flow from operations as determined under U.S. GAAP. Other companies may calculate EBITDA and Adjusted EBITDA differently.

EBIT and EBITDA

Westport Fuel Systems defines EBIT as net income or loss before taxes adjusted for net interest expense. Westport Fuel Systems defines EBITDA as EBIT adjusted for depreciation and amortization.

Three months ended	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21
Income (loss) before income taxes	$ (16.0)	$ 4.6	$ 0.2	$ 5.3	$ (2.8)	$ 9.1	$ (5.4)	$ 4.6
Interest expense, net (1)	1.5	1.2	1.3	4.0	1.2	1.1	0.9	0.3
EBIT	(14.5)	5.8	1.5	9.3	(1.6)	10.2	(4.5)	4.9
Depreciation and amortization	3.4	3.4	3.4	3.8	3.5	3.7	3.3	3.5
EBITDA	$ (11.1)	$ 9.2	$ 4.9	$ 13.1	$ 1.9	$ 13.9	$ (1.2)	$ 8.4

Notes

(1) Interest expense, net is calculated as interest and other income, net of bank charges and interest on long-term debt and accretion of royalty payables.

Adjusted EBITDA

Westport Fuel Systems defines Adjusted EBITDA as EBITDA adjusted for stock-based compensation, unrealized foreign exchange gains or losses, and non-cash and other adjustments.

Three months ended	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21
EBITDA	$ (11.1)	$ 9.2	$ 4.9	$ 13.1	$ 1.9	$ 13.9	$ (1.2)	$ 8.4
Stock based compensation	0.6	0.6	0.9	0.3	0.1	0.5	0.7	0.6
Unrealized foreign exchange (gain) loss	6.9	(3.6)	(2.3)	(5.3)	0.7	(2.3)	(0.9)	0.5
Asset impairment	—	—	0.5	—	—	—	—	0.5
Bargain purchase gain	—	—	—	—	—	(5.9)	—	—
Adjusted EBITDA	$ (3.6)	$ 6.2	$ 4.0	$ 8.1	$ 2.7	$ 6.2	$ (1.4)	$ 10.0

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, which, 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, 2021 under the heading “Risk Factors” and is available on SEDAR at www.sedar.com.

Exhibit 99.4

CERTIFICATION

I, David M. Johnson, certify that:

1 I have reviewed this annual report on Form 40-F of Westport Fuel Systems 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-15(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 14, 2022

By: /s/ David M. Johnson
Name: David M. Johnson
Title: Chief Executive Officer, Westport Fuel Systems Inc.

Exhibit 99.5

CERTIFICATION

I, Richard Orazietti, certify that:

1 I have reviewed this annual report on Form 40-F of Westport Fuel Systems 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-15(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 14, 2022

By: /s/ Richard Orazietti

Name: Richard Orazietti
Title: Chief Financial Officer, Westport Fuel Systems Inc.

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 Fuel Systems Inc. (the “Company”) on Form 40-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David M. Johnson, 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), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 14, 2022

/s/ David M. Johnson

David M. Johnson
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 the Exchange Act, be deemed filed by the Company for purposes of Section 18 of 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 Fuel Systems Inc. (the “Company”) on Form 40-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard Orazietti, 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), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 14, 2022

/s/ Richard Orazietti

Richard Orazietti
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 the Exchange Act, be deemed filed by the Company for purposes of Section 18 of 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

The Board of Directors of Westport Fuel Systems Inc.

We consent to the use of:

a. our report dated March 14, 2022 on the consolidated financial statements of Westport Fuel Systems Inc. (the "Entity") which comprise the consolidated balance sheets as at December 31, 2021 and December 31, 2020, the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2021, and the related notes (collectively the "consolidated financial statements"), and

b. our report dated March 14, 2022 on the effectiveness of the Entity's internal control over financial reporting as of December 31, 2021

each of which is included in the Annual Report on Form 40-F of the Entity for the fiscal year ended December 31, 2021.

We also consent to the incorporation by reference of such reports in the Registration Statements (No. 333-165812, No. 333-168847, No. 333-211726 and No. 333-248912) on Form S-8, (No. 333-253892) on Form F-10/A, and (No. 333-207523) on Form F-4/A of the Entity.

Chartered Professional Accountants

/s/ **KPMG LLP**

March 14, 2022
Vancouver, Canada

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KPMG Canada provides services to KPMG LLP.