UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

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

OR

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

For the fiscal year ended December 31, 2023

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))

1691 West 75th Avenue
Vancouver, British Columbia, Canada V6P 6P2
(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:

☒ Annual Information Form ☒ 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, 2023, 17,174,502 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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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, 2023 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.32.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2023 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, 2023 and 2023, 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, 2023, 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, 2023, 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, 2023 and 2022, including the report 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, 2023, 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 25, 2024, the Company's Audit Committee consists of Brenda J. Eprile, Tony 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. Tony Guglielmin served as interim CEO of the Company from August 22, 2023 to January 16, 2024, during which time he stepped down as a member of the audit committee. Following the appointment of Dan Sceli as our CEO on January 16, 2024, Mr. Guglielmin stepped down as interim CEO and rejoined the Audit Committee as its chair. Mr. Guglielmin remains independent under Nasdaq Rule 5605(a)(2) as his term as interim CEO lasted less than one year. 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 and Tony 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, 2023. 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, 2023, 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, 2023 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.

RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

Not applicable

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, 2023
99.2	Audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2023 and 2022 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, 2023
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	
97.1	Registrant's Policy for Recovery of Erroneously Awarded Compensation
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/ Dan Sceli
Name:	Dan Sceli
Title:	Chief Executive Officer

Date: March 25, 2024

REVIEWED AND ACCEPTED BY THE BOARD OF DIRECTORS ON NOVEMBER 3RD, 2023

ANTI-HEDGING POLICY

1.0 INTRODUCTION AND OBJECTIVE

The Board of Directors (the "Board") of Westport Fuel Systems Inc. (the "Corporation") believe that it is inappropriate for directors, officers or employees of the Corporation or its respective subsidiary entities, or, to the extent practicable, any other person (or their associates) in a special relationship (within the meaning of applicable securities laws) with the Corporation to hedge or monetize transactions to lock in the value of holdings in the securities of the Corporation. Such transactions, while allowing the holder to own the Corporation's securities without the full risks and rewards of ownership, potentially separate the holder's interests from those of other stakeholders, and particularly in the case of equity securities, from the public shareholders of the Corporation.

The objective of this Anti-Hedging Policy (the "Policy") is therefore to prohibit those subject to it from directly or indirectly engaging in hedging against future declines in the market value of any securities of the Corporation through the purchase of financial instruments designed to offset such risk.

2.0 POLICY

Unless otherwise approved by the Nominating and Corporate Governance Committee (the "NCGC") of the Board (or, if so delegated by the NCGC, the Corporation's legal counsel), no director, officer or employee of the Corporation or its respective subsidiary entities, or, to the extent practicable, any other person (or their associates) in a special relationship (within the meaning of applicable securities laws) with the Corporation, may, at any time, purchase financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Corporation.

Any violation of this Policy will be regarded as a serious offence.

3.0 GENERAL

Nothing in this Policy in any way detracts from or limits any obligations that those subject to it have in law or pursuant to a management, employment, consulting or other agreement with the Corporation or any of its respective subsidiary entities.

The Audit Committee shall review this Policy as it deems appropriate, and propose recommended changes to the Board.

AMENDED AND RESTATED CLAWBACK POLICY

1.0 OVERVIEW

Westport Fuel Systems Inc. (the "Corporation") has adopted this Amended and Restated Clawback Policy (the "Policy"), effective as of October 2, 2023 (the "Effective Date") in order to ensure that incentive compensation is paid based on accurate financial data. This Policy amends, restates and supersedes in its entirety the Corporation's Clawback Policy, which was originally accepted by the Audit Committee of the Board on November 28, 2022. This Policy applies in the event of a Restatement. In the event the Corporation is required to prepare such a Restatement, the Committee shall (i) review the circumstances that caused the Restatement and shall take such action as it deems appropriate to prevent its recurrence and (ii) require the recovery of the Excess Incentive-Based Compensation in accordance with this Policy. Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 12.

2.0 ACCOUNTING RESTATEMENT AND CALCULATION OF EXCESS

The Corporation shall recover, reasonably promptly, the Excess portion of Incentive-Based Compensation from a current or former executive officer of the Corporation (as defined in Rule 10D-1(d) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") who is (or was) subject to Section 16 of the Exchange Act (each such individual, an "Executive") in the following circumstances, unless the Committee has determined that recovery would be Impracticable:

a) the Corporation is required to prepare an accounting restatement to correct the Corporation's material non-compliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "Restatement");

b) the Incentive-Based Compensation is received by the Executive on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is "received" shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is "received" in the Corporation's fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period; and

c) the amount of Incentive-Based compensation received by the Executive exceeds the amount of Incentive-Based Compensation that would have been received by such Executive based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules (such excess amount, the "Excess").

Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Executive engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Corporation. For clarity, the recovery of the Excess under this Policy will not give rise to any person's right to voluntarily terminate employment for "good reason," or due to a "constructive termination" (or any similar term of like effect) under any plan, program or policy of or agreement with the Corporation or any of its affiliates.

3.0 FORMS OF RECOVERY; LIMITATION ON DUPLICATIVE RECOVERY

The Committee shall, in its sole discretion, determine the manner of recovery of any Excess, which may include, without limitation, the right to demand that the Executive reimburse or repay the Corporation for the Excess. To the extent the Executive does not make reimbursement or repayment of the Excess, the Corporation shall have the right to sue for reimbursement or repayment and/or enforce the reimbursement or repayment through the reduction or cancellation of Incentive-Based Compensation or the Excess, and, to the extent permitted by law, an offset of the Excess against other compensation payable by the Corporation or an affiliate of the Corporation to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of the Excess already recovered by the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of the Excess already recovered by the Corporation from the recipient of such Excess may be credited to the amount of Excess required to be recovered pursuant to this Policy from such person.

The determination of the Committee with respect to forms of recovery need not be uniform with respect to one or more Executives.

4.0 NO ADDITIONAL PAYMENTS

In no event shall the Corporation be required to award Executives an additional payment if the restated or accurate financial results would have resulted in a higher incentive compensation payment.

5.0 ADMINISTRATION

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the "Committee" shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions by the Committee with respect to this Policy shall be final, conclusive and binding on all interested parties. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Corporation, as permitted under applicable law, including any Applicable Rules.

6.0 INTERPRETATION

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7.0 NO INDEMNIFICATION; NO LIABILITY

The Corporation shall not indemnify or insure any person against the loss of any Excess pursuant to this Policy, nor shall the Corporation directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person's potential obligations under this Policy. None of the Corporation, an affiliate of the Corporation or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8.0 APPLICATION; ENFORCEABILITY

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any other clawback, recoupment, forfeiture or similar policies or provisions of the Corporation or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Corporation or an affiliate or required under applicable law (the "Other Recovery Arrangements"). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Corporation or an affiliate of the Corporation.

Additionally, each Executive shall be required to sign an acknowledgment pursuant to which such Executive will agree to be bound by the terms of, and comply with, this Policy; however, any Executive's failure to sign any such acknowledgment shall not negate the application of this Policy to the Executive.

9.0 SEVERABILITY

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10.0 REMEDIES CUMULATIVE

The Policy is in addition to (and not in lieu of) any right of repayment, forfeiture or right of offset against any Executive that is required pursuant to any statutory repayment requirement (regardless of whether implemented at any time prior to or following the adoption of the Policy).

11.0 AMENDMENT; TERMINATION

The Board (or Board Committee) may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Corporation does not have a class of securities listed on a national securities exchange or association.

12.0 DEFINITIONS

"Applicable Rules" means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Corporation's securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Corporation's securities are listed.

"Board" means the Board of Directors of the Corporation.

"Committee" means the committee of the Board responsible for executive compensation decisions comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee, a majority of the independent directors serving on the Board.

"Financial Reporting Measure" means any measure determined and presented in accordance with the accounting principles used in preparing the Corporation's financial statements, and any measures

derived wholly or in part from such measures, including GAAP, IFRS and non-GAAP/IFRS financial measures, as well as stock or share price and total equityholder return.

"GAAP" means United States generally accepted accounting principles.

"IFRS" means international financial reporting standards as adopted by the International Accounting Standards Board.

"Impracticable" means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Excess; provided that the Corporation has (i) made reasonable attempts to recover the Excess, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association, (b) to the extent permitted by the Applicable Rules, the recovery would violate the Corporation's home country laws pursuant to an opinion of home country counsel; provided that the Corporation has (i) obtained an opinion of home country counsel, acceptable to the relevant listing exchange or association, that recovery would result in such violation, and (ii) provided such opinion to the relevant listing exchange or association, or (c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Corporation, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

"Incentive-Based Compensation" means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as an Executive; (b) who served as an Executive at any time during the performance period for that compensation; (c) while the Corporation has a class of securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

"Three-Year Period" means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Corporation authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Corporation is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Corporation to prepare such Restatement. The "Three-Year Period" also includes any transition period (that results from a change in the Corporation's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Corporation's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

ACKNOWLEDGMENT AND CONSENT TO
AMENDED AND RESTATED CLAWBACK POLICY

The undersigned has received a copy of the Amended and Restated Clawback Policy (the "Policy") adopted by Westport Fuel Systems Inc. (the "Corporation").

For good and valuable consideration, the receipt of which is acknowledged, the undersigned agrees to the terms of the Policy and agrees that compensation received by the undersigned may be subject to reduction, cancellation, forfeiture and/or recoupment to the extent necessary to comply with the Policy, notwithstanding any other agreement to the contrary. The undersigned further acknowledges and agrees that the undersigned is not entitled to indemnification in connection with any enforcement of the Policy and expressly waives any rights to such indemnification under the Corporation's organizational documents or otherwise.

_____ _____

Date Signature

_____

Name

_____

Title

2023 ANNUAL INFORMATION FORM



Westport Fuel Systems

Effective date March 25, 2024

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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, 2023.

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. Industry consultants and publications generally state the information provided was obtained from reliable sources. 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.

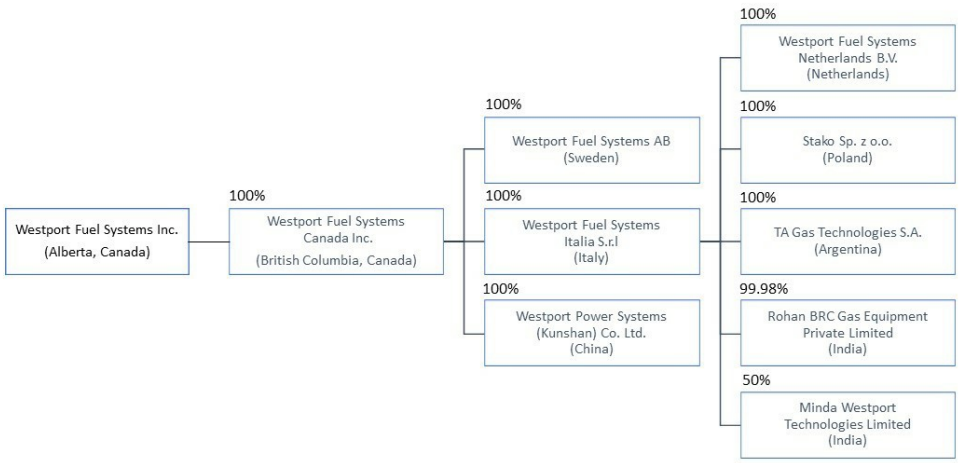
Certain statements contained in this AIF and in certain documents incorporated by reference in this AIF, constitute "forward-looking statements". When used in this document, the words "may," "would," "could," "will," "intend," "plan," "anticipate," "believe," "estimate," "expect," "project" and similar 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 several 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

Our governing corporate statute is the *Business Corporations Act* (Alberta). Our head office and principal place of business is at 1691 West 75th Avenue, Vancouver, British Columbia V6P 6P2. Our registered office is 4500, 855 2nd Street SW, Calgary, Alberta T2P 4K7. In 2016 we amended our articles to change our 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 our principal operating subsidiaries as of March 25, 2024, and, for each subsidiary, its place of organization and our percentage of voting interests beneficially owned or over which we exercise control or direction. The structure is not necessarily indicative of our operational structure.

**A definitive agreement has been concluded with Uno Minda, and closing is anticipated for Q2 of 2024, which will affect the percentage of Minda Westport Technologies owned by the Company. More information is provided in the Long-Term Investments section.*



About Westport Fuel Systems

Driving Cleaner Performance

Westport is a leading global organization for the engineering, manufacturing, and supply of alternative fuel systems and components for transportation applications. Gaseous fuels such as liquified petroleum gas ("**LPG**"), natural gas, biomethane, and hydrogen provide alternatives to common liquid fossil fuels like gasoline and diesel fuels in many applications, offering environmental, economic, and energy security benefits. Westport is the leading supplier of advanced fuel delivery components and systems that address lower emissions regulations to create a greener and cleaner tomorrow. By creating a path to carbon neutrality, our technologies deliver the performance and fuel efficiency required by transportation applications and deliver the environmental benefits that address climate change and urban air quality challenges.

Using Westport's high pressure direct injection ("HPDI")[1] technology, our products include HPDI ™ fuel system, a complete fully original equipment manufacturers[2] ("OEM")-integrated gaseous fuels system, enabling diesel engines to operate with a range of clean-burning fuels including natural gas, biomethane, hydrogen, LPG, or methanol, without any performance or efficiency compromises relative to the base diesel engine platform. As part of our portfolio of solutions, our LNG HPDI 2.0 fuel system is on the road today and is a complete system offering OEMs the flexibility to differentiate their natural gas product lines easily while also maintaining maximum commonality with their conventional diesel fueled products.

Headquartered in Vancouver, British Columbia, Canada, with operations in Europe, Asia, North America, and South America, we serve customers in more than 70 countries with leading global transportation brands through a network of distributors, service providers for the aftermarket and directly to 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 cars and light-, medium- and heavy-duty trucks and off-road applications.

As new stringent environmental regulations mandating greenhouse gas emission (" **GHG**") and air pollutant reductions have been introduced in key global markets, 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, new technology development gives us a strong position in gaseous alternative fuel systems which is driving future growth opportunities. With a decade-long track record of innovation and specialized engineering capabilities, we possess a strong and unique intellectual property position as evidenced by our substantial patent portfolio, trade secrets and copyrights and other intellectual property right.

[1] HPDI is short for High Pressure Direct Injection. Westport HPDI systems provide complete injector "tip-to-tank" OEM solutions that allow the same internal combustion engines that are in fleets now, the ability to shift the system to run on natural gas or hydrogen instead of diesel.
[2] An original equipment manufacturer (OEM) is defined as a company whose goods are used as components in the products of another company (https://www.investopedia.com/terms/o/oem.asp)


GOTHENBURG, SWEDEN
Support Office
CALGARY, AB
Production and
Tech Center
EINDHOVEN,
NETHERLANDS
Production and
Tech Center
SLUPSK, POLAND
Production
VANCOUVER, BC
Corporate Head Office
Tech Center
CAMBRIDGE, ON
Tech Center
CHERASCO, ITALY
Production and
Tech Center
BRESCIA, ITALY
Production
CHANGZHOU, CHINA
Global Facility
Currently Under Construction
BUENOS AIRES,
ARGENTINA
Production

Market Overview

Overview of the Market

Economic development and the increase in global population are two significant factors that drive the ever-growing demand for transportation. The need to move people and freight is driven by an increasing global economy -- the world needs solutions that are clean, affordable, and scalable.

Several dynamics are driving the global alternative fuel market growth including increasingly stringent government regulations focused on carbon reduction, the parallel growth of renewables, increased product availability, fuel availability, and affordability.

Regulatory

Government regulation and social pressure are driving accelerated global demand and adoption of reduced emission vehicles. More stringent standards and accelerated timelines within the passenger car market have drawn much of the focus. Emissions standards continue to tighten and are also forcing changes in the heavy-duty vehicle segment.

In the long-term, fossil fuels are anticipated to be replaced by low/zero emission propulsion systems for transportation. The transition will be a multi-decade process and regulation will vary across developed and emerging markets, shaping the adoption of various technologies. Feasibility, cost, and development time are factors in creating a true zero emissions solution which is compelling, but not practical for all vehicle platforms. However, alternative fuels such as natural gas, hydrogen and biomethane are proven to deliver significant well-to-wheel reductions in carbon emissions, and our expertise in these alternative fuels positions Westport to play a significant role in the decarbonization of the transportation industry.[3]

Carbon neutrality objectives, carbon dioxide ("CO_2") emissions, and fuel efficiency standards for vehicles are all critical considerations in future regulatory requirements as governments worldwide are targeting lower fuel consumption and lower CO_2 emissions beginning in 2025. The increasing levels of supportive government policy combined with rising corporate adherence to emission reduction goals are creating growth catalysts for Westport in its key markets.

Europe

The European Union ("EU") is an important jurisdiction that has historically supported the adoption of alternative fuel for lower emissions.

The EU is currently targeting a quicker transition to lessen its reliance on Russian fossil fuels which has driven both the expansion of biomethane plants and revised hydrogen production targets.

- EU CO_2 emission standards currently have targets to reduce the CO_2 emissions of new heavy-duty vehicles by 15% in 2025 and 30% in 2030 relative to the baseline value reported between 2019 and 2020. The 2023 revision of these targets is currently being finalized, with new proposed overall targets of 45% reduction in 2030, 65% in 2035 and 90% in 2040. Industry projections show the path to decarbonization will require the use of a variety of low/zero carbon solutions including biomethane and hydrogen.
- The revision of the CO_2 emissions standards for heavy-duty vehicles also proposes to amend the definition of a zero-emission vehicle and set the threshold at 3gCO_2/ton-km for trucks, thus enabling hydrogen internal combustion engine vehicles, including those using pilot ignition technologies such as Westport's HPDI fuel system, to classify under this label alongside battery electric and fuel cell vehicles.
- New car and van fleets must reduce average emissions by 15% in 2025, 55% by 2030 for cars (50% for vans) and 100% by 2035 relative to 2021 baseline levels. The European Commission will make a proposal for registering vehicles exclusively using CO_2 neutral fuels after 2035. It will also develop a common EU methodology, by 2025, for assessing the full life cycle of CO_2 emissions of cars and vans placed on the EU market, as well as for the fuels and energy consumed by these vehicles. In January 2024 the UK government turned its zero-emission vehicle mandate into law, mandating that 80% of new cars and 70% of new vans be zero emission vehicles by 2030.
- In 2023 the EU finalized the revision of its regulations on the deployment of alternative fuel infrastructure ("AFIR"), which is expected to play a crucial role in driving the growth of the alternative fuel vehicle market. The new legislation sets mandatory national targets for recharging points at least every 60 km on main roads by the end of 2025 and hydrogen refueling infrastructure at least every 200 km on main roads by the end of 2030. This hydrogen refueling infrastructure must be designed for a minimum cumulative capacity of one ton per day and equipped with at least a 700-bar dispenser, making it suitable to refuel both light and heavy-duty vehicles. These new requirements come on top of the existing regulations for a minimum liquefied natural gas ("LNG") refueling infrastructure to be in place by 2025, which represents an indicative distance of approximately 400 km between stations on the roads linking major cities and nodes.[4]
- The REPowerEU package was adopted in February 2023. It is a plan that aims to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition, in which biomethane and hydrogen are expected to play a

[3] Allied Market Research (December 2022): Heavy-Duty Truck Market, Forecast and Size
[4] Iternative Fuels Infrastructure - European Commission (europa.eu); Directive - 2014/94 - EN - EUR-Lex (europa.eu);

key role.[5] REPowerEU has set a target of 35 billion cubic meters (bcm), additional biomethane production per year by 2030, and 20 million tons (Mt) of renewable hydrogen supply by 2030.

- In December 2023, a provisional agreement was reached on the new Euro 7 standards to further reduce air pollutant emissions from road transport, as part of the European Green Deal's zero-pollution ambition. For passenger cars and vans, negotiators agreed to maintain the current Euro 6 test conditions and exhaust emissions limits but extend particle number measurement down to 10nm (PN10). For buses and trucks, the agreed text includes stricter limits for exhaust emissions measured in laboratories and in real driving conditions. Euro 7 will be the first emission standards worldwide to set limits for emissions from brakes and tires. It also introduces stricter lifetime requirements for all vehicles and minimum battery durability requirements. The new standards will apply from mid-2026 for passenger cars and vans and from 2028 for trucks and buses.

North America:

Government agencies in both the United States (U.S.) and Canada have committed to continue cutting emissions from cars, trucks and transport vehicles while focusing on increasing emissions standards.

- In December 2022, the U.S. Environmental Protection Agency (" EPA") adopted a final rule, "Control of Air Pollution from New Motor Vehicles: Heavy-Duty Engine and Vehicle Standards," that sets stronger emissions standards to further reduce air pollution. This includes pollutants that create ozone and particulate matter, from new heavy-duty vehicles and engines starting in model year ("**MY**") 2027.
- In April 2023, the EPA announced a proposal for more stringent standards to reduce greenhouse gas emissions from heavy-duty vehicles beginning in MY 2027. The EPA is proposing stronger CO_2 standards for MY 2027 vehicles and an additional set of CO_2 standards that would become increasingly more stringent each model year from MY 2028 through to 2032. The draft was submitted to the White House for review in December 2023, which is the last step towards finalization.
- In June 2023, the EPA adopted the Renewable Fuel Standard (" RFS") program for 2023-2025, establishing the applicable volumes and percentage standards for cellulosic biofuel, biomass-based diesel, advanced biofuel, and total renewable fuel. This rule includes steady growth of biofuels for use in the nation's fuel supply until 2025.
- In December 2023, the Government of Canada published its final Electric Vehicle Availability Standard. These regulations set zero emission vehicle ("ZEV") sales targets for manufacturers and importers of new passenger cars, sport utility vehicles ("SUVs"), and pickup trucks. The regulations require that at least 20% of new vehicles sold in Canada will be zero emission by 2026, at least 60% by 2030, and 100% by 2035.
- An increasing number of U.S. states are adopting similar ZEV regulations for new light-duty passenger vehicles. California requires that 100% of new vehicles be ZEVs by 2035, and 10 other states have adopted similar standards beginning in 2026 or 2027: Colorado, Delaware, Maryland, Massachusetts, New Mexico, New York, Oregon, Vermont, Virginia, and Washington. Additional states have adopted California's current ZEV regulations, and altogether over 40% of the North American vehicle market could have similar ZEV requirements by 2027.
- For medium and heavy-duty vehicles, the California Air Resources Board (" CARB") requires all new medium- and heavy-duty vehicles sold in California to be a ZEV by 2045 as part of the Advanced Clean Trucks regulation. Zero-emission technologies are defined as battery electric and fuel cell electric vehicles. Beginning in 2024, manufacturers seeking certification for Class 2b through Class 8 chassis or complete vehicles with combustion engines will be required to sell zero-emission trucks as an increasing percentage of their annual California sales. On top of it, CARB's Advanced Clean Fleets ("ACF") Regulation approved in April 2023 requires fleets above 50 trucks to purchase minimum ZEV percentages from 2024, reaching 100% between 2035 and 2042 depending on the vehicle categories. In November 2023, the CARB held a workshop on hydrogen internal combustion engines and their use in California's trucks. However, CARB has no current plan to make a regulatory change on this topic until the agency sees some data and results of current test programs.
- The U.S. Inflation Reduction Act ("IRA") of 2022 supports investment in clean fuel production, refueling infrastructure and vehicles including renewable natural gas ("RNG") and hydrogen and represents the single largest investment in climate and energy in American history. The IRA actively promotes hydrogen and RNG by introducing a new clean fuel production credit and reinstalling expired alternative fuel credits until 2024; making "energy storage technologies" (including hydrogen storage) eligible for the investment tax credit; revising the clean vehicle credit for passenger vehicles and introducing a substantial credit for clean commercial vehicles, a key use case for hydrogen; and reviving and expanding the alternative fuel station credit which will foster more alternative fuel fueling stations.
- California is a historic leader in RNG transportation, achieving negative average carbon intensity in 2020, driven by the Low Carbon Fuel Standard. The CARB 2022 Scoping Plan for Achieving Carbon Neutrality lays out a path to achieve targets for carbon neutrality and reduce anthropogenic GHG emissions by 85% below 1990 levels no later than 2045. The actions and outcomes in the plan will achieve among other things significant reductions in fossil fuel combustion by deploying clean technologies and fuels.

[5] The European Commission (https://commission.europa.eu): Priorities; The European Green Deal; REPowerEU: affordable, secure and sustainable energy for Europe

- Canada's Hydrogen Strategy is aimed at clean hydrogen, delivering up to 30 percent of Canada's energy by 2050, making Canada one of the top three producers of clean hydrogen globally.

China:

Until recently, China followed the European emissions standards, with China 5/V vehicle emission standards aligned with those of Euro 5/V for light- and heavy-duty vehicles. However, the newer China VI standards are more stringent than their European counterparts in some respects. China VI called for application of Euro VI standards for all new heavy-duty vehicles starting in mid-2021. China VI-b implemented in July 2023 introduces slightly more stringent testing requirements and portable emissions monitoring including anti-tampering monitoring and remote diagnostics data reporting that are expected to enhance real-world emissions compliance. Even though the timeline of "China VII" is not determined, China intends to continue updating emission and fuel consumption standards. New standards would likely be implemented from 2030, requiring stricter limits on nitrogen oxides (NOx), new cold start requirements, as well as improved on-board diagnostics (OBD) and remote monitoring systems. China is currently preparing the national "fourth stage" of fuel consumption limit that is expected to require a 15% reduction of CO_2 emissions for diesel heavy-duty vehicles. LNG trucks may be included in its "fifth stage" of national compulsory fuel consumption standards.

Annually, China emits more CO_2 than the entire developed world combined and will likely face tremendous challenges to meet its 2030 and 2060 carbon emissions reduction targets, particularly in the class 8 truck transportation industry. To meet these targets, China has set goals for new energy vehicles to reach 20% of total auto sales by 2025 from about 5% in 2020[6], with primary focus on electrical vehicles ("EV"), plug-in hybrid electric vehicles ("PHEV"), and fuel cell electric vehicles ("FCEV"). China has also been at the forefront of natural gas vehicle ("NGV") adoption globally, with about 10 million NGVs in service, though mainly passenger vehicles.

- In 2023, the sales of LNG and CNG heavy-duty trucks reached over 150,000 units. [7] Adoption of natural gas trucks has been on the rise, mainly due to the widening price difference between diesel and natural gas. The natural gas truck market is expected to be further boosted in 2024, and sales may surpass 250,000 units.[8]

- LNG, biomethane and hydrogen are expected to play a key role in China's transport mix. The Chinese government funded 64 biomethane pilot projects and 1,400 biogas plants. China is the largest hydrogen producer in the world. Hydrogen mobility is seen as crucial to decarbonize China's transport sector. The country has set a target of having a fleet of 50,000 hydrogen vehicles by the end of 2025, focused primarily on medium- and heavy-duty trucks. China has built over 400 hydrogen refueling stations, ranking first in the world in the number of hydrogen refueling stations, 280 of which are operational.[9]

- In December 2023, China's State Council published an action plan to improve air quality. The plan contains a series of measures to achieve bluer skies by 2025, which include developing a low-carbon transport system. According to the plan, "new energy" vehicles should account for no less than 80% of new or updated buses, taxis and other urban public transport vehicles in key areas of the Beijing-Tianjin-Hebei region and its surrounding areas, as well as the Yangtze River Delta region and the Fenwei Plain.

Fuel Availability

Alternative fueling infrastructures are growing rapidly, a direct result of tighter global emissions standards. The creation of a fueling station network is essential to meeting the targets and demand predictions for 2030 and beyond. Renewables specifically have grown significantly over the past decade, making them both more scalable and widely available. Greater fuel availability for biomethane and hydrogen drives faster adoption and is crucial for reaching decarbonization targets.

Biomethane is making a substantial impact currently and has the capability to make a much larger one. The use of biomethane as a transport fuel bolsters the environmental case for gas-based vehicles and can fully replace natural gas as a source of fuel without any changes required to the engine. The case for using biomethane for transport is strongest in transport segments where electrification is a more challenging prospect, such as long-haul road freight and shipping. These areas are currently experiencing the greatest adoption, due to climate benefits and availability. Biomethane is a well-to-wheel climate reduction solution that is available today.

Liquified Petroleum Gas

- The network of LPG stations is the most mature, covering 70 countries, expanding slightly in some regions, with over 29,000 stations in the EU and 45,000 in all of Europe (including Turkey and Ukraine) in 2022.

[6] New energy vehicles to make up 20% of China's new car sales by 2025 | Reuters
[7] IHS Markit Services (Accessed in March 2024)
[8] China's LNG import growth still hangs in the balance despite natural gas price decline | S&P Global Commodity Insights (spglobal.com); Over Half of China's Trucks Could Be Fueled by Natural Gas in 2024, Foton Motor Says (yicaiglobal.com)
[9] https://hydrogen-central.com/china-tops-world-hydrogen-stations-fueling-clean-energy-future/#google_vignette

Natural Gas and Renewable Natural Gas (Biomethane)--Compressed Natural Gas and Liquefied Natural Gas

- China has the largest existing natural gas infrastructure in the world with 9,000 compressed natural gas ("CNG") stations and 3,000 LNG stations.
- Europe has over 4,000 CNG stations and the number of LNG fueling stations continues to grow steadily, exceeding 700 stations at the end of 2023[10]. Many of these stations are supplying increasing shares of biomethane.
- The U.S. has 1,680 CNG stations available and 50 planned; 144 LNG stations available and 38 planned. [11] Expanded RNG production from dairy and swine digesters continues to drive the carbon intensity of RNG used in transportation in California further below zero.

Hydrogen

Heavy-duty transport is expected to play a significant role in the demand of hydrogen in Europe where hydrogen refueling infrastructure needs to be available at least every 200 km on main roads by 2030. The European Automobile Manufacturers' Association estimates that 700 truck-suitable hydrogen refueling stations will be needed in Europe to meet the CO_2 reduction of 45% by 2030.[12]

Almost all the hydrogen stations in the U.S. are in California or Hawaii and designed to refuel cars, with more under development in the Northeastern U.S. and the Pacific Northwest. The U.S. government's goal is 200 hydrogen stations in California by 2025, growing to 1,000 stations by 2030.The supply/demand equation is expected to balance out as the increased availability of hydrogen is expected to lead to decreased costs.

Approximately 800 hydrogen refueling stations were in operation worldwide, including 450 in Asia (300 public), 250 in Europe (200 public) and close to 100 in North America (65 public), and many more being commissioned in all regions.

Market Size

The world is growing. The amount of goods that need transport is increasing as well. The transportation industry aspires to get more goods to more people in a cleaner, more efficient, and affordable way. About 1.5 billion vehicles[13] are on the road, and the global transportation industry is currently producing nearly 90 million new vehicles each year.[14]

Heavy-Duty

OEM production is largely back on track following disruptions due to the COVID-19 pandemic and related disturbances in global logistics and supply chain systems and is now facing an environment of increased regulation on vehicle emissions. The heavy-duty truck market is currently valued at approximately $205 billion and is expected to grow over the next five years.[15]

In 2023, diesel constituted 95.7% of new truck registrations, which recorded a growth of approximately 15% in EU diesel truck sales. As the regulatory landscape continues to evolve, we can expect a switch to biomethane and, in the future, hydrogen to occur to meet OEM emissions requirements as well as customer requirements for power and efficiency.[16]

Globally, there are more than 23 million natural gas-fueled vehicles [17] on the road, representing nearly 2% of the global road fleet. [18] This transition to natural gas is expected to accelerate as more stringent carbon regulations drive the conversion to lower emission options including alternative fuels like LNG, bio-methane, and hydrogen. Our lead customer, using Westport's HPDI technology, continues to increase its natural gas transportation market share in Europe.

Passenger Car

Collecting data about the global LPG conversion market continues to change and evolve as several countries worldwide do not have a formal approval process in place. The world market of LPG/CNG conversion kits is estimated to be an excess of one million units[19]

[10] Gas Vehicle Association (NGVA Europe); https://www.ngva.eu/stations-map/
[11] https://ngvamerica.org/fuel/ngv-station-map#/find/nearest?fuel=CNG,%20LNG
[12] https://www.acea.auto/press-release/truck-and-bus-co2-standards-ambition-levels-for-all-stakeholders-must-be-aligned/
[13] "Here's About How Many Cars Are There in The World in 2023", by Rob Stumpf, October 17, 2023, Refer to the online publication, The Drive
[14] *"Estimated worldwide motor vehicle production from 2000 to 2022"*, published by Martin Placek, August 29, 2023, https://www.statista.com/statistics/262747/worldwide-automobile-production-since
[15] *Allied Market Research (April, 2023): Heavy-Duty Trucks Market - Growth, Trends, COVID-19 Impact, and Forecasts (2023-2028)*
[16] European OEM Association
[17] Natural Gas Vehicle Association of America (2024)
[18] *Natural Gas Vehicle Association of America (2024)*
[19] *Westport Fuel Systems Analysis (2022)*

Market Dynamics

Automotive Industry Trends

The following is a brief description of several key automotive industry trends that are shaping our long-term strategy [20]:

Continuing focus on reducing vehicle energy consumption and CO_2 emissions	• Sustainability and regulatory considerations accelerating push for more efficient, cleaner alternative fuel systems and components
OEM cooperative alliances/consolidation	• Joint platform development and costs sharing/joint purchasing
Increase in R&D spending	• Significant development and engineering costs for OEMs may drive increased outsourcing to suppliers and collaboration
New forms of data collection to redeploy for new services which could lead to new revenue models.	• The digitalization and datafication of vehicles have become more of a focal point for OEMs, providing each OEM the ability to personalize the driver's experience, which can strengthen brand loyalty.

Near Term Industry Challenges

Global Supply Chain Challenges and Inflationary Environment

While OEM production is back on track after COVID-19, there are other disruptions that we are closely monitoring and making efforts to mitigate, including the impact of the global shortage of semiconductors, raw materials and parts on our businesses; however, we do not expect this shortage to affect our long-term growth.The global semiconductor supply, raw materials shortages and inflationary pressure on production input costs continued to affect the automotive industry and will continue to impact our business for the foreseeable future. Our production and end-customer demands are materially impacted by the prolonged supply chain disruption, which continue to put pressure on our margins.

Furthermore, due to the ongoing conflict in the Middle East and continuing attacks on cargo ships in the Red Sea, hundreds of vessels are avoiding the Suez Canal and disrupting global supply chains. These vessels are being forced to reroute around southern Africa vastly increasing transport times and freight costs. This global disruption to the international trade routes has put additional pressure on the Company's supply chain and the automotive sector as a whole. We continue to monitor the situation to mitigate transportation delays and costs to the Company.

Fuel Prices

Although we have seen a recent decline in LNG and CNG pricing, it has remained above historical levels in 2023. This volatility extends to liquid fuels including crude oil, diesel, and gasoline, given uncertainty in supply levels and European geopolitical risk due to the Russia-Ukraine conflict. Higher gaseous fuel price negatively impacts the price differential of gaseous fuels versus diesel and gasoline, which may impact our customers' decisions to adopt such gaseous fuels as a transportation energy solution in the short-term. We continue to observe softness in demand in our heavy-duty and light-duty OEM sales volumes caused by the uncertainty over the elevated prices of CNG and LNG relative to diesel and gasoline in Europe. Despite pressure on CNG and LNG prices, the increased LPG price differential to gasoline in Europe since the end of 2022 continued in 2023 and was favourable to customer demand, which supported increased sales in our fuel storage business.

[20] *Westport Fuel Systems Analysis (2022)*

Industry Growth Drivers

Aligning industry and economies with the targets laid out in the Paris Agreement—limiting global warming to well below 2°C, while pursuing efforts to limit the increase to 1.5°C continues to drive the replacement of legacy systems powered by fossil fuels with low carbon energy sources such as renewables.While natural barriers such as substantial increases in costs and the evolving regulatory environments, particularly when it comes to decarbonizing hard-to-abate sectors such as transportation, there has been significant advances, leading to steady growth opportunities. And, steady change will be critical regarding fuels used to achieve CO_2 reductions needed to meet various countries' requirements and hydrogen is one of the solutions that industries are turning to.[21]

Globally, hydrogen will play a crucial role in decarbonizing the transportation industry—enabling a clean and resilient energy system. In 2023, committed investments in hydrogen end uses have reached more than USD 7.5 billion, with the most significant investments in Europe (total committed investments of USD 4.5 billion). By sector, mobility [transportation] has the highest committed investments (USD 4.5 billion) followed by the power sector (USD 1.2 billion).[22]

With investments and growth underway, deployment and the overall decarbonization of the transportation industry can only move as fast as the ecosystem allows. On the road today, our LNG HPDI 2.0 fuel system is a first step towards decarbonization. As industry and infrastructure gradually mature hydrogen appears to be a viable future fuel of choice.We are focused on delivering practical solutions for the decarbonization of a critical sector of the economy. Specifically:

- To meet the demand for decarbonization, the heavy-duty transport sector urgently needs cleaner engines and fuels and technological advances.
- To succeed, policies governing the transition to a net-zero future in heavy transport must take a technology-open approach.
- To achieve a meaningful reduction in emissions, more countries must adopt fuel economy and CO2 emissions standards for heavy-duty vehicles, support technological development in the sector, and implement low-emission vehicle mandates.

Our HPDI fuel system features the only natural gas technology retaining the performance and efficiency of a diesel engine. The only way to reduce GHG emissions is to support all existing clean solutions, including biomethane (both in compressed and liquified forms) and hydrogen, to accelerate the decarbonization of road transport.The transition, specifically to hydrogen, will take time due to continued regulatory uncertainty and increasing costs.

[21] https://www.un.org/en/climatechange/paris-agreement
[22] Hydrogen Insights 2023: The state of the global hydrogen economy, published by The Hydrogen Council

Competitive Conditions and Advantages

Tier 1 Suppliers

The competitive conditions on the journey toward zero emissions in a post-pandemic world continued to intensify. The rapid rise of electrification, disruptive technologies, CO_2 regulations, managing supply chain interruptions, and workforce talent management are all areas of intense competition.

For many Tier 1 suppliers, the formula for success during this sustainable transportation transition has shifted significantly from creating competitive advantage through operational efficiencies in the short term to a longer-term strategy of leveraging existing assets and building new competencies. Transport sector decarbonization goals will need to combine multiple and complementary solutions to reduce GHG emissions - but which combination will win? Aggressive moves in existing and new markets will be rewarded with positioning and market share gains in a new and emerging competitive landscape.

As a Tier 1 supplier we have the unique opportunity to position our organization as a global supplier with innovative technology products and systems. We are tackling climate change head-on. We are dedicated to driving cleaner performance for transportation with affordable fuel system solutions - across audiences, across global regions, across fuels, and across applications that meet existing and future emissions regulations.

Powertrains – No One Size Fits All

We recognize there will be a diversity of powertrains used throughout the world. Our competitive advantage is the ability to adapt and deliver today with existing manufacturing and fueling infrastructures.

Our products and related technologies compete with:

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

  These companies produce components, manufacture, and assemble complete systems, and may also manufacture or assemble conversion kits used to convert vehicles fueled by diesel or gasoline to an alternative fuel.

- Conversion specialists

  These companies 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

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

- Hydrogen-powered engines: H2ICE and Fuel Cell Electric Vehicles ("FCEVs") system suppliers

  In the hydrogen economy there are two technologies: FCEVs and hydrogen internal combustion engines (H2ICE). FCEVs generate electricity from hydrogen in a fuel cell used to power the electric motor, whereas H2ICE burns hydrogen in an internal combustion engine.

Our Business History and Strategy

Three Year Lookback

2024

On March 11, we announced the signing of a definitive agreement with Volvo Group (“ **Volvo**”) to establish a joint venture (“JV”) to accelerate the commercialization and global adoption of Westport's HPDI fuel system technology for long-haul and off-road applications.

On February 26, we announced a proof-of-concept project with a global OEM that supplies power solutions for marine applications to test Westport's HPDI fuel system utilizing methanol for marine applications (the "**Project**"). The Project, is expected to start in the first quarter of 2024, will be fully funded by the OEM, and is planned to run for approximately nine months.

On January 16, 2024, we announced Daniel Sceli as the Company's new President and Chief Executive Officer and a member of Westport’s Board of Directors (the **"Board"**).

2023

On December 19, we announced that we have been awarded a development program by a global heavy truck manufacturer to adapt its Next Generation LNG HPDI fuel system to meet the Euro 7 emissions requirements for heavy-duty vehicle applications. The value of the development program is estimated to be USD$33 million and will be funded by the original equipment manufacturer (OEM). Work on the program is already underway with a targeted launch of the new LNG and liquified biomethane fueled product within a few years.

On December 12, we announced the successful completion of a heavy transport demonstration with KAJ Inrikes and others, utilizing a H_2 HPDI fuel system-equipped prototype truck hauling a trailer filled with IKEA home-furnishing products in Älmhult, Sweden.

On November 6, we announced an agreement with a leading global provider of locomotives and related equipment for the freight and transit rail industries, to adapt our hydrogen HPDI fuel system for use with the locomotive OEM engine design.

On October 10, we announced the successful completion of a heavy transport demonstration with our H_2 HPDI fuel system equipped prototype truck hauling a refrigerated trailer in Madrid, Spain. The demo marks the first of its kind in Spain, representing an important step forward in the decarbonization of heavy transport for the country.

On August 22, we announced that David Johnson, Chief Executive Officer stepped down as Chief Executive Officer and resigned from the Board, effective immediately. Tony Guglielmin, who served on the Westport Board and as Chair of the Audit Committee, was appointed interim CEO.

On July 19, we announced that we entered into a non-binding letter of intent with Volvo to establish a JV to accelerate the commercialization and global adoption of Westport's HPDI fuel system technology for long-haul and off-road applications.

On June 29, we released our 2022 ESG report, outlining the Company's progress and areas of focus.

On June 21, we announced that we received a compliance letter from the American stock exchange, Nasdaq, notifying Westport that it has regained compliance with the minimum bid price requirements under Nasdaq listing rules.

On May 18, we filed a short form base shelf prospectus with Canadian securities regulatory authorities pursuant to which the Company may, from time to time, offer and issue up to an aggregate amount of $200 million common shares, preferred shares, debt securities, warrants, subscription receipts, units, or any combination thereof, during the 25-month period that the base shelf prospectus is effective.

On May 2, we announced that we will be displaying our HPDI fuel system on commercial vehicles during the Advanced Clean Transportation (ACT) Expo 2023 in Anaheim, California.

On May 1, we announced the appointment of our new Executive Vice President of Product Development and Chief Technology Officer, Fabien G. Redon.

On April 26, we announced our intention to consolidate the Common Shares of Westport on a 10-1 basis to restore compliance with the minimum bid price requirements under Nasdaq Stock Market LLC ("**Nasdaq**") listing rules. The consolidation became effective on June 6, 2023.

On March 6, we announced a collaboration with a global OEM to evaluate the performance, efficiency and emissions of the OEM's engine equipped with Westport's H_2 HPDI fuel system. This collaboration marks Westport's third major OEM engagement evaluating its H_2 HPDI fuel system to date.

On February 14, the Company received notice from the Nasdaq that it had regained compliance with the Nasdaq's minimum bid price requirements.

On February 27, we announced plans to invest up to $10 million in a global manufacturing facility in Changzhou Hydrogen Valley, China.

2022

On December 13, we announced a collaboration with Johnson Matthey, a global leader in sustainable technologies, to develop an emissions after treatment system tailored to Westport's proprietary H_2 HPDI fuel system, with the goal of reducing or eliminating emissions.

On December 7, we announced that we were awarded a program to develop and supply LPG systems to a global OEM to accommodate some of its Euro 7 vehicle platforms. The program is forecasted to generate €40 million in annual revenue with production expected to begin in Q1 2025.

On November 29, we announced we would provide a strategic update and deep dive into the H_2 HPDI fuel system at our 2022 Capital Markets Day on December 8, 2022 in Toronto, Canada.

On November 7, the Company announced that on November 3, 2022, it received written notice (" **Notification**") from the Nasdaq notifying it that it is currently not in compliance with the minimum bid price requirement set forth under Nasdaq Listing Rule 5550(a)(2) ("**Nasdaq Listing Rule**"). In accordance with applicable Nasdaq procedures, the Company has 180 calendar days, or until May 2, 2023, to regain compliance with the Nasdaq Listing Rule. To regain compliance, the Company's ordinary shares must have a closing bid price of at least US$1.00 for a minimum of 10 consecutive business days.

On October 26, the Company and Scania AB (" Scania"), a world-leading provider of transport solutions, announced impressive engine test results of Westport's H_2 HPDI fuel system for heavy-duty vehicle applications.

On September 30, we announced the resignation of Chief Financial Officer (" CFO") Richard Orazietti and the appointment of William Larkin as successor CFO.

On September 28, we unveiled in Brussels to an audience of policy makers and industry representatives, our new H_2 HPDI fuel system for heavy-duty vehicles that is expected to reduce CO_2 emissions in alignment with EU decarbonization goals.

On August 29, we released our 2021 ESG report outlining the Company's accomplishments within the core ESG areas of carbon footprint, operational health and safety, diversity, equity and inclusion, responsible sourcing, human rights, and ESG governance.

On July 11, we announced that we had been awarded a program to develop and supply LPG systems for several vehicle applications for a global OEM. The program is forecasted to provide €38 million in revenue through the end of 2025, with production expected to begin in Q4 2023. We will provide fuel systems solutions for the Euro 6 applications to this OEM, supplying the entire LPG system from the fuel tank to the fuel injectors. In parallel, we announced that we were developing fuel systems to respond to future regulations including the proposed Euro 7 standards.

On May 3, we announced our H_2 HPDI fuel system in a demonstrator truck enabled heavy-duty trucks to operate on biomethane (renewable natural gas) and natural gas with the same power, torque, efficiency, and performance as diesel engines, and with better results running on hydrogen, all while meeting global emissions regulations.

On February 7, we announced that Cummins Inc. (" Cummins") and Westport had. 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 also sold certain of its rights in the intellectual property of CWI for additional 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, we announced that we had 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 vital role of hydrogen technologies in an energy transition for cleaner transportation solutions.

On January 25, we announced the appointment of Philip B. Hodge to the Westport Board. Mr. Hodge was later appointed as a member of the Audit Committee.

2021

On December 16, we announced that we had refinanced a $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, we announced the award of a tender issued by NAFTAL, a branch of SONATRACH, the national Algerian Oil & Gas company. Under the terms of the tender, Westport 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, we released our 2020 ESG report outlining our progress and sharing our forward plans to evolve and mature an embedded ESG strategy.

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

On June 8, we announced the closing of an underwritten marketed public offering of Common Shares in the U.S. and Canada for gross proceeds of $115,115,000. We issued 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 28, we 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, we announced a co-investment with our 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 LNG HPDI 2.0 fuel system.

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

On March 15, we announced our inclusion in the S&P/TSX Composite Index.

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

On February 25, we 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 our 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, we announced we had agreed to commence a research project with Scania AB (" Scania") to apply our Westport HPDI 2.0 fuel system with hydrogen to the latest Scania commercial vehicle engine.

On January 7, we announced the appointment of Anthony Guglielmin to the Westport Board. Mr. Guglielmin was also appointed to the Audit and the Nominating and Corporate Governance Committees.

Strategy

In many of our key markets including Europe, North America, and China, adoption of alternative fuels for transportation applications continues to increase and is expected to experience a step change increase as regulatory requirements become increasingly more stringent beginning in 2025. We are well positioned to deliver clean, affordable products that address these regulatory requirements now and into the future.

The foundation of our strategic pillars is based on the continued strength of our market position with a focus on extracting business efficiencies and improving financial strength. We strive to deliver valuable, impactful products and services to our global customers, enabling a collective contribution to a decarbonized transportation sector.

We remain committed to our priorities including driving sustainable growth in our existing markets, unlocking new and emerging markets, driving operational excellence, and extracting efficiencies through prudent capital management. Near-term however, the immediate priority is centered on closing the HPDI JV with Volvo and driving efforts to elevate the performance and efficiency of the core business and improve margins.

The closing of the HPDI JV is subject to certain conditions, including regulatory and government approvals. It is anticipated that it will become operational following the formal closing which is expected in the second quarter of 2024.

LNG pricing in Europe has returned to an advantageous position relative to diesel fuel and this price advantage is a key driver of fleet demand enabling fleets to run on cleaner fuel with reduced operating costs, that is, lower total cost of ownership--the key metric for fleets. And, with our planned HPDI JV, we expect to accelerate the commercialization of HPDI globally.

The planned HPDI JV is expected to expand our reach to a wider customer base, drive growth and innovation by bringing together its resources and strengthen Westport's financial position.

1. Deliver Sustainability in our Existing Markets Through a Diversified Portfolio of Technology, Products, and Services

Our diverse portfolio of technology, products, and services are sold 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 key growth markets – Europe, North America, China, and India – and to satisfy the demand for clean, affordable, low emissions transportation with our diverse portfolio of technology solutions for low carbon gaseous fuels.
- Complement our growth and scale efficiencies through strategic mergers and acquisitions and corporate development activities.

2. Unlock New and Emerging Markets Through the Delivery of Cleaner, Affordable Transportation Solutions

Investing in innovation and delivering new technology to the market is a critical aspect to our future growth. We are building opportunities in our business that address global trends impacting the evolution and diversification of sustainable transportation fuel alternatives. This includes advancing our HPDI fuel system for hydrogen and LNG and our direct injection aftermarket technologies.

- Provide customers with 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.

3. Drive Operational Excellence and Reputation as a Tier 1 Supplier with Superior Quality and Reliability

Achieving operational excellence in our manufacturing and supply chain management is key to our strategic success. In addition, sustainability has been deeply engrained in our culture since our inception. The goal to increase profitability is predicated on our ability to enhance quality, production efficiency, and reliability that fosters strong long-term partnerships with OEMs, distributors, and customers. How well we perform as a steward of our environment, a safe operator and a diverse employer is tightly linked to our business success and our ability to create long-term value for our stakeholders. We will accomplish these in line with our ESG goals. Specifically:

- Continue to invest in innovative technologies to reduce GHG emissions throughout the value chain while embedding these efforts in our day-to-day business.
- Adhere to the Westport Quality Management System across all global operations, validated by requisite ISO certifications.
- Improve our business processes and interactions within our ESG framework to guide our actions and improvements.

Through our annual ESG reporting, we share our approach to responsibly managing our environmental, social and governance practices with our business and other stakeholders.

4. Extract Efficiencies Through Prudent Capital Management Focused on Cost Optimization and Margin Expansion

- Establish the foundation required to enable Westport to achieve its strategic priorities through enhanced financial performance. Commitment to building transportation solutions that improve the environment and add prosperity to communities. Some of these priorities include: 1) realign cost structure including mitigating inflationary pressures; 2)focused site-specific margin improvements; and 3) optimizing current production portfolio.

Description of the Business

Our Brands

Our Products

Westport designs, manufactures, develops, validates, certifies, and sells alternative fuel (LPG, CNG, LNG, RNG, and hydrogen) components and systems for passenger cars and light-, medium- and heavy-duty commercial vehicles and off-highway 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 fuel system, which is a complete fully-OEM-integrated solution that enables heavy-duty trucks to operate on natural gas, biomethane or hydrogen.

Operating Business Segments

We manage and report the results of our business through three segments: OEM, IAM, and Corporate. Financial information related to each operating segment is provided in our financial statements for the year ended December 31, 2023, and in our 2023 Management's Discussion & Analysis ("MD&A").

CHANNELS TO MARKET

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

OEM

We design, manufacture, and sell alternative fuel systems, components and electronics, and related engineering services, to OEMs that serve light-duty, medium-duty and heavy-duty customers.

Our product portfolio also includes the supply of hydrogen fuel system components for light-, medium- and heavy-duty applications, supporting the growing interest in fuel-cell and other hydrogen powered vehicles. Our customers include leading OEMs in this space like Plug Power and Ballard Power Systems and various Tier 1 suppliers. Today, our portfolio includes low pressure, 350 bar and 700 bar hydrogen fuel control components and solutions covering a complete spectrum of alternative fuel systems.

In the heavy-duty segment, Westport's LNG 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 LNG HPDI 2.0 fuel system provides global OEMs with an integrated solution with attractive price, performance, and fuel economy and can be integrated into diesel engines of approximately 10 liters or higher displacement with minimal mechanical change.

We also provide 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.

We offer 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 or in cooperation with local distributors or dealers.

- We design, develop, certify, integrate, sell and support best-in-class bi-fuel systems to enable petrol vehicles to operate with LPG or CNG. We offer a range of bi-fuel products under various brand names, for the latest petrol direct injection engines as well as for port injection petrol engines. Our bi-fuel systems are available for a range of market applications, including emissions-leading markets and developing markets, through our DOEM channels and a network of distributors and importers, enabling end users to achieve emissions benefits and operating cost savings by consuming clean and affordable gaseous fuels.
- We also offer systems for diesel-powered vehicles in developing markets, enabling operation with clean and affordable gaseous fuels. Our 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 for LPG/CNG conversion kits is estimated to be in the range of an excess of 1 million units per year [23] 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 are sold under various recognized brands including BRC, Prins, Zavoli, OMVL, TA Gas Technology, Vialle and Valtek, and range from premium to value solutions, allowing us to support a broad spectrum of IAM business. Our primary markets include Italy, Argentina, Turkey, and Poland.

[23] Westport Fuel Systems Analysis (2022)

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.

Long-Term Investments

Weichai Westport Inc. (WWI)[24]

WWI is our 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 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, we 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 the equity securities of Westport HK for a nominal amount. We 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. In December 2023, the Company, through its wholly-owned subsidiary, Westport HK, signed an equity transfer agreement with WWI for the 4.55% economic interest.

Minda Westport Technologies

Since 2009, Westport Fuel Systems Italia S.r.l. (" WFS Italia") and Uno Minda Limited (" Uno Minda") operated Minda Westport Technologies Limited ("MWTL") as 50/50 joint venture partners. On September 12, 2023, as part of a restructuring initiative of the business of the WFS Group in India, WFS Italia and Uno Minda entered into a Memorandum of Understanding in which WFS Italia agreed to sell 26% off its shareholding in MWTL and the assets of its subsidiary, Rohan BRC Gas Equipment Private Limited ("RBRC") for 3.2 million Euro (with closing adjustments)[25]. All definitive agreements have been concluded and closing is anticipated for Q2 of 2024. Thereafter, WFS Italia will have a minority stake of 24% and has entered into agreements with MWTL to supply WFS Products (parts and technical services). Production at the manufacturing facility of RBRC at Ahmedabad, Gujarat ceased in Q4 of 2023.

Innovation, Research and Development

Intellectual Property

Our intellectual property strategy is to capture, protect, and utilize our intellectual property in coordination with our business and technology plans and enable the successful commercialization of our proprietary products. Our intellectual property strategy is designed to be adaptive to our target markets in supporting the commercial launch of new products while maintaining 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

It is intended that following closing of the JV, all work undertaken to advance HPDI including the recently announced proof-of-concept and development projects will be completed by the JV.

[24] The current organizational chart on page 2 is reflective of up until March 25, 2024 and does not take into account the anticipated closing to take place Q2 of 2024.
[25] The organizational chart on page 2 reflects Westport's corporate structure as at March 25, 2024, and does not consider the anticipated closing with Uno Minda which is anticipated to take place in Q2 of 2024.

HPDI Fuel System

We continue to develop the Westport HPDI fuel system and components to simplify the system architecture, improve engine performance and thermal efficiency, ensure compliance with future emission regulations including Euro 7, further reduce GHG emissions, and extend the durability of certain key components. These R&D activities are intended to position the next generation of 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. In late 2023 we announced a major OEM development program to develop and apply the Next Generation LNG HPDI fuel system to meet Euro 7 emissions requirements for heavy duty vehicle applications.

H_2 HPDI Fuel System

We are adapting the Westport HPDI fuel system to operate with high-pressure hydrogen, which is expected to enable near zero or net zero CO_2 emissions by using zero carbon hydrogen fuel in the most economical way. In addition, HPDI will yield significant benefits in total cost of ownership compared to other low-emission transportation solutions such as fuel cell electric vehicles and battery electric vehicles. Adapting the 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). Most of the work necessary to adapt the HPDI fuel system to operate with hydrogen is expected to be technology and 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 2023, we announced two projects with OEMs, to apply our H_2 HPDI fuel system to OEM engines.

Hydrogen Components

Westport, through its 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, we are 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 our existing, extensive product line of 350 bar components.

Production and Operations

The majority of our production operations are localized to respond quickly and efficiently to customer and market demands and to assure a high level of service and support.

Europe

Manufacturing activities are carried out in several plants located in Italy (Cherasco, Brescia), Netherlands (Eindhoven) and Poland (" Slupsk"). Our facilities contain automated assembly lines, sophisticated lathes, milling and cutting equipment, robots to perform machining, assembly of critical electronic components, automated test lines, and robotic welding machinery. Our Italian plants are certified to ISO 9001, IATF 16949 and ISO 14001 standards. In the Netherlands, products are assembled and packaged in NEN-EN-ISO-9001:2015 certified facilities. In Poland, the plant is IATF 16949 certified.

All activities related to production planning and commercial management of Westport's LNG HPDI 2.0 fuel system are coordinated from our office in Gothenburg, Sweden, to enable rapid response to demand. At our Brescia plant, which supplies components for major OEM customers in the passenger car and medium duty segment, we also assemble LNG tanks to meet customer demands for Westport's LNG HPDI 2.0 fuel system, as well as future needs for cryogenic tanks and systems. At our plant in Cherasco, LPG components and systems are assembled for the aftermarket and for OEM customers, LPG alternative fuel systems are installed on cars owned by customer automakers, and electronic boards are produced for the automotive market. At our plant in Slupsk tanks for the OEM and aftermarket segments are produced and distributed through an extensive global dealer network.

Asia

Please see the Long- Term Investments--Minda Westport Technologies section above.

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.

Operational Procurement

We organize 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 a fair market value when benefit can be gained. When practical, we 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 reviewing key performance indicators to ensure we are getting optimal performance and value.

Environmental and Social Policies

At Westport, we encourage every member of our organization to make a daily commitment toward creating transportation solutions that enhance the well-being of people and the environment while contributing to the sustainability of our communities. To help fulfill our commitments, Westport aims to hasten the impact of the energy transition by bringing innovative products to market while attracting, engaging, and retaining top-tier talent by fostering a creative and inclusive culture. Westport's commitment to health and safety remains paramount, and we leverage robust governance practices to facilitate prudent decision-making in the face of risks, ultimately maximizing value creation.

Throughout 2023, we successfully implemented our Corporate Environmental Policy, which underscores our awareness of the necessity for ongoing initiatives and projects dedicated to minimizing the environmental footprint of our organizational activities. The policy is one way Westport is committed to helping shape the practices of our suppliers, customers, and other stakeholders, aligning with our dedication to sustainability and responsible corporate citizenship. 2023 also was the year we initiated collaboration with Ecovadis Sustainability Rating.[26] The partnership will aim to enhance the engagement of Westport's suppliers while fostering a deeper comprehension of how, collaboratively, we can contribute to environmental betterment.

Internally, efforts and advancements have been made to alleviate Westport's impact, including active participation in decarbonization workshops, and preparing for ISO 14001 certification in one of our manufacturing facilities in Poland—the second-largest employer within the group.

Westport's Human Rights Policy and Diversity Policy guides our daily operations. Through our commitments, our actions have been recognized in several jurisdictions:

- Major facilities in Italy and Poland were recognized with an Excellence Award and a certificate for Special Collaboration with the Commission, both presented by the Regional Equal Opportunities Commission.
- The facility in Poland earned recognition as a Friendly Workplace by Marka Pracodawcy, [27] highlighting our efforts in integration, and fostering development opportunities.
- The Italian facility has successfully obtained certification in alignment with UNI PdR 125:2022, a distinguished Italian acknowledgment awarded to companies showcasing a dedication to implementing policies and practices that promote gender equality in the workplace.
- The factories in Brescia and Cherasco underwent an assessment conducted by the external certification body RINA [28] to ensure compliance with the GRI standard. Both factories achieved a commendable rating, signifying proficient management of all ESG aspects.

Westport's climate-related disclosures are available in the Carbon Disclosure Project (CDP) [29] and ESG Reports, all available on our website https://wfsinc.com/ in the "Sustainability at Westport" section.

Human Resources and Related Policies

We employ a highly educated and experienced team of professionals focused on the development and commercialization of a portfolio of products and technologies. We actively recruit 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 agree to abide by our Code of Conduct. Online training is also conducted to ensure, our global and diverse workforce is empowered to do the right thing, for the right reason, and in the right way.

[26] https://ecovadis.com/
[27] https://markapracodawcy.pl/stako-z-certyfikatem-i-nagroda-friendly-workplace-2023/
[28] https://www.rina.org/en/about-us/at-a-glance
[29] CDP is a not-for-profit organization that runs the global disclosure system for companies to manage their environmental impacts (https://www.cdp.net/en)

As of December 31, 2023, our global workforce was approximately 1715 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, 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 within the organization, including directors, officers, employees, contractors, agents, and consultants who act on behalf of Westport in any business dealings. An anonymous ethics hotline is made available as an avenue for employees to raise concerns about corporate conduct. Our 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 the SEDAR website. 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

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 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, biodiesel, 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 vehicles 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.

Vehicles 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 refueling 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 vehicles, and light-duty vehicles, and they have been 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 refueling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate.

Natural gas, hydrogen and methanol must be carried on board in liquefied or compressed form and refueling infrastructure is not as well developed as gasoline and diesel fuel infrastructure in many jurisdictions. Although alternative refueling infrastructure is expanding, there can be no assurance of the successful expansion of the availability of such infrastructure 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 low carbon fueled engines may depend in large part on the price differential between low carbon fuels and diesel after incentives. Current oil price volatility and natural gas price volatility may change what has historically been a price advantage for natural gas, including RNG, hydrogen, biogas, 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, RNG, hydrogen, biogas 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 regarding fossil natural gas, 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 strides in improving the profitability of our businesses especially with the growth of our 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 2023 were issued. The 2023 consolidated financial statements were prepared because 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 several reasons, including but not limited to shortages of parts, labor 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; 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 due to favorable 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.

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, labor 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 several 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 several 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, 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 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, because 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.

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 the results of operations. Moreover, a majority of our revenue is in Euros and a portion is in U.S. dollars. 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, 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 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. Foreign Cupt Practices Act (“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 Securities and Exchange Commission (“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. A company may be liable for violations by its employees, 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 could become involved in legal proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition.

From time to time, we may be involved in proceedings or disputes with other parties arising in the ordinary course of business that may result in litigation. If we are unable to resolve these disputes favourably, it may have a material adverse impact on the financial condition, cash flow and results of operations of the Company. Such proceedings or disputes are typically claims that arise in the ordinary course of business, including, without limitation, commercial or contractual disputes, and other disputes with customers and suppliers, joint venture parties, intellectual property matters, tax matters and employment matters. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to Westport and could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on Westport’s financial condition.

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. If we do not adequately ensure our ability to use certain technology, we may have to pay others for the right 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 are necessary 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 obtaining 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 favor. 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 US, 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 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, 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 near 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 to produce passive income. Our assets' market value may be determined largely 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.

To maintain our status as a foreign private issuer, most 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 of December 31, 2023, our issued share capital consisted of 17,174,502 Common Shares and no Preferred Shares. Our Board may at any time issue Preferred Shares in one or more series, each series consisting of such a 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 attached 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 is 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"), restricted phantom shares (" RPSs") and deferred share units ("DSUs") issued under our Omnibus Plan as of December 31, 2023.

OUTSTANDING COMMON SHARES, PSUs, RSUs, RPSs & DSU's	
	Share Units
Shares Outstanding	17,174,502
PSUs	
Outstanding	185,547
Exercisable	
RSUs	
Outstanding	158,390
Exercisable	
RPSs	
Outstanding	13,190
Exercisable	
DSU's	
Outstanding	32,500
Exercisable	
Total	17,564,129

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 2023	14.00	10.40	13.70	181,270
February 2023	18.00	13.40	15.80	259,000
March 2023	18.40	11.00	12.70	276,410
April 2023	13.00	9.40	9.70	148,520
May 2023	10.70	8.90	9.40	114,040
June 2023	12.23	8.78	10.19	410,180
July 2023	15.74	9.89	14.45	721,000
August 2023	15.09	9.32	9.63	516,700
September 2023	10.24	8.04	8.23	281,000
October 2023	8.59	6.83	7.06	222,600
November 2023	10.38	7.08	9.83	323,800
December 2023	10.64	8.61	8.72	193,200
January 2024	8.95	7.27	8.42	178,100
February 2024	9.24	7.38	8.40	162,900
March 2024 (until March 18)	8.98	7.32	8.08	145,100

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 2023	10.30	7.70	10.20	721,210
February 2023	13.40	9.90	11.60	1,051,100
March 2023	13.40	8	9.5	1,294,560
April 2023	9.80	7.00	7.4	1,011,240
May 2023	8.1	6.5	7.1	754,590
June 2023	9.15	6.40	7.67	1,419,100
July 2023	12.00	7.40	10.98	1,885,900
August 2023	11.38	6.87	7.15	1,420,000
September 2023	7.44	5.97	6.06	689,300
October 2023	6.08	4.90	5.09	854,000
November 2023	7.68	5.04	7.21	1,071,100
December 2023	7.86	6.50	6.62	912,200
January 2024	6.70	5.51	6.31	818,800
February 2024	6.85	5.55	6.20	703,100
March 2024 (until March 18)	6.68	5.43	5.98	686,800

In the twelve-month period ended December 31, 2023, Westport granted the following RSUs, RPSs, PSUs and DSUs 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)	Number of Securities Granted (DSUs)	Per Share Market Value of Shares Underlying Securities at Time of Unit Issuance ($CDN)
March 21, 2023	139,350				$17.80
May 11, 2023	8,207			77,627	$10.20
March 21, 2023		150,155			$13.80
September 20, 2023		35,210			$9.44
September 19, 2023				24,579	$9.53

**For the year ended December 31, 2023 the Company awarded 102,206 DSU's to be cash-settled when the vesting conditions are met*

Prior Securities Issued

No securities of Westport Fuel Systems not listed or quoted on any exchange were issued during the year ended December 31, 2023, other than RSUs, RPSs, and PSUs. Additional information with respect to the issuance of securities under Westport's equity compensation plan during the most recently completed financial year will be outlined in the Company Management Information Circular in respect of its 2024 Annual General Meeting of Shareholders which is expected to be held on June 13, 2024, and which will be made available on the SEDAR website.

Dividend Policy

To date, we have not paid out any dividends on our Common Shares, and any future dividends will be declared at the Board's discretion. 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 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, TONY[4] Vancouver, BC Canada	Director and Interim Chief Executive Officer	Interim CEO of Westport Fuel Systems from August 22, 2023, to January 16, 2024. 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
SCHALLER, KARL-VIKTOR[7] Munich, Germany	Director	Honorary Professor and Managing Director of kvs consulting, Executive Vice President Motorbike Engineering at BMW AG from April 2014 to July 2019.	April 2020
WHEATMAN, EILEEN[8] Petaluma, CA USA	Director	President of Douglas Telecommunications, Corporate Director, Vice-President and Director of Broadband One	April 2020

NOTES:

1. Chair of the Nominating and Corporate Governance Committee, member of the Human Resources and Compensation Committee and Interim Chair of the Audit Committee from August 22, 2023 - January 16, 2024. *See note 4 below.*
2. Chair of the Human Resources and Compensation Committee and member of the Audit Committee
3. Member of the Human Resources and Compensation Committee and of the Technology and Product Strategy Committee.
4. Chair of the Audit Committee (stepped down as Chair and member of Audit Committee on August 22, 2023 to assume the role of Interim CEO) and member of the Nominating and Corporate Governance Committee and the Technology and Product Strategy Committee. Resumed position as Chair of the Audit Committee and member of the Technology and Product Strategy Committee and Nominating and Corporate Governance Committee effective after January 16, 2024, after stepping down from his role as Interim CEO.
5. Member of the Human Resources and Compensation Committee, member of the Technology and Product Strategy Committee.
6. Member of the Audit Committee.
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 and the Nominating and Corporate Governance Committee.
9. The Technology and Product Strategy Committee was disbanded on February 13, 2024 as a result of the announcement of the JV.

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 is attached as "Schedule B."

Composition

Each Audit Committee member is financially literate and can perform their responsibilities as a member on the Audit Committee based on their education and experience, as highlighted under the heading "Director Biographies". As of March 25, 2024 the following Directors serve as Audit Committee members.

Audit Committee Member	Independent
Tony Guglielmin	Yes (Chair)
Brenda Eprile	Yes
Philip Hodge	Yes
Karl-Viktor Schaller	Yes

Reliance on Certain Exemptions

At no time since the commencement of Westport's 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 our most recently completed financial year began was the Audit Committee to recommend nominating or compensating 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 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 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, 2023, and 2022 billed to Westport by its 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 [30]

	12/31/2023	12/31/2022
Audit Fees	$ 2,446,268	$ 2,114,529
Audit-Related Fees	$ 37,946	$ 887
Tax fees	—	—
All Other Fees	$ 19,118	$ 9.269
Total [(1)]	**$ 2,503,332**	**$ 2,142,685**

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 our annual financial statements and reviews of our 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. 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.

Executive Officers

In 2023, Westport's executive team underwent a transition process, during which the make-up of the team changed, including the CEO role. In January 2024, Westport appointed Daniel Sceli as the Company’s new Chief Executive Officer and a member of the Westport Board of Directors -- assuming the role from Tony Guglielmin who served as Interim CEO from August 2023 through to January 16, 2024. The following table sets forth the names and location of residence of the current executive officers as well as the positions and offices held by such persons in the last five years and their principal occupations (please see table on next page).

NAME AND MUNICIPALITY OF RESIDENCE	OFFICE	PRINCIPAL OCCUPATION AND POSITIONS DURING THE LAST FIVE YEARS
SCELI, DANIEL Ottawa, ON Canada	Chief Executive Officer (as of January 16, 2024)	Chief Executive Officer, 2019 to 2022 - Cadillac Products Automotive Company, Chief Executive Officer, 2008 to 2019 - Peterson American Corporation.
LARKIN, WILLIAM Lake Forest, CA USA	Chief Financial Officer	Chief Financial Officer since December 2022, previously Chief Financial Officer June 2019 to August 2022 - Akumin Inc./Alliance HealthCare Services, Inc. - (Akumin - September 2021- August 2022; Alliance - June 2019 - August 2021 (Alliance was Acquired by Akumin on September 1, 2021), Chief Financial Officer (October 2016 to March 2019) - Southwest Dealer Services, Inc.
FOLLETT, LANCE Surrey, BC Canada	Chief Legal Officer and Executive Vice President	Chief Legal Officer and Executive Vice President since 2020, previously Senior Vice President of Corporate Development and Intellectual Property, 2017 to 2020. Vice President of Corporate Development 2013 to 2017.
VAN AERLE, BART Eindhoven, Netherlands	Executive Vice President, IAM & LD OEM	Vice President since 2020 in conjunction with serving as CEO, Prins (subsidiary of Westport) since 2000.
JOHANSSON, ANDERS Billdal, Sweden	Vice President	Vice President, Heavy Duty OEM & General Manager, Sweden, since April 2019; previously, Managing Director, Sweden December 2014 to March 2019.
BAKER, SCOTT Vancouver, BC Canada	Vice President	Vice President, Engineering and General Manager, Vancouver Operations since April 2019; previously Vice President, Heavy Duty OEM November 2017 to March 2019.
MANCUSO, JAMES Burlington, ON Canada	Vice President	Vice President, Hydrogen and CNG Components since April 2023; previously General Manager, GFI Product line September 2017 to March 2023.
GUGLIELMIN, TONY[1] Vancouver, BC Canada	Director and Interim Chief Executive Officer	Interim Chief Executive Officer from August 2023 to January 2024, Corporate Director since January 2021, previously SVP and Chief Financial Officer of Ballard Power Systems from 2010 to 2021.
REDON, FABIEN[2] San Diego, CA USA	Chief Technical Officer	Chief Technology Officer from April 2023 to February 26, 2024, previously, Executive Vice President and Chief Technology Officer September 2018 to April 2023 Achates Power Inc. Vice President, Development - January 2018 to August 2018 – Achates Power Inc. Vice President Development. Vice President Technology Development - December 2012 to December 2017 – Achates Power Inc.
SMITH, TIM[3] Perrysburg, Ohio, USA	Executive Vice President and Chief of Staff	Executive Vice President and Chief of Staff from November 2020 to December 31, 2023, 39 years of commercial transportation industry experience at a variety of technical, management, and executive roles at Navistar now part of TRATON group), Daimler Trucks North America, and Dana Corporation.

Notes:

1) Tony Guglielmin served as Interim CEO from August 22, 2023, through to January 16, 2024.
2) Fabien Redon served as CTO from May 1, 2023, until his resignation on February 26, 2024.
3) Tim Smith served as Executive Vice President and Chief of Staff until December 31, 2023.

Shareholdings of Directors and Executive Officers

As of March 18, 2024, our Board members and executive officers as a group beneficially owned, directly or indirectly, 104,543 of our Common Shares, representing approximately 0.6070% of the 17,223,154 Common Shares outstanding on such date.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than 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 our 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.

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.

Conflicts of Interest

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, 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 and the directors attempt to minimize such conflicts. If 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 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 are required to act honestly, in good faith and in the best interests of Westport. In determining whether or not Westport will participate in a particular transaction, the directors will primarily consider the potential benefits to Westport, the degree of risk to which Westport may be exposed, and its financial position at that time. Other than as indicated, Westport has no other procedures or mechanisms to deal with conflicts of interest. Other than as described above, there are no known existing or potential material conflicts of interest between Westport or any of its subsidiaries and any director or officer of Westport or of any of its subsidiaries.

Material Contracts

EDC Loan Agreement

EDC is Canada's export credit agency, providing financing, insurance, bonding, trade knowledge and connections to support Canadian companies. To bolster liquidity and support the Westport LNG HPDI 2.0 fuel system 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. A copy of the Amended EDC Agreement is available on the SEDAR website.

Volvo Investment Agreement

On March 11, 2024, Westport entered into an investment agreement (the “ Investment Agreement”) with Volvo, providing for the establishment of, and sale of a 45% interest in the JV to accelerate the commercialization and global adoption of Westport's HPDI fuel system technology for long-haul and off-road applications. Pursuant to the Investment Agreement, Westport will transfer all or substantially all of the assets applicable to the HPDI system related business currently carried on by Westport to the JV, following which Volvo will acquire a 45% interest in the JV for cash consideration of $28,350,000 subject to certain adjustments and holdbacks in accordance with the terms of the Investment Agreement, plus, subject to the satisfaction of certain earn out conditions, up to a further $45,000,000 (plus interest) as additional consideration, payable in the form of an earn out. A copy of the Investment Agreement is available on the SEDAR website.

Legal and Regulatory Proceedings

A dispute with Uno Minda arose in July 2022 regarding Westport's 50/50 joint venture in MWTL. The Asset Transfer Agreement for the sale of the assets of RBRC to MWTL expired on its terms without a request for extension by Minda. Discussions for the transfer of the RBRC assets continued, however, no agreement was reached, and the parties were at an impasse. Accordingly, Westport served a deadlock notice pursuant to the terms of the Joint Venture Agreement on October 11, 2022. Uno Minda rejected the deadlock notice and instead issued a dispute notice in October 2022 claiming a breach of the terms of the Joint Venture Agreement and resulting damages.

Westport believes that Uno Minda's claim is substantially without merit and has issued a counter-claim for damages against Uno Minda. In December 2022, the Indian Court ordered a meeting of the parties as well as a mediation; both of which took place without success. In January 2023, Uno Minda issued a notice regarding the arbitration process. In September 2023, the parties entered into a Memorandum of Understanding that resolved all outstanding issues related to the legal proceedings. The definitive agreements contemplated in the Memorandum of Understanding have all been executed and upon closing, the parties have agreed to withdraw and discontinue all legal proceedings including the arbitration process that commenced. Closing is anticipated in Q2 of 2024.

On December 15, 2021, Westport 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. On April 4, 2022, a third-party action was filed in the court of the Eastern District of Virginia for declaratory judgment of non-infringement of the 2 patents in question in the actions filed by Westport. In February of 2023, Westport's motion to transfer the third-party action to the Eastern District of Texas was granted. Westport's actions against the auto manufacturers are currently continued pending the results of the third-party action. Westport 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 can be found on the SEDAR website. 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, 2023, which should be read in conjunction with this AIF. Additional information relating to Westport Fuel Systems may be found on the SEDAR website.

Interests of Management and Others in Material Transactions

Other than as described below or elsewhere in this AIF, no director or officer of Westport, 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 our auditors and have confirmed 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 that they are independent accountants with respect to Westport 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. This AIF contains forward-looking statements pertaining to the following:

- the long-term replacement of fossil fuels with low/zero emissions propulsion systems for transportation (as set out, for example, under the heading “MARKET OVERVIEW - REGULATORY");
- the future role of LNG, biomethane and hydrogen in China’s transportation mix (as set out, for example under” MARKET OVERVIEW – REGULATORY – CHINA”);
- the future supply of demand for and costs of hydrogen (set out for example under "MARKET OVERVIEW - FUEL AVAILABILITY");
- Westport HPDI fuel system providing OEMs with an integrated solution with attractive price, performance and fuel economy (as set out, for example, under the heading "DESCRIPTION OF THE BUSINESS – OPERATING BUSINESS SEGMENTS - OEM");
- R&D activities positioning Westport HPDI fuel system for long-term compatibility with anticipated advancements in diesel base engine platforms (as set out, for example, under the heading "INNOVATION AND RESEARCH AND DEVELOPMENT – RESEARCH AND DEVELOPMENT – HPDI FUEL SYSTEM");
- Westport H_2 HPDI fuel system providing a high-pressure hydrogen fuel system solution with zero or near-zero CO_2 emissions, optimized performance and benefits in total cost of ownership and customers’ 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 (as set out, for example, under the heading "INNOVATION AND RESEARCH AND DEVELOPMENT – RESEARCH AND DEVELOPMENT - H_2 HPDI FUEL SYSTEM");
- our ability to finalize the HPDI JV with Volvo and, once operational, accelerate the commercialization of Westport HPDI fuel system globally and realize certain performance benefits and efficiencies, including improving margins in our core business, expanding our customer base and strengthening our financial position (as set out, for example, under the heading "OUR BUSINESS HISTORY AND STRATEGY");
- the future demand for Westport Fuel Systems products, increasing adoption of alternative fuel for transportation, increasing penetration within our existing markets and expansion into new and emerging markets geographically, and continuing growth in the transportation sector and in the natural gas engine market (as set out, for example, under the headings "OUR BUSINESS AND STRATEGY - STRATEGY" and under the heading "RISK FACTORS", particularly under the subheadings "Our growth is dependent on available refueling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate" and “We may not realize the anticipated benefits from joint ventures, investments, or acquisitions”);
- 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 (as set out, for example, under the headings "ABOUT WESTPORT FUEL SYSTEMS", "OUR BUSINESS HISTORY AND STRATEGY - STRATEGY", "INNOVATION AND 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 (as set out, for example, under the heading "OUR BUSINESS HISTORY AND STRATEGY - STRATEGY", and "INNOVATION AND RESEARCH AND DEVELOPMENT – RESEARCH AND DEVELOPMENT");

- our ability to expand, exploit and protect our intellectual property (as 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 (as set out, for example, under the headings "OUR BUSINESS HISTORY AND STRATEGY - STRATEGY" and "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 (as set out, for example, under the headings "MARKET DYNAMICS - NEAR TERM INDUSTRY CHALLENGES - FUEL PRICES" 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 refueling 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 (as set out, for example, under the heading “RISK FACTORS”, particularly under the subheading “We could be adversely affected by the operations of our joint ventures and joint venture 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 (as set out, for example, under the heading "RISK FACTORS", particularly under the subheading " We could be adversely affected by the operations of our joint ventures and joint venture 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 (as set out, for example, under the headings "MARKET DYNAMICS - COMPETITIVE CONDITIONS AND ADVANTAGES" and "RISK FACTORS", particularly, under the subheading "Risks related to our business and the automotive industry");

- continuing growth in the transportation sector and in the natural gas engine market (as set out, for example, under the headings "MARKET OVERVIEW – MARKET SIZE" and "MARKET DYNAMICS - INDUSTRY GROWTH DRIVERS" 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 refueling 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, (as 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 (as set out, for example, under the heading “MARKET OVERVIEW – REGULATORY and "FUEL AVAILABILITY" 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 refueling 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 (as set out, for example, under the headings “MARKET OVERVIEW – REGULATORY” , "MARKET DYNAMICS - AUTOMOTIVE INDUSTRY TRENDS" and "RISK FACTORS" particularly under the subheadings "Our growth is dependent on available refueling 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 "OUR BUSINESS HISTORY AND STRATEGY - STRATEGY" and "RISK FACTORS", particularly under the subheading, " 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");

- 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 HISTORY 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 heading "RISK FACTORS", particularly 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 HISTORY AND STRATEGY - 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 HISTORY AND STRATEGY - STRATEGY"); and

- expected fluctuations in our revenues and results of operations (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 "Warranty claims could be higher than forecasted").

Such statements reflect the management of Westport Fuel Systems’ current views with respect to future events and are subject to certain risks and uncertainties and are based upon several factors and assumptions. Actual results may differ materially from those expressed in the foregoing forward-looking statements due to several 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:

- supply of, demand for and price of lower/zero emission propulsion systems for transportation (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 refueling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate");

- actions of government and governmental authorities, including, without limitation, implementation of emission and fuel consumption standards, the implementation of policies or other measures that promote the supply of and demand for LNG, biomethane and hydrogen (as set out, for example, under "RISK FACTORS", particularly, under the subheadings "Our growth is dependent on available refueling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate" and "We conduct business in foreign markets that carry risk");

- conditions in the hydrogen and other industries, including fluctuations in the supply, demand and price for hydrogen, including demand for hydrogen in transportation and the implementation of hydrogen fueling infrastructure (as set out, for example, under "RISK FACTORS", particularly, under the subheading "Our growth is dependent on available refueling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate");

- 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 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 refueling 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 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");

- the success of our joint ventures (as set out, for example, under the heading “RISK FACTORS”, particularly under the subheading “We could be adversely affected by the operations of our joint ventures and joint venture partners”);

- the success of our business partners and OEMs with whom we partner (as set out, for example, under the heading "RISK FACTORS," under the subheading " We could be adversely affected by the operations of our joint ventures and joint venture partners ");

- future levels of government funding and incentives (as set out, for example, under the heading "RISK FACTORS", particularly, under the subheading "Our growth is dependent on available refueling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate");

- competition from other technologies (as set out, for example, under the heading, "RISK FACTORS", particularly under the subheadings "Risks related to our business and the automotive industry" 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," under the subheading "Our growth is dependent on available refueling 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," 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," 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," 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 refueling infrastructure (as set out, for example, under the heading "RISK FACTORS," under the subheading "Our growth is dependent on available refueling 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 refueling 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", 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 "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 "Conflicts of Interest."

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 Westport'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 the 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 Westport'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 Westport'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 Westport.

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 Westport 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 Westport's policy regarding the hiring of partners and employees and former partners and employees of its present and former external auditors.

Regarding 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.

Westport'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, considering 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 Westport'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 Westport'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 Westport; 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 Westport 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 Westport's policies and procedures regarding compliance with applicable laws and regulations pertaining to financial reporting and with Westport's Code of Conduct. The Committee shall consult with Westport'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 Westport's financial statements or compliance policies pertaining to financial reporting.

The Committee shall oversee the implementation, operation and effectiveness of Westport's mechanisms for the receipt, retention and treatment of complaints regarding Westport's accounting, internal controls or auditing matters and the confidential, anonymous submission by Westport 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 Westport's Whistleblower Policy and related communication channels.

The Committee shall carry out such other specific responsibilities regarding 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 Westport. The Committee shall additionally review and recommend to the Board the approval of the final Westport annual financial statements and related MD&A.

In each instance where a draft is reviewed, the CFO of Westport 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 Westport and changes in the selection and application of accounting principles;
- significant financial reporting issues that have arisen in connection with the preparation of such 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 Westport's Sustainability Reports.

6.6 Oversight of Internal Audit

The Committee shall:

- review and approve Westport'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

Westport's audited consolidated financial statements may include the results of other companies, in whole or in part, in which Westport's 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 Westport's or its subsidiaries must receive prior approval from the Committee. The CFO of Westport's, 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 Westport'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

1. 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.
2. 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.
3. 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.
4. 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.
5. 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, 2023 and 2022

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Westport Fuel Systems Inc. (and subsidiaries) (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years then ended 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, 2023 and 2022, and the results of its operations and its cash flows for each of the years then ended, 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, 2023, 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 25, 2024 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

Critical audit matters 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. We determined that there are no critical audit matters.

/s/ KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada
March 25, 2024

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of 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, 2023, 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, 2023, 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, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years then ended, and the related notes (collectively, the consolidated financial statements), and our report dated March 25, 2024 expressed an unqualified opinion on those consolidated financial statements.

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 Discussion and Analysis – Management's 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

Vancouver, Canada
March 25, 2024

WESTPORT FUEL SYSTEMS INC.

Consolidated Balance Sheets
(Expressed in thousands of United States dollars, except share amounts)
December 31, 2023 and 2022

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents (including restricted cash, note 3(c))	$ 54,853	$ 86,184
Accounts receivable (note 4)	88,077	101,640
Inventories (note 5)	67,530	81,635
Prepaid expenses	6,323	7,760
Total current assets	216,783	277,219
Long-term investments (note 7)	4,792	4,629
Property, plant and equipment (note 8)	69,489	62,641
Operating lease right-of-use assets (note 13)	22,877	23,727
Intangible assets (note 9)	6,822	7,817
Deferred income tax assets (note 19(b))	11,554	10,430
Goodwill (note 10)	3,066	2,958
Other long-term assets (note 11)	20,365	18,030
Total assets	$ 355,748	$ 407,451
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 12)	$ 95,374	$ 98,863
Current portion of operating lease liabilities (note 13)	3,307	3,379
Short-term debt (note 14)	15,156	9,102
Current portion of long-term debt (note 15)	14,108	11,698
Current portion of long-term royalty payable (note 16)	—	1,162
Current portion of warranty liability (note 17)	6,892	11,315
Total current liabilities	134,837	135,519
Long-term operating lease liabilities (note 13)	19,300	20,080
Long-term debt (note 15)	30,957	32,164
Long-term royalty payable (note 16)	—	4,376
Warranty liability (note 17)	1,614	2,984
Deferred income tax liabilities (note 19(b))	3,477	3,282
Other long-term liabilities	5,115	5,080
Total liabilities	195,300	203,485
Shareholders' equity:		
Share capital (Adjusted, note 18):		
Unlimited common and preferred shares, no par value		
17,174,502 (2022 - 17,130,316) common shares issued and outstanding	1,244,539	1,243,272
Other equity instruments	9,672	9,212
Additional paid-in-capital	11,516	11,516
Accumulated deficit	(1,074,434)	(1,024,716)
Accumulated other comprehensive loss	(30,845)	(35,318)
Total shareholders' equity	160,448	203,966
Total liabilities and shareholders' equity	$ 355,748	$ 407,451
Commitments and contingencies (note 21)		
Subsequent events (note 24)		

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 Loss
(Expressed in thousands of United States dollars, except share and per share amounts)
Years ended December 31, 2023 and 2022

	Years ended December 31,	
	2023	2022
Revenue	$ 331,799	305,698
Cost of revenue and expenses:		
Cost of revenue	282,862	269,496
Research and development	26,003	23,497
General and administrative	44,234	37,042
Sales and marketing	16,278	15,073
Foreign exchange loss	3,974	6,378
Depreciation and amortization (notes 8 and 9)	4,299	4,416
Loss on sale of assets	32	62
	377,682	355,964
Loss from operations	(45,883)	(50,266)
Income from investments accounted for by the equity method	780	930
Gain on sale of investment (note 6)	—	19,119
Loss on extinguishment of royalty payable (note 16)	(2,909)	—
Interest on long-term debt and accretion of royalty payable	(2,981)	(3,351)
Impairment of long-term investment (note 7)	(413)	—
Other income, net	—	879
Interest income, net of bank charges	2,690	1,406
Loss before income taxes	(48,716)	(31,283)
Income tax expense (recovery) (note 19(a)):		
Current	1,786	1,852
Deferred	(784)	(440)
	1,002	1,412
Net loss for the year	(49,718)	(32,695)
Other comprehensive income (loss):		
Cumulative translation adjustment	4,473	(1,824)
Comprehensive loss	$ (45,245)	$ (34,519)
Loss per share:		
Net loss per share - basic and diluted	$ (2.90)	$ (1.91)
Weighted average common shares outstanding:		
Basic and diluted	17,173,016	17,122,531

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, 2023 and 2022

	Common shares outstanding (Adjusted, note 18)	Share capital	Other equity instruments	Additional paid-in capital	Accumulateddeficit	Accumulated other comprehensive loss	Total shareholder's equity
January 1, 2022	17,079,932	$ 1,242,006	$ 8,412	$ 11,516	$ (992,021)	$ (33,494)	$ 236,419
Issuance of common shares on exercise of share units	50,384	1,266	(1,266)	—	—	—	—
Stock-based compensation	—	—	2,066	—	—	—	2,066
Net loss for the year	—	—	—	—	(32,695)	—	(32,695)
Other comprehensive loss	—	—	—	—	—	(1,824)	(1,824)
December 31, 2022	17,130,316	$ 1,243,272	$ 9,212	$ 11,516	$ (1,024,716)	$ (35,318)	$ 203,966
Issuance of common shares on exercise of share units	44,186	1,267	(1,267)	—	—	—	—
Stock-based compensation	—	—	1,727	—	—	—	1,727
Net loss for the year	—	—	—	—	(49,718)	—	(49,718)
Other comprehensive income	—	—	—	—	—	4,473	4,473
December 31, 2023	17,174,502	$ 1,244,539	$ 9,672	$ 11,516	$ (1,074,434)	$ (30,845)	$ 160,448

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, 2023 and 2022

	Years ended December 31,	
	2023	2022
Operating activities:		
Net loss for the year	$ (49,718)	$ (32,695)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	12,490	11,800
Stock-based compensation expense	1,727	2,066
Foreign exchange loss	3,974	6,378
Deferred income tax	(784)	(440)
Income from investments accounted for by the equity method	(780)	(930)
Interest on long-term debt and accretion of royalty payable	9	314
Impairment on long lived assets (note 7)	413	—
Change in inventory write-downs to net realizable value (note 5)	7,066	722
Gain on sale of investment (note 6)	—	(19,119)
Net loss on sale of assets	32	62
Other income, net	—	(879)
Loss on extinguishment of royalty payable (note 16)	2,909	—
Change in bad debt expense	56	810
Changes in operating assets and liabilities:		
Accounts receivable	5,340	(1,528)
Inventories	9,481	(3,505)
Prepaid expenses	2,869	(134)
Accounts payable and accrued liabilities	(2,448)	122
Warranty liability	(5,829)	2,341
Net cash used in operating activities	(13,193)	(34,615)
Investing activities:		
Purchase of property, plant and equipment	(15,574)	(14,242)
Purchase of intangible assets	—	(287)
Proceeds on sale of investments (note 6)	—	31,445
Proceeds on sale of assets	161	731
Net cash (used in) provided by investing activities	(15,413)	17,647
Financing activities:		
Drawings on operating lines of credit and long-term facilities	46,367	41,218
Repayment of operating lines of credit and long-term facilities	(39,904)	(55,441)
Repayment of royalty payable	(8,687)	(5,200)
Net cash used in financing activities	(2,224)	(19,423)
Effect of foreign exchange on cash and cash equivalents	(501)	(2,317)
Net decrease in cash and cash equivalents	(31,331)	(38,708)
Cash and cash equivalents, beginning of year (including restricted cash)	86,184	124,892
Cash and cash equivalents, end of year (including restricted cash)	54,853	86,184

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, 2023 and 2022

	Years ended December 31, 2023	2022
Supplementary information:		
Interest paid	$ 2,972	$ 3,037
Taxes paid, net of refunds	2,302	1,795

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 is a global company focused on engineering, manufacturing, and supplying alternative fuel systems and components for transportation applications. The Company’s 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 that 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 alternative fuels, including liquid petroleum gas ("LPG"), compressed natural gas ("CNG"), liquified natural gas ("LNG"), renewable natural gas ("RNG") or biomethane, and hydrogen. The Company supplies its 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. The Company’s products and services are available for passenger car and light-, medium- and heavy-duty truck and off-road applications.

2. Liquidity and Going Concern:

In connection with preparing consolidated financial statements for each annual and interim reporting period, the Company is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued. Substantial doubt exists when conditions and events, considered in aggregate, indicate that it is probable that a company will be unable to meet its obligations as they become due within one year after the date that the consolidated financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management’s plans and actions that have not been fully implemented as of the date that the financial statements are issued. When substantial doubt exists, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company’s ability to continue as a going concern. The mitigating effect of management’s plans, however, is only considered if both: (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued; and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the financial statements are issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date that the financial statements are issued.

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 these consolidated financial statements are issued. These consolidated financial statements have therefore been prepared on the basis that the Company will continue as a going concern.

The assessment of the liquidity and going concern requires the Company to make judgments about the existence of conditions or events that raise substantial doubt about the ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. This includes judgments about the Company's future activities and the timing thereof and estimates of future cash flows. Significant assumptions used in the Company's forecasted model of liquidity include forecasted sales, including forecasted increases in sales of the heavy-duty OEM business, forecasted costs and capital expenditures, amongst others. Changes in the assumptions could have a material impact on the forecasted liquidity and going concern assessment.

The Company continues to sustain operating losses and negative cash flows from operating activities. As at December 31, 2023, the Company has cash and cash equivalents of $54,853 and during the year ended December 31, 2023, the Company used cash in operating activities of $13,193, primarily driven by operating losses of $ 45,883 partially offset by decreases in working capital of $ 9,413. The Company's short-term and long-term debt was $59,944, net of deferred financing fees, of which $ 29,264 matures within one year from December 31, 2023. The Company has a term loan with Export Development Canada (“EDC”). In September 2023, the Company amended the minimum cash covenant under the EDC term loan reducing the minimum cash requirement from $40,000 to $15,000. If the Company’s cash and cash equivalents fall below the minimum cash requirement, the Company may be required to repay the outstanding amount of the term loan, which was $10,763 at December 31, 2023.

The Company is incurring inflationary pressure on production input costs from sourcing semiconductors, raw materials and parts, higher energy costs in operating the Company's factories and increased labor costs that are impacting margins. The Company sources components globally and is exposed to price risk and inflation risk, which may affect the Company's liquidity.

2. Liquidity and Going Concern (continued):

Management is closely monitoring its financial condition and is working on initiatives to reduce its working capital and increase profitability to improve its cash flow from operating activities. The Company's current financial projections expect meaningful collections of accounts receivable from key customers and a reduction in inventory levels across the Company's operations.

The ability to continue as a going concern beyond March 2025 will depend on the Company's ability to generate sufficient positive cash flows from its operations, specifically through working capital improvement, profitable and sustainable growth, and the Company's ability to finance its long-term strategic objectives and operations. If, as a result of future events, the Company was to determine it was 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, consolidated financial statements and the adjustments could be material.

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, Argentine 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 (loss).

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 consolidated statements of operations, except for the translation gains and losses arising from available-for-sale instruments, which are recorded through other comprehensive income (loss) until realized through disposal or impairment.

3. Significant accounting policies (continued):

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, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Canadian dollar	1.32	1.35	1.35	1.30
Euro	0.90	0.94	0.92	0.95
RMB	7.10	6.90	7.08	6.72
Polish Zloty	3.92	4.39	4.59	4.44
Swedish Krona	10.04	10.42	10.60	10.08
Indian Rupee	83.18	82.69	82.57	78.50
Argentine Peso	806.72	176.79	285.97	127.11

(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 and cash equivalents at December 31, 2023 include restricted cash of $103 (2022 - $98). Restricted cash at December 31, 2023 and 2022 is related to cash used to secure a letter of credit.

(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 most 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 OEMs 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. 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.

3. Significant accounting policies (continued):

(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	Shorter of lease term or estimated useful life

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 consolidated statements 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.

(h) Financial liabilities:

Accounts payable and accrued liabilities, short-term debt, long-term debt and long-term royalty payable 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.

3. Significant accounting policies (continued):

(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. The fair value is determined using the estimated discounted future cash flows of the reporting unit. 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 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.

(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. 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 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.

3. Significant accounting policies (continued):

(o) Income taxes (continued):

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.

(p) Leases:

The Company determines if an arrangement is a lease or contains a lease at inception. Operating leases with lease terms greater than 12 months are included in current and non-current assets, current and non-current liabilities in the consolidated balance sheet. Assets under finance leases are included in property, plant and equipment and the related lease liabilities in current and non-current liabilities in the consolidated balance sheets.

Operating lease and finance lease right-of-use (“ROU”) assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. As the rate implicit in the lease is not readily determinable for the Company’s operating leases, an incremental borrowing rate is generally used to determine the present value of future lease payments. The incremental borrowing rate for each lease is based on the Company’s estimated borrowing rate over a similar term to that of the lease payments, adjusted for various factors including collateralization, location and currency.

The operating lease expenses are recognized on a straight-line basis over the lease term and included in general and administration expenses. Short-term leases, which have an initial term of 12 months or less, are not recorded in the consolidated balance sheets.

(q) Stock-based compensation:

The Company measures stock-based awards at fair value on the date of the grant and expense the awards over the requisite service period of employees or consultants. The fair value of stock options is determined using the fair market value at the time of grant. The fair value of restricted stock units (“RSU”s) and Deferred Share Units (“DSU”s) are determined using the share price of the Company at the date of grant. The fair value of performance based restricted stock units (“PRSU”) is determined using the Monte Carlo Simulation Model. Stock-based compensation expense related to stock option awards is recognized over the requisite service period on a graded vesting basis. Forfeitures are accounted for as they occur. Stock-based awards are either equity settled or cash settled. Cash-settled awards are recorded as a liability based on the Company's share price on the date of grant and remeasured at the end of each reporting period over the vesting term.

The Company’s estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, the Company’s performance and related tax impacts.

3. Significant accounting policies (continued):

(r) Earnings (loss) per common share:

Basic earnings or loss per share includes no potential dilution and is computed by dividing the earnings or loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings or loss per share reflect the potential dilution of securities that could share in the earnings or loss of our Company. Dilutive securities are excluded from the calculation of our diluted weighted average common shares outstanding if their effect would be anti-dilutive based on the treasury stock method or due to a net loss from continuing operations. Common Shares that have not been released under the Company's stock based plan or are being held in trust for purposes of the Company's restricted stock unit program have been excluded from the calculation of basic earnings per share.

4. Accounts receivable:

	December 31, 2023	December 31, 2022
Customer trade receivables	$ 83,175	$ 82,533
Other receivables	6,709	19,355
Income tax receivable	1,369	818
Due from related parties (note 20)	1,671	3,974
Allowance for credit losses	(4,847)	(5,040)
	$ 88,077	$ 101,640

5. Inventories:

	December 31, 2023	December 31, 2022
Purchased parts and materials	$ 50,770	$ 61,213
Work-in-progress	2,801	2,423
Finished goods	13,959	17,999
	$ 67,530	$ 81,635

During the year ended December 31, 2023, the Company recorded write-downs to net realizable value of $ 7,066 (year ended December 31, 2022 - $722) due to obsolete inventory. For the year ended December 31, 2023, The Company recognized $ 4,461 inventory write-down as a result of an engine development contract which will not be commercialized. In addition, the Company recognized $2,605 of inventory write-downs allocated to purchased parts, materials and finished goods inventory. For the year ended December 31, 2022 inventory write-downs allocated to purchased parts and materials inventory and finished goods were $542 and $180 respectively.

6. Sale of investment

On February 7, 2022, the Company sold 100% of its shares in Cummins Westport Inc. ("CWI") to Cummins Inc. ("Cummins") for proceeds of $22,200, with Cummins continuing to operate the business as the sole owner. As part of the agreement, Cummins 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 recorded extended warranty obligation. Any unused amounts will be repaid to the Company at the end of three-year term and, in the event that the holdback is not sufficient to cover the extended warranty obligations, the Company may also be required to supplement this holdback amount to cover valid extended warranty claims.

	December 31, 2022
Proceeds from sale of investment	$ 31,445
Holdback receivable[1]	9,713
Less: carrying value of investment	22,039
Gain on sale of investment	$ 19,119

[1]Holdback receivable is included in other long-term assets in the consolidated balance sheets.

7. Long-term investments:

	December 31, 2023	December 31, 2022
Weichai Westport Inc. (a)	$ 1,411	$ 1,824
Minda Westport Technologies Limited (b)	3,234	2,657
Other equity accounted investees	147	148
	$ 4,792	$ 4,629

(a) 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 4.55%.

In December 2023, the Company, through is wholly-owned subsidiary, Westport HK, signed an equity transfer agreement with WWI for the 4.55% economic interest. As at December 31, 2023, the Company recognized an impairment loss of $ 413 (December 31, 2022 - nil) since the fair value of the investment was assessed to be lower than the carrying amount.

(b) Minda Westport Technologies Limited ("MWTL"):

The Company, indirectly through its wholly owned subsidiary, Westport Fuel Systems Italia S.R.L., is currently the registered holder of a 50% equity interest in MWTL. In September 2023, the Company entered into an amended and restated joint venture agreement with Uno Minda Limited ("Minda"). The parties have agreed to enter into a share purchase agreement to sell 26% share capital held by the Company to Minda. As at December 31, 2023, the Company has assessed the carrying amount to be equal to the fair value of the investment.

8. Property, plant and equipment:

December 31, 2023	Cost	Accumulated Depreciation	Net Book Value
Land and buildings	$ 9,206	$ 2,635	$ 6,571
Computer equipment and software	9,386	6,773	2,613
Furniture and fixtures	8,326	6,103	2,223
Machinery and equipment	129,642	75,111	54,531
Leasehold improvements	13,221	9,670	3,551
	$ 169,781	$ 100,292	$ 69,489

December 31, 2022	Cost	Accumulated Depreciation	Net Book Value
Land and buildings	$ 8,455	$ 2,107	$ 6,348
Computer equipment and software	8,756	6,740	2,016
Furniture and fixtures	7,283	5,606	1,677
Machinery and equipment	115,235	66,272	48,963
Leasehold improvements	13,874	10,237	3,637
	$ 153,603	$ 90,962	$ 62,641

Total depreciation expense for the year ended December 31, 2023 was $ 11,586 (year ended December 31, 2022 - $ 10,712). The amount of depreciation expense included in cost of revenue for the year ended December 31, 2023 was $8,191 (year ended December 31, 2022 - $ 7,384).

9. Intangible assets:

December 31, 2023	Cost	Accumulated Amortization	Intangible Assets, net
Patents and trademarks	$ 20,417	$ 13,724	$ 6,693
Technology	4,094	3,965	129
Customer contracts	11,646	11,646	—
Total	$ 36,157	$ 29,335	$ 6,822

December 31, 2022	Cost	Accumulated Amortization	Intangible Assets, net
Patents and trademarks	$ 19,799	$ 12,189	$ 7,610
Technology	3,952	3,745	207
Customer contracts	11,242	11,242	—
Total	$ 34,993	$ 27,176	$ 7,817

During the year ended December 31, 2023, amortization expense of $ 904 (year ended December 31, 2022 - $ 1,088) was recognized in the statement of operations and comprehensive loss. The Company currently estimates annual amortization expense to be $1,241 for 2024, $1,198 for 2025, $958 for 2026, $809 for 2027 and $ 2,627 for 2028 and thereafter.

10. Goodwill:

Changes in the carrying amount of goodwill are as follows:

	December 31, 2023	December 31, 2022
Balance, beginning of year	$ 2,958	$ 3,121
Impact of foreign exchange changes	108	(163)
Balance, end of year	$ 3,066	$ 2,958

Goodwill of $3,066 (December 31, 2022 - $2,958), relates to the acquisition of Westport Fuel Systems Netherlands Holding B.V. (formerly known as Prins Autogassystemen Holding B.V.) in 2014. The Company completed its annual assessment of impairment and concluded that goodwill of $3,066 related to the independent aftermarket business segment was not impaired as at December 31, 2023.

11. Other long-term assets

	December 31, 2023	December 31, 2022
Other assets	$ 9,083	$ 6,657
Prepaid capital asset deposits	—	788
Property lease deposits	310	288
Holdback receivable (note 6)	10,363	10,003
Other investments	609	294
Total	$ 20,365	$ 18,030

12. Accounts payable and accrued liabilities:

	December 31, 2023	December 31, 2022
Trade accounts payable	$ 70,567	$ 72,934
Accrued payroll	18,129	17,069
Taxes payable	4,302	4,425
Deferred revenue	2,376	4,435
	$ 95,374	$ 98,863

During the year ended December 31, 2023, the Company recognized $ 2,062 included in deferred revenue as at the end of the prior year as revenue in the consolidated statement of operations and comprehensive loss (December 31, 2022 - $2,531).

13. Operating leases right-of-use assets and lease liabilities:

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 2024 and 2038. 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 six 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. During the year ended December 31, 2023, the Company recognized additional right-of-use assets of $1,657 in exchange for operating lease liabilities (December 31, 2022 - $699).

The components of lease cost are as follows:

	Years ended December 31,	
	2023	2022
Amortization of right-of-use assets	$ 3,041	$ 3,529
Interest	666	717
Total lease cost	$ 3,707	$ 4,246

The maturities of lease liabilities as of December 31, 2023 are as follows:

2024	$ 3,307
2025	2,836
2026	2,586
2027	2,512
2028	2,241
Thereafter	12,433
Total undiscounted cash flows	25,915
Less: imputed interest	3,308
Present value of operating lease liabilities	22,607
Less: current portion	3,307
Long-term operating lease liabilities	$ 19,300

14. Short-term debt:

	December 31,	
	2023	2022
Revolving financing facilities	$ 15,156	$ 9,102

The Company has a revolving financing facility with Hong Kong and Shanghai Banking Corporation ("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 revolving financing facility's advances in either U.S. dollars or Euros bear interest at the secured overnight financing rate plus 3.76% per annum or the Euro short-term rate plus 3.60%, respectively. As of December 31, 2023, the amount outstanding for this loan was $15,156 (December 31, 2022 - $8,308). The Company repaid and closed a line of credit with Santander during the year ended December 31, 2023 (December 31, 2022 - $794). The Company has a revolving financing facility with ING. The maximum draw amount is $1,530. Advances under this financing facility are denominated in Polish Zloty and bear interest at the Warsaw interbank offered rate plus 1.2% per annum. As of December 31, 2023, the amount outstanding for this facility was nil (December 31, 2022 - nil).

15. Long-term debt:

	December 31,	
	2023	2022
Term loan facilities, net of debt issuance costs (a)	$ 42,879	$ 41,934
Other bank financing (b)	531	512
Capital lease obligations (c)	1,655	1,416
Balance, end of year	45,065	43,862
Less: current portion	14,108	11,698
Long-term portion	$ 30,957	$ 32,164

(a) On December 13, 2021, the credit facility and non-revolving term facility with Export Development Canada ("EDC") were refinanced into one $20,000 term loan. The refinanced term loan provides an extension of the maturity to September 15, 2026, an interest rate of U.S. Prime Rate plus 2.01% per annum and both principal and interest repayments are quarterly. The Company incurred 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, 2023, the amount outstanding for this loan was $10,763 net of transaction costs (December 31, 2022 - $ 14,683). 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.

On October 9, 2018 and November 28, 2019, the Company entered into Euro denominated loan agreements with UniCredit S.p.A. ("UniCredit"). On April 29, 2021, the Company and UniCredit amended the terms of these 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. As at December 31, 2023, the amount outstanding for this loan was $6,793 (December 31, 2022 - $8,044).

On May 20, 2020, the Company entered into a Euro denominated loan agreement with UniCredit. The effective interest rate of this loan is 1.70% with a maturity date of May 31, 2025. As at December 31, 2023, the amount outstanding for this loan was $1,693 (December 31, 2022 - $2,699). 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 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, 2023, the amount outstanding for this loan was $8,313 (December 31, 2022 - $11,273). 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, 2023, the amount outstanding for this loan was $ 3,867 (December 31, 2022 - $5,235). There is no security on the loan as it was made as part of the Italian government’s COVID-19 Decreto Liquidità.

On November 28, 2023, the Company entered into a Euro denominated loan agreement with Banca de Credito Cooperativo. The loan matures on December 31, 2028, bears interest at the 3-month Euribor rate plus 1.75% and both interest and principle repayments are quarterly. As at December 31, 2023, the amount outstanding for this loan was $2,192 (December 31, 2022 - nil). There is no security on the loan as it was made as part of the Italian government's guarantee program administered by the Servizi Assicurativi del Commercio Estero ("SACE").

15. Long-term debt (continued):

On November 29, 2023, the Company entered into a Euro denominated loan agreement with Deutsche Bank. The loan matures on September 30, 2029, bears interest at the 3-month Euribor rate plus 1.90% and both interest and principle repayments are quarterly. As at December 31, 2023, the amount outstanding for this loan was $7,710 (December 31, 2022 - nil). There is no security on the loan as it was made as part of the Italian government's SACE guarantee program.

On December 4, 2023, the Company entered into a Euro denominated loan agreement with Rabobank. The loan matures on December 31, 2028, bears interest at an annual rate of 4.70% and repayments are monthly. As at December 31, 2023, the amount outstanding for this loan was $1,548 (December 31, 2022 - nil). The loan is secured by certain property owned by the Company.

The Company has entered into interest rate swaps with Unicredit and Deutsche Bank, which are directly associated with its Unicredit (2020 and 2021) and Deutsche Bank (2020) term loans. These interest rate swaps serve as a hedging mechanism against potential fluctuations in future interest rates, ensuring stability in loan repayments. As of December 31, 2023, the Unicredit interest rate swaps have maturity dates ranging from 2025 to 2027 and a total notional value of $16,731. Additionally, the Deutsche Bank interest rate swap has a maturity date of June 30, 2027, with a notional value of $3,871. The notional value of these interest rate swaps is adjusted concurrently with scheduled principal payments on the corresponding loans. These interest rate swaps have been designated as cash flow hedges and have been structured to be highly effective. As of December 31, 2023, the fair value of the interest rate swaps amounted to $822, which is included in other long-term assets (December 31, 2022 - $1,612).

(b) Other bank financing consists of an unsecured bank financing arrangement with an interest rate of 0.55% and matures in 2027.

(c) The Company has capital lease obligations that have terms of two to five years at interest rates ranging from 1.7% to 2.7%.

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, 2023, 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, 2023:

	Term loan facilities	Other bank financing	Capital lease obligations	Total
2024	$ 13,396	$ 133	$ 579	$ 14,108
2025	13,670	133	405	14,208
2026	9,733	133	194	10,060
2027	2,793	132	182	3,107
2028 and thereafter	3,287	—	295	3,582
	$ 42,879	$ 531	$ 1,655	$ 45,065

16. Long-term royalty payable:

	December 31, 2023	December 31, 2022
Balance, beginning of year	$ 5,538	$ 9,947
Accretion expense	240	791
Repayment	(8,687)	(5,200)
Loss on extinguishment	2,909	—
Balance, end of year	—	5,538
Less: current portion	—	1,162
Long-term portion	$ —	$ 4,376

In April 2023, the Company and Cartesian Capital Group ("Cartesian") entered into a settlement agreement to terminate the Tranche 1 Financing and the Consent Agreement in exchange for mutual releases and cash consideration, which included the release of the security interest in the Company's HPDI 2.0™ fuel system intellectual property. The Company repaid Cartesian $ 8,687 on April 3, 2023 and recorded a $2,909 loss on extinguishment during the year ended December 31, 2023.

17. Warranty liability:

A continuity of the warranty liability is as follows:

	Years ended December 31, 2023	Years ended December 31, 2022
Balance, beginning of year	$ 14,299	$ 18,791
Warranty claims	(6,826)	(11,081)
Warranty accruals	5,152	4,338
Change in estimate	(2,204)	3,559
Impact of foreign exchange changes	(1,915)	(1,308)
Balance, end of year	8,506	14,299
Less: current portion	6,892	11,315
Long-term portion	$ 1,614	$ 2,984

The Company had recorded insurance recovery assets in the year ended December 31, 2021 related to outstanding warranty claims. As at December 31, 2022, $2,937 of these assets were included in other receivables and $ 4,122 in other long-term assets. As at December 31, 2023, the Company had a remaining balance of $984 and $605 in other receivables and other long-term assets, respectively, related to insurance recoveries.

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

On June 1, 2023, the Company completed a consolidation of its issued and outstanding common shares on the basis of one new post-consolidation common share for every ten existing pre-consolidation common shares (the "Consolidation"). No fractional common shares were issued and any fractional shares were rounded down to the nearest whole common shares. The number of outstanding common shares and share units issued have been retroactively adjusted for all periods presented.

During the year ended December 31, 2023, the Company issued 44,186 common shares, net of cancellations, upon exercises of share units (year ended December 31, 2022 – 50,384 common shares). The Company issues shares from treasury to satisfy share unit exercises.

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

(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, 2023, the Company recognized $ 1,727 (year ended December 31, 2022 - $ 2,066) of stock-based compensation associated with the Westport Omnibus Plan. The Westport Omnibus Plan aims to advance the Company's interests by encouraging employees, consultants and non-employee directors to receive equity-based compensation and incentives. The plan outlines the stock-based options types, eligibility and vesting terms.

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

	December 31 2023		December 31 2022	
	Number of Units	Weighted average grant date fair value (CDN $)	Number of Units	Weighted average grant date fair value (CDN $)
Outstanding, beginning of year	317,432	$ 24.15	186,643	$ 29.80
Granted	435,128	13.78	254,109	18.32
Vested and exercised	(44,186)	38.76	(50,384)	31.94
Forfeited/expired	(229,731)	19.26	(72,936)	12.77
Outstanding, end of year	478,643	$ 15.68	317,432	$ 24.15
Units outstanding and exercisable, end of year	—	—	—	—

During the year ended December 31, 2023, 435,128 share units were granted to directors, executives and employees (year ended December 31, 2022 - 254,109). This included 147,557 Restricted Share Units ("RSUs") (year ended December 31, 2022 - 99,470) and 185,365 Performance Share Units ("PSUs") (year ended December 31, 2022 - 122,139) and 102,206 Deferred Share Units ("DSUs") (year ended December 31, 2022 - 32,500 DSUs). Values of PSUs are determined using the Monte – Carlo Simulation Model. 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. Vesting of DSUs shall occur immediately prior to the resignation, retirement or termination of directorship, in accordance with the terms of Westport's Omnibus Plan. For the year ended December 31, 2023 the Company awarded 102,206 DSU's to be cash-settled when the vesting conditions are met (year ended December 31, 2022 - 32,500 to be equity -settled when the vesting conditions are met).

As at December 31, 2023, $ 2,054 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 are as follows:

	December 31,	
	2023	2022
	CDN$	CDN$
Share units:		
Outstanding	$ 3,283	$ 3,310
Exercisable	—	—
Exercised	386	524

(c) Stock-based compensation:

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

	Years ended December 31,	
	2023	2022
Cost of revenue	$ 26	$ 184
Research and development	570	336
General and administrative	1,806	1,638
Sales and marketing	228	232
	$ 2,630	$ 2,390

For the year ended December 31, 2023 the Company recognized stock-based compensation of $ 1,727 (December 31, 2022 - $2,066) for stock-based awards settled in shares and stock-based compensation of $903 for stock-based awards settled in cash for the year ended (year ended December 31, 2022 - $324).

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, 2023 (year ended December 31, 2022 – 27%) as follows:

	Years ended December 31,	
	2023	2022
Expected income tax expense (recovery)	$ (13,153)	$ (8,446)
Non-deductible stock-based compensation	301	233
Other permanent differences	86	5
Withholding taxes and other foreign taxes	709	621
Change in enacted tax rates	221	294
Foreign tax rate differences, foreign exchange and other adjustments	103	392
Change in valuation allowance	9,505	(3,249)
Expired losses	1,445	11,562
Foreign-derived income inclusion	1,785	—
Income tax expense (recovery)	$ 1,002	$ 1,412

19. Income taxes (continued):

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

	December 31, 2023	December 31, 2022
Deferred income tax assets:		
Net loss carry forwards	$ 225,659	$ 208,399
Intangible assets	3,854	4,015
Property, plant and equipment	20,292	18,392
Warranty liability	2,017	3,631
Foreign tax credits	620	620
Inventory	3,271	1,933
Research and development	5,074	5,001
Tax realignment due to Italian tax law changes	9,353	7,713
Financing and share issuance cost	767	1,106
Other	9,224	8,859
Total gross deferred income tax assets	280,131	259,669
Valuation allowance	(268,577)	(249,239)
Total deferred income tax assets	$ 11,554	$ 10,430
Deferred income tax liabilities:		
Intangible assets	$ (430)	$ (430)
Property, plant and equipment	(306)	(15)
Other	(2,741)	(2,837)
Total deferred income tax liabilities	$ (3,477)	$ (3,282)
Total net deferred income tax assets	$ 8,077	$ 7,148

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, 2023				
Italy	$ 4,531	$ 84	$ (828)	$ (744)
United States	(4,088)	14	—	14
Canada	(40,934)	590	—	590
Netherlands	3,391	744	(25)	719
Poland	2,228	253	69	322
Other	(13,844)	101	—	101
	$ (48,716)	$ 1,786	$ (784)	$ 1,002
Year ended December 31, 2022				
Italy	$ 1,023	$ 20	$ (511)	$ (491)
United States	15,136	6	—	6
Canada	(46,657)	372	—	372
Netherlands	3,103	601	(25)	576
Poland	3,002	512	118	630
Other	(6,890)	341	(22)	319
	$ (31,283)	$ 1,852	$ (440)	$ 1,412

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

	2024	2025	2026	2027 and later	Total
Canada	$ —	$ —	$ —	$ 660,110	$ 660,110
Italy	—	—	—	15,670	15,670
United States	—	—	—	72,311	72,311
Sweden	—	—	—	10,976	10,976
China	921	2,203	—	3,295	6,419
India	—	—	—	5,354	5,354
Australia and Other	—	—	205	7,463	7,668
Total	$ 921	$ 2,203	$ 205	$ 775,179	$ 778,508

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.

19. Income taxes (continued):

(f) The Company records uncertain tax positions in accordance with ASC No. 740, Income Taxes. As at December 31, 2023, the total amount of the Company's uncertain tax benefits was $5,552 (December 31, 2022 - $5,352). 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 2020 to 2023 taxation years remain open to examination by the Internal Revenue Service, the 2018 to 2023 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 Minda Westport Technologies Limited, directors, officers and shareholders that own greater than 10% of the Company's shares.

The Company engages in transactions with Minda Westport Technologies Limited and recorded $ 1,671 of accounts receivable as at December 31, 2023 (December 31, 2022 - $3,974). During the year ended December 31, 2023, the Company sold inventory to Minda Westport Technologies Limited for $7,200 (December 31, 2022 - $10,473).

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").

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Financial information by business segment as follows:

	Year ended December 31, 2023			
	Revenue	Operating income (loss)	Depreciation & amortization	Equity income
OEM	$ 222,741	$ (31,222)	$ 9,471	$ 780
IAM	109,058	2,583	2,479	—
Corporate	—	(17,244)	540	—
Total consolidated	$ 331,799	$ (45,883)	$ 12,490	$ 780

	Year ended December 31, 2022			
	Revenue	Operating income (loss)	Depreciation & amortization	Equity income
OEM	$ 198,036	$ (32,000)	$ 8,205	$ 930
IAM	107,662	2,340	3,162	—
Corporate	—	(20,606)	433	—
Total consolidated	$ 305,698	$ (50,266)	$ 11,800	$ 930

	Years ended December 31,	
	2023	2022
Total additions to long-lived assets, excluding business combinations:		
OEM	$ 13,285	$ 11,178
IAM	1,613	2,754
Corporate	676	597
Total consolidated	$ 15,574	$ 14,529

22. Segment information (continued):

Revenues are attributable to geographical regions based on the location of the Company's customers and are presented as a percentage of the Company's revenues, as follows:

	% of total revenue			
	Years ended December 31,			
	2023		2022	
Europe	70	%	64	%
Americas	13	%	12	%
Asia	10	%	15	%
Africa	3	%	5	%
Other	4	%	4	%

During the year ended December 31, 2023, total revenue of $ 53,671 (year ended December 31, 2022 - $ 43,265), or 16% (year ended December 31, 2022 - 14%) of total revenue, was generated from the Company's OEM launch partner.

As at December 31, 2023, total goodwill of $ 3,066 (December 31, 2022 - $2,958) was allocated to the IAM segment.

As at December 31, 2023, total long-term investments of $ 1,558 (December 31, 2022 - $1,972) were allocated to the Corporate segment and $3,234 (December 31, 2022 - $2,657) to the OEM segment.

Total assets are allocated as follows :

	Total assets by operating segment			
	Years ended December 31,			
	2023		2022	
OEM	$	201,348	$	241,795
IAM		145,640		145,377
Corporate		8,760		20,279
Total consolidated assets	$	355,748	$	407,451

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, 2023	Property, plant and equipment	Intangible assets and goodwill	Total
Italy	$ 25,883	$ 6,705	$ 32,588
Canada	24,098	117	24,215
Rest of Europe	11,042	3,066	14,108
Asia Pacific	8,466	—	8,466
Total consolidated long-lived assets	69,489	9,888	79,377

December 31, 2022	Property, plant and equipment	Intangible assets and goodwill	Total
Italy	$ 20,382	$ 7,688	$ 28,070
Canada	25,199	129	25,328
Rest of Europe	9,032	2,958	11,990
Asia Pacific	8,028	—	8,028
Total consolidated long-lived assets	$ 62,641	$ 10,775	$ 73,416

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, 2023, the Company has $54,853 of cash, cash equivalents and short-term investments, including $103 in restricted cash (see note 3(c)).

The following are the contractual maturities of financial obligations as at December 31, 2023:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	>5 years
Accounts payable and accrued liabilities	$ 95,374	$ 95,374	$ 95,374	$ —	$ —	$ —
Short-term debt (note 14)	15,156	15,156	15,156	—	—	—
Term loan facilities (note 15(a))	42,879	47,689	15,873	25,538	5,212	1,066
Other bank financing (note 15(b))	531	538	139	133	133	133
Capital lease obligations (note 15(c))	1,655	1,670	596	598	182	294
Operating lease commitments (note 13)	22,607	25,915	3,307	5,422	4,753	12,433
	$ 178,202	$ 186,342	$ 130,445	$ 31,691	$ 10,280	$ 13,926

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, 2023, 88% (December 31, 2022 - 76%) of accounts receivable relate to customer receivables, and 12% (December 31, 2022 - 24%) 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. The Company are subject to foreign currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which the Company earn revenues. In addition, since the Company's 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 the Company's 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.

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, 2023 would have resulted in lower/higher income from operations of approximately $100. 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 entering into interest rate swaps that serve as a hedging mechanism against potential fluctuations in future interest rates on certain financial instruments and 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, 2023 had increased or decreased by 200 basis points, with all other variables held constant, net loss for the year ended December 31, 2023 would have increased or decreased by $716.

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 the Company's interests in Minda Westport Technologies Limited, Weichai Westport Inc.and other investments. Minda Westport Technologies Limited is the most significant of the investments and is accounted for using the equity method. WWI and other investments are accounted for at fair value.

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

The carrying values of the term loan facilities, and other bank financing included in the long-term debt (note 15) are carried at amortized costs, which approximate their respective fair values as at December 31, 2023.

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, 2023, cash and cash equivalents are measured at fair value on a recurring basis and are included in Level 1.

24. Subsequent Events

Long-term debt

On January 10, 2024, the Company entered into a Euro denominated loan agreement with UniCredit for $ 3,835. The loan matures on December 31, 2028, bears interest at the 3-month Euribor rate plus 1.52% and both interest and principle repayments are quarterly, with the first payment due in 2025. There is no security on the loan as it was made as part of the Italian government's guarantee program administered by the Servizi Assicurativi del Commercio Estero ("SACE").

HPDI Joint Venture

On March 11, 2024, the Company entered into agreements to establish a joint venture ("JV") with the Volvo Group. As part of the formation of the JV, the Company will contribute certain HPDI™ assets and liabilities, including related fixed assets, intellectual property, and net working capital. The Volvo Group will acquire a 45% interest in the JV for an initial consideration of $ 28,350. The JV is to be jointly controlled by both parties, and is intended to enhance the commercialization of Westport's HPDI™ fuel system technology and to accelerate the decarbonization efforts of global OEM customers. Upon closing of the JV with Volvo Group, the HPDI business will be operated through the joint venture.

The Company's preliminary assessment is the interest in the JV is to be accounted for using the equity method. Under this method, the Company's initial investment in the JV is recognized at cost and subsequently adjusted for the Company's share of the JV's net income or loss and other comprehensive income, as well as for dividends or distributions received from the JV.

The Company's financial statements do not reflect the effects of the JV formation and share sale as of the reporting date. An estimate of the financial impact cannot be made, however these transactions are expected to have a material impact on the Company's financial position, results of operations, and cash flows in future periods.

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, 2023 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, 2023 ("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 25, 2024.

Additional information relating to Westport Fuel Systems, including our Annual Information Form ("AIF") and Form 40-F each for the year ended December 31, 2023, 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, the orders or demand for our products (including from our LNG HPDI 2.0™ fuel systems), supply agreement with Weichai Westport Inc. ("WWI"), the timing for the launch of WWI's engine equipped with Westport's LNG HPDI 2.0 fuel systems, the variation of gross margins from our LNG HPDI 2.0 fuel systems product and causes thereof, and the timing for relief of supply chain issues (including those related to semiconductor supply restrictions), opportunities available to sell and supply our products in North America, 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. 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, 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.

GENERAL DEVELOPMENTS

- In February 2023, Westport announced a plan to invest up to $10.0 million in a global manufacturing facility in Changzhou Hydrogen Valley, China.
- In March 2023, Westport signed a third global heavy-duty OEM collaboration agreement to demonstrate the Hydrogen HPDI fuel system ("H2 HPDI™") on an internal combustion engine platform. This collaboration will be funded by the OEM with work commencing immediately and expected to continue throughout 2023.
- In April 2023, we entered into a settlement agreement with Cartesian Capital Group to terminate the Tranche 1 Financing and Consent Agreement in exchange for mutual releases and cash consideration, which included the release of the security interest in our HPDI 2.0 fuel system intellectual property. We paid Cartesian Capital Group $8.7 million, which resulted in the extinguishment of the long-term royalty payable and a loss on extinguishment on royalty payable of $2.9 million.
- In May 2023, Westport showcased its market ready HPDI™ fuel system for commercial vehicles at the Advanced Clean Transportation Expo 2023.
- In June 2023, we completed the share consolidation of our issued and outstanding common shares on a 10:1 basis and regained compliance with NASDAQ's minimum bid requirement. No fractional common shares were issued and any fractional shares were rounded down to the nearest whole common shares. Effective this quarter, the number of outstanding common shares and share units issued have been retroactively adjusted for all periods presented.
- In July 2023, Westport and the Volvo Group signed a letter of intent to establish a joint venture to enhance commercialization of HPDI technology and to accelerate the decarbonization efforts of global OEM customers.
- In August 2023, we announced the expansion of the previously awarded Euro 7 program to develop and supply LPG fuel systems for several vehicle applications for a global OEM. This expanded program is forecasted to generate approximately €63 million in total revenue from 2025 to 2028 and increases the revenue generated from LPG fuel system supply agreements for Euro 6 and 7 programs with this OEM to approximately €255 million.
- In August 2023, we announced the resignation of David Johnson, the Chief Executive Officer ("CEO") and named Tony Guglielmin as the Interim CEO until such time a new CEO is appointed.
- In October 2023, we announced the completion of a heavy transport demonstration with our H2 HPDI fuel system equipped prototype truck hauling a refrigerated trailer in Madrid, Spain.
- In November 2023, we entered into a two-year H2 HPDI proof of concept project with a leading global provider of locomotives and related equipment for the freight and transit rail industries. The project will adapt Westport's H2 HPDI fuel system for use with the locomotive OEM engine design.
- In December 2023, we completed a successful heavy transportation demonstration of Westport's H2 HPDI fuel system with transportation and energy partners in Sweden.
- In December 2023, Westport was awarded a development contract with an estimated value of $33 million with a global heavy truck manufacturer to adapt and commercialize next generation LNG HPDI fuel system for the Euro 7 vehicle platform.
- In January 2024, Westport appointed Dan Sceli as the new CEO and member of the Board of Directors.
- In February 2024, Westport Announced a Methanol HPDI Project with a Leading Global Supplier of Power Solutions for Marine Applications.
- In March 2024, Westport announced the signing of an investment agreement to establish the previously announced joint venture with Volvo Group.

BUSINESS OVERVIEW

Westport 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 variety of alternative fuels in the transportation sector which provide environmental and/or economic advantages as compared to diesel, gasoline, battery or fuel cell powered vehicles. The Company's fuel systems and associated components control the pressure and flow of these alternative fuels, including LPG, compressed natural gas ("CNG"), liquified natural gas ("LNG"), renewable natural gas ("RNG") 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 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.

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.
OEM Businesses	
Heavy-duty OEM	We sell systems and components, including LNG HPDI 2.0 fuel system products, to engine OEMs and commercial vehicle OEMs. Our fully integrated LNG 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, resulting in reduced greenhouse gas emissions and the capability to cost-effectively run on renewable fuels. Upon closing of the joint venture with Volvo Group, the HPDI business will be operated through the joint venture.
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.
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.
Fuel storage	We manufacture LPG fuel storage solutions and supply fuel storage tanks to the aftermarket, OEM, and other market segments.

RISKS, LONG-TERM PROFITABILITY & LIQUIDITY

Global Supply Chain Challenges and Inflationary Environment

While OEM production is back on track after COVID-19, there are other disruptions that we are closely monitoring and making efforts to mitigate, including the impact of the global shortage of semiconductors, raw materials and parts on our businesses; however, we do not expect this shortage to affect our long-term growth.The global semiconductor supply, raw materials shortages and inflationary pressure on production input costs continued to affect the automotive industry and will continue to impact our business for the foreseeable future. Our production and end-customer demands are materially impacted by the prolonged supply chain disruption, which continue to put pressure on our margins.

Furthermore, due to the ongoing conflict in the Middle East and continuing attacks on cargo ships in the Red Sea, hundreds of vessels are avoiding the Suez Canal and disrupting global supply chains. These vessels are being forced to reroute around southern Africa vastly increasing transport times and freight costs. This global disruption to the international trade routes has put additional pressure on the Company's supply chain and the automotive sector as a whole. We continue to monitor the situation to mitigate transportation delays and costs to the Company.

Fuel Prices

Although we have seen a recent decline in LNG and CNG pricing, it has remained above historical levels in 2023. This volatility extends to liquid fuels including crude oil, diesel, and gasoline, given uncertainty in supply levels and European geopolitical risk due to the Russia-Ukraine conflict. Higher gaseous fuel price negatively impacts the price differential of gaseous fuels versus diesel and gasoline, which may impact our customers' decisions to adopt such gaseous fuels as a transportation energy solution in the short-term. We continue to observe softness in demand in our heavy-duty and light-duty OEM sales volumes caused by the uncertainty over the elevated prices of CNG and LNG relative to diesel and gasoline in Europe. Despite pressure on CNG and LNG prices, the increased LPG price differential to gasoline in Europe since the end of 2022 continued in 2023 and was favourable to customer demand, which supported increased sales in our fuel storage business.

Long-term Profitability and Liquidity

We continue to observe high inflationary pressures, global supply chain disruptions, higher interest rates and volatile fuel prices which may negatively affect customer demand going forward and have an adverse impact on our production and cost structure.

We believe that we have considered all possible impacts of known events arising from the risks discussed above related to inflation, supply chain, and fuel prices in the preparation of the annual financial statements for the year ended December 31, 2023. However, changes in circumstances due to the aforementioned risks could affect our judgments and estimates associated with our liquidity and other critical accounting assessments.

We continue to generate operating losses and negative cash flows from operating activities primarily due to the lack of scale in our heavy-duty OEM business. Despite customer interest, sales of our LNG HPDI 2.0 fuel systems to our OEM launch partner continue to be adversely affected by the impact of the continued volatility in natural gas prices, decreasing end-customer demand. Cash used in operating activities was $13.2 million for the year ended December 31, 2023. Despite the successful monetization of the CWI joint venture's intellectual property and the sale of our interest in CWI in the first quarter of 2022, the loss of income from the equity interest in the former CWI business had a significant impact on our annual cash flows.

As at December 31, 2023, we had cash and cash equivalents of $54.9 million. Although we believe we have sufficient liquidity to continue as a going concern beyond March 2025, the long-term financial sustainability will depend on our ability to generate sufficient positive cash flows from all of our operations specifically through working capital improvements, profitable and sustainable growth and on our ability to finance our long-term strategic objectives and operations. In addition to new contract announcements, entering new markets and the signing of an investment agreement to establish the previously announced joint venture with Volvo Group, we are focused on improving profitability through growth in our heavy-duty OEM business driving economies of scale and improvements in our light-duty OEM and IAM businesses, including pricing measures and manufacturing strategies driving margin expansion and reduction of our corporate costs. 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 consolidated financial statements and the adjustments could be material.

OVERVIEW OF FINANCIAL RESULTS FOR 2023

Revenues of $331.8 million for the year ended December 31, 2023 increased by 9%, compared to $305.7 million in the prior year primarily driven by increased sales in the delayed OEM, electronics and fuel storage businesses and additional engineering service revenues from the heavy-duty OEM business. This growth is partially offset by the negative impact of the lower CNG sales volumes to customers in the India market, lower independent aftermarket sales volumes in Africa, and lower sales volumes in the hydrogen business.

We reported a net loss of $49.7 million for the year ended December 31, 2023 compared to a net loss of $32.7 million for the prior year. This change was primarily the result of:

- Sale of our interest in the CWI joint venture including a $19.1 million gain on sale of investment recorded in the 2022 financial results;
- $2.9 million loss on extinguishment of debt due to the settlement of the Cartesian royalty payable;
- increases in research and development expenditure to further invest in our hydrogen and light-duty OEM businesses;
- increases in general and administrative expenses, which included $4.5 million of severance costs as well as consulting costs;
- increases in sales and marketing expenditures supporting hydrogen market activities and the rebranding of digital assets for awareness for global positioning;
- which were partially offset by a $12.7 million increase in gross margin due to higher revenues earned and higher margins on engineering service revenues, where the gross margin included a $7.1 million write down in inventory related to the heavy-duty OEM, light-duty OEM and IAM businesses.

Cash and cash equivalents were $54.9 million as at December 31, 2023. Cash used in operating activities during the year was $13.2 million, due to a net loss of $49.7 million partially offset by improvements in working capital of $9.4 million and $27.1 million of other non-cash adjustments. Investing activities included the purchase of fixed assets of $15.6 million. Cash used in financing activities were attributed to net debt repayments of $2.2 million in the year.

Westport reported negative $21.5 million Adjusted Earning Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA", see "Non-GAAP Measures" section in the MD&A) during the year ended December 31, 2023, as compared to negative $27.8 million Adjusted EBITDA for the same period in 2022.

SELECTED FINANCIAL INFORMATION

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

Selected Consolidated Statements of Operations Data

	Years ended December 31,		
	2023	**2022**	**2021**
(expressed in millions of U.S. dollars, except for per share amounts and shares outstanding)			
Revenue	$ 331.8	$ 305.7	$ 312.4
Gross margin[1]	$ 48.9	$ 36.2	$ 48.2
Gross margin %[1]	15 %	12 %	15 %
Loss from operations	$ (45.9)	$ (50.3)	$ (30.5)
Income from investments accounted for by the equity method	$ 0.8	$ 0.9	$ 33.7
Net income (loss)	$ (49.7)	$ (32.7)	$ 13.7
Net income (loss) per share - basic	$ (2.90)	$ (1.91)	$ 0.85
Net income (loss) per share - diluted	$ (2.90)	$ (1.91)	$ 0.84
Weighted average basic shares outstanding (millions)	17.2	17.1	16.0
Weighted average diluted shares outstanding (millions)	17.2	17.1	16.2
EBIT[1]	$ (48.4)	$ (29.3)	$ 9.0
EBITDA[1]	$ (35.9)	$ (17.5)	$ 23.0
Adjusted EBITDA[1]	$ (21.5)	$ (27.8)	$ 17.5

(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,	
	2023	**2022**
(expressed in millions of U.S. dollars, except for per share amounts and shares outstanding)		
Revenue	$ 87.2	$ 78.0
Gross margin[1]	$ 8.0	$ 4.6
Gross margin %[1]	9 %	6 %
Loss from operations	$ (14.1)	$ (17.2)
Income from investments accounted for by the equity method	$ 0.1	$ —
Net income (loss)	$ (13.9)	$ (16.9)
Net income (loss) per share - basic	$ (0.81)	$ (1.00)
Net income (loss) per share - diluted	$ (0.81)	$ (1.00)
Weighted average basic shares outstanding (millions)	17.2	17.1
Weighted average diluted shares outstanding (millions)	17.2	17.1
EBIT[1]	$ (14.2)	$ (16.3)
EBITDA[1]	$ (10.9)	$ (13.5)
Adjusted EBITDA[1]	$ (10.0)	$ (12.9)

(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, 2023	December 31, 2022
Cash and short-term investments	$ 54.9	$ 86.2
Net working capital[1]	56.3	77.4
Total assets	355.7	407.5
Short-term debt	15.2	9.1
Long-term debt, including current portion	45.0	43.9
Royalty payable, including current portion	—	5.5
Non-current liabilities[1]	29.5	31.4
Total liabilities	195.3	203.5
Shareholder's equity	160.4	204.0

(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").

OEM Business Segment

Our OEM segment designs, manufactures, and sells alternative fuel systems, components and electronics, including the HPDI 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, including: LPG, CNG, LNG, RNG, and hydrogen, which have numerous environmental and economic advantages. 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, DOEM, 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.

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.

(expressed in millions of U.S. dollars)

	Three months ended December 31, 2023			
	Revenue	Operating Income (Loss)	Depreciation & Amortization	Equity Income (Loss)
OEM	$ 61.2	$ (11.7)	$ 2.5	$ 0.1
IAM	26.0	1.9	0.6	—
Corporate	—	(4.3)	0.1	—
Total consolidated	$ 87.2	$ (14.1)	$ 3.2	$ 0.1

(expressed in millions of U.S. dollars)

	Three months ended December 31, 2022			
	Revenue	Operating Income (Loss)	Depreciation & Amortization	Equity Income (Loss)
OEM	$ 47.8	$ (12.8)	$ 1.8	$ —
IAM	30.2	0.6	0.8	—
Corporate	—	(5.0)	0.1	—
Total consolidated	$ 78.0	$ (17.2)	$ 2.7	$ —

Revenue

(expressed in millions of U.S. dollars)	Three months ended December 31,		Change		Years ended December 31,		Change	
	2023	2022	$	%	2023	2022	$	%
OEM	$ 61.2	$ 47.8	$ 13.4	28 %	$ 222.8	$ 198.0	$ 24.8	13 %
IAM	26.0	30.2	(4.2)	(14)%	109.0	107.7	1.3	1 %
Total revenue	$ 87.2	$ 78.0	$ 9.2	12 %	$ 331.8	$ 305.7	$ 26.1	9 %

OEM
Revenue for the three months and year ended December 31, 2023 was $61.2 million and $222.8 million, respectively, compared with $47.8 million and $198.0 million for the three months and year ended December 31, 2022.

Revenue for the three months ended December 31, 2023 increased by $13.4 million compared to the prior year, which was primarily driven by higher sales volumes in the light-duty OEM and electronics businesses and higher engineering service revenue from the heavy-duty OEM business. This was partially offset by lower sales volumes in heavy-duty OEM, delayed OEM and fuel storage businesses compared to the prior year.

Revenue for the year ended December 31, 2023 increased by $24.8 million compared to the prior year, primarily driven by increased sales volumes in the delayed OEM, electronics and fuel storage businesses, and higher engineering service revenue from the heavy-duty OEM business as well as increased sales volumes in Eastern Europe for our light duty business. This was partially offset by lower sales volumes in our hydrogen business and lower sales in the light-duty OEM business in India.

IAM
Revenue for the three months and year ended December 31, 2023 was $26.0 million and $109.0 million, respectively, compared with $30.2 million and $107.7 million for the three months and year ended December 31, 2022.

Revenue for the three months ended December 31, 2023 decreased by $4.2 million compared to the prior year period, which was primarily driven by lower sales volumes in the Africa and South America markets offset by increased sales volumes in Europe.

Revenue for the year ended December 31, 2023 increased $1.3 million compared to the prior year, primarily driven by higher sales volumes to South America offset by lower sales to Europe and Africa.

Gross Margin for the three months ended December 31, 2023

(expressed in millions of U.S. dollars)	Three months ended December 31, 2023	% of Revenue	Three months ended December 31, 2022	% of Revenue	Change $	Change %
OEM	$ 0.8	1 %	$ (0.8)	(2) %	$ 1.6	200 %
IAM	7.2	28 %	5.4	18 %	1.8	33 %
Total gross margin	$ 8.0	9 %	$ 4.6	6 %	$ 3.4	74 %

OEM

Gross margin increased by $1.6 million to $0.8 million, or 1% of revenue for the three months ended December 31, 2023, compared to negative $0.8 million, or negative 2% of revenue, for the same prior year period. The increase in gross margin for the three months ended December 31, 2023 is driven primarily by increased sales volumes in the light-duty OEM and electronics businesses, as well as increased gross margin in the heavy-duty OEM business due to higher engineering service revenue. The heavy-duty OEM business was negatively impacted by a $4.5 million inventory write-down. In addition, the increased gross margin described above is also partially offset by lower sales volumes in the fuel storage business and a negative sales mix in the hydrogen business, and the higher production input costs stemming from global supply chain

challenges and inflation in logistics, labor and other costs, which we have only partially been able to pass on to our OEM customers.

IAM

Gross margin for the three months ended December 31, 2023 increased by $1.8 million to $7.2 million, or 28% of revenue, compared to $5.4 million, or 18% of revenue, for the same prior year period.

The increase in gross margin for the three months ended December 31, 2023 is primarily driven by the positive sales mix, lower electronic component costs and increased volumes sales in Europe.

Gross Margin for the year ended December 31, 2023

(expressed in millions of U.S. dollars)	Year ended December 31, 2023	% of Revenue	Year ended December 31, 2022	% of Revenue	Change $	Change %
OEM	$ 25.3	11 %	$ 13.6	7 %	$ 11.7	86 %
IAM	23.6	22 %	22.6	21 %	1.0	4 %
Total gross margin	$ 48.9	15 %	$ 36.2	12 %	$ 12.7	35 %

OEM

Gross margin for the year ended December 31, 2023 increased by $11.7 million to $25.3 million, or 11% of revenue, compared to $13.6 million, or 7% of revenue, for the prior year.

The increase in gross margin and gross margin percentage for the year ended December 31, 2023 is primarily driven by higher contribution margins from engineering services and higher volumes sales in the delayed OEM and fuel storage businesses. This was offset by lower margins in the hydrogen business due to lower sales volumes and a negative impact in the heavy-duty OEM business due to a $4.5 million inventory write-down.

IAM

Gross margin for the year ended December 31, 2023 increased by $1.0 million to $23.6 million, or 22% of revenue, compared to $22.6 million, or 21% of revenue, for the prior year.

The increase in gross margin and gross margin percentage for the year ended December 31, 2023 is primarily driven by higher margins and a positive sales mix in South America. This was partially offset by a negative sales mix in Africa.

Research and Development Expenses ("R&D")

(expressed in millions of U.S. dollars)	Three months ended December 31, 2023	Three months ended December 31, 2022	Change $	Change %	Years ended December 31, 2023	Years ended December 31, 2022	Change $	Change %
OEM	$ 6.3	$ 4.9	$ 1.4	29 %	$ 22.2	$ 19.5	$ 2.7	14 %
IAM	0.9	0.9	—	— %	3.8	4.0	(0.2)	(5)%
Total R&D	$ 7.2	$ 5.8	$ 1.4	24 %	$ 26.0	$ 23.5	$ 2.5	11 %

OEM

R&D expenses for the three months and year ended December 31, 2023 were $6.3 million and $22.2 million, respectively, compared to $4.9 million and $19.5 million for the same prior year periods.

R&D expenses for the three months ended December 31, 2023 increased by $1.4 million due to increased testing and engineering resources for the hydrogen business. R&D expenses for the year ended December 31, 2023 increased by $2.7 million due increased R&D spent on our light-duty OEM and hydrogen businesses compared to prior year.

IAM

R&D expenses for the three months and year ended December 31, 2023 were $0.9 million and $3.8 million, respectively, compared to $0.9 million and $4.0 million for the same prior year periods.

The decrease in R&D expenses during the year ended December 31, 2023 is primarily driven by a decrease in outside services related to IAM projects.

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

(expressed in millions of U.S. dollars)	Three months ended December 31,		Change		Years ended December 31,		Change	
	2023	2022	$	%	2023	2022	$	%
OEM	$ 5.7	$ 6.5	$ (0.8)	(12)%	$ 24.6	$ 23.9	$ 0.7	3 %
IAM	4.6	3.3	1.3	39 %	18.8	14.4	4.4	31 %
Corporate	4.3	4.4	(0.1)	(2)%	17.1	13.8	3.3	24 %
Total SG&A	$ 14.6	$ 14.2	$ 0.4	3 %	$ 60.5	$ 52.1	$ 8.4	16 %

OEM

SG&A expenses for the three months and year ended December 31, 2023 were $5.7 million and $24.6 million, respectively, compared to $6.5 million and $23.9 million for the same prior year periods.

The SG&A expenses for the three months ended December 31, 2023 decreased by $0.8 million due to by lower outside service costs incurred for trade shows and exhibitions compared to prior year. The SG&A expenses for year ended December 31, 2023 increased by $0.7 million due to severance costs in India and additional expenses from our fuel storage business, which are partially offset by lower outside service costs compared to the prior year.

IAM

SG&A expenses for the three months and year ended December 31, 2023 were $4.6 million and $18.8 million, respectively, compared to $3.3 million and $14.4 million for the same prior year periods. The SG&A expenses for the three months ended December 31, 2023 increased $1.3 million due to higher marketing expenses compared to the prior year. The SG&A expenses for the year ended December 31, 2023 increased by $4.4 million due to higher employee headcount, severance costs and outside service costs compared to the prior year.

Corporate

SG&A expenses for the three months and year ended December 31, 2023 were $4.3 million and $17.1 million, respectively, compared to $4.4 million and $13.8 million for the same prior year periods. The SG&A expenses for the three months ended December 31, 2023 decreased by $0.1 million mainly due to lower share based compensation expenses which was partially off set by higher consulting costs. The SG&A expenses for year ended December 31, 2023 increased by $3.3 million mainly due to severance costs incurred in North America, consulting, and higher travel costs compared to the prior year.

Other significant expense and income items for the year ended December 31, 2023

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, 2023, we recognized a foreign exchange loss of $4.0 million compared to a foreign exchange loss of $6.4 million for the year ended December 31, 2022. The loss recognized in the current year primarily relates to unrealized foreign exchange losses 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, 2023 and December 31, 2022 were $12.5 million and $11.8 million respectively. The amounts included in cost of revenue for the same periods were $8.2 million and $7.3 million, respectively. Depreciation and amortization has increased year-over-year due to acquisitions of machinery and equipment and the net strengthening of the Euro against the U.S. dollar, which increased reported U.S. dollar depreciation and amortization.

Interest on debt and amortization of discount

(expressed in millions of U.S. dollars)

	Three months ended December 31,		Years ended December 31,	
	2023	**2022**	**2023**	**2022**
Interest expense on long-term debt	$ 0.9	$ 0.7	$ 2.8	$ 2.6
Royalty payable accretion expense	—	—	0.2	0.8
Total interest on long-term debt and accretion on royalty payable	$ 0.9	$ 0.7	$ 3.0	$ 3.4

The decrease in total interest expense on long-term debt and accretion on royalty payable for the year ended December 31, 2023 as compared to prior year period was primarily due to the extinguishment of the royalty payable.

Income tax expense for the year ended December 31, 2023 was $1.0 million compared to $1.4 million in the prior year. This decrease was primarily related to the recognition of deferred taxes on losses in our Italian operations.

CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

Our cash and cash equivalents position decreased by $31.3 million to $54.9 million at December 31, 2023 compared to $86.2 million at December 31, 2022. The decrease was primarily driven by the net cash used in our operating activities, purchases of fixed assets and net debt repayments, partially offset by net changes to working capital and proceeds from new term loans.

Cash Flow from Operating Activities

For the year ended December 31, 2023, net cash used in operating activities was $13.2 million compared to $34.6 million for the year ended December 31, 2022, a $21.4 million decrease in net cash used in operating activities. The decrease in cash used in operating activities was primarily driven by the improvements in working capital, specifically in accounts receivable, inventory, and prepaid expenses, partially offset by decreases in accounts payable. We had built up inventory to manage against supply chain risk against shortages of raw materials and components during 2022, and we continue to take actions to monetize the existing inventory and optimize our inventory levels. We also continued efforts in collecting our outstanding other receivables during the current year.

The global supply chain disruptions and high inflation continue to challenge the automotive industry with rising manufacturer costs. We are responding with pricing and productivity countermeasures to manage our profitability. For further discussion, see the "Long-term Profitability and Liquidity" sections in this MD&A. These conditions continue to persist. Consequently, the duration and severity of the impact on future quarters is currently uncertain.

Cash Flow from Investing Activities

For the year ended December 31, 2023, our net cash flows used in investing activities were $15.4 million compared to net cash flows generated by investing activities of $17.6 million for the year ended December 31, 2022. The year ended December 31, 2022 included $31.4 million in proceeds from the sale of the investment in Cummins Westport Inc. and interest in its intellectual property.

Cash Flow from Financing Activities

For the year ended December 31, 2023, our net cash flows used in financing activities were $2.2 million, compared to net cash flows used in financing activities of $19.4 million during the year ended December 31, 2022. Net payments on our operating lines of credit and long-term facilities decreased to $6.5 million for the year ended December 31, 2023 compared to $14.2 million in the prior year due to $11.5 million of new term loans during the year ended December 31, 2023 and $6.1 million in net borrowings under our revolving credit facilities.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	1 - 3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 95.4	$ 95.4	$ 95.4	$ —	$ —	$ —
Short-term debt (1)	15.2	15.2	15.2	—	—	—
Long-term debt, principal (2)	45.0	44.5	13.9	24.0	5.2	1.4
Long-term debt, interest (2)	—	5.3	2.6	2.3	0.3	0.1
Operating lease commitments (3)	22.6	25.8	3.3	5.4	4.8	12.4
	$ 178.2	$ 186.3	$ 130.4	$ 31.7	$ 10.3	$ 13.9

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 operating lease obligations, see note 13 of the Annual Financial Statements.

SHARES OUTSTANDING

On June 1, 2023, we completed a consolidation of our issued and outstanding common shares on the basis of one common share to ten common shares (see note 18 of the audited consolidated financial statements). The number of outstanding common shares and share units have been retroactively restated for all periods presented.

For the year ended December 31, 2023, the weighted average number of shares used in calculating the income per share was 17,173,016. During the year ended December 31, 2023, 435,128 share units were granted to directors, executives and employees (2022 - 254,109 share units). This included 147,557 Restricted Share Units ("RSUs") (2022 - 99,470 RSUs), 185,365 Performance Share Units ("PSUs") (2022 - 122,139 PSUs) and 102,206 Deferred Share Units (2022 - 32,500 DSUs). 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, 2023		March 25, 2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Common shares outstanding	17,174,502		17,223,154	
Share units				
Outstanding	478,643	15.68	391,585	N/A
Exercisable	—	—		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 accounts receivable, liquidity and going concern, warranty liability, revenue recognition, inventories, and property, plant and equipment. 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.

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.

Accounts Receivable

We make assumptions and have established 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. When we become aware of a customer’s inability to meet its financial obligation, we record a specific credit loss provision to reduce the customer's related accounts receivable to its estimated net realizable value.

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.

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. 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

We have significant investments in PP&E related to our HPDI business. The HPDI business is still in the pre-stages of commercialization, and, as a result, is currently generating losses. With the signing of the investment agreement in March 2024, the HPDI business will be operated through a joint venture with our OEM launch partner. The carrying value of the HPDI assets approximate the fair value. As of December 31, 2023, we have concluded that there are no impairment indicators.

Intangible assets

We concluded that there were no impairment indicators as of December 31, 2023 related to intangible assets. Therefore, no impairment on intangible assets was recorded in the year ended December 31, 2023.

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.

We evaluated the effectiveness of our internal controls over financial reporting as of December 31, 2023 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, 2023, our internal controls and procedures over financial reporting were effective for the period.

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, 2023.

During the year ended December 31, 2023, 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.

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, 2023. KPMG's audit report on effectiveness of internal control over financial reporting is included in the Annual Financial Statements.

SUMMARY OF QUARTERLY RESULTS AND DISCUSSION OF THE QUARTER ENDED DECEMBER 31, 2023

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 income (loss) has varied 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-22**	**30-Jun-22**	**30-Sep-22**	**31-Dec-22**	**31-Mar-23**	**30-Jun-23**	**30-Sep-23**	**31-Dec-23**
(expressed in millions of U.S. dollars except for per share amounts)	(1)							
Total revenue	$ 76.5	$ 80.0	$ 71.2	$ 78.0	$ 82.2	$ 85.0	$ 77.4	$ 87.2
Cost of product and parts revenue	$ 66.6	$ 69.5	$ 59.9	$ 73.5	$ 68.9	$ 70.6	$ 64.2	$ 79.2
Gross margin	$ 9.9	$ 10.5	$ 11.3	$ 4.5	$ 13.3	$ 14.4	$ 13.2	$ 8.0
Gross margin percentage	*12.9 %*	*13.1 %*	*15.9 %*	*5.8 %*	*16.2 %*	*16.9 %*	*17.1 %*	*9.2 %*
Net income (loss)	$ 7.7	$ (11.6)	$ (11.9)	$ (16.9)	$ (10.6)	$ (13.2)	$ (11.9)	$ (13.9)
EBITDA (2)	$ 11.7	$ (7.7)	$ (8.0)	$ (13.5)	$ (6.3)	$ (10.1)	$ (8.6)	$ (10.9)
Adjusted EBITDA (2)	$ (6.1)	$ (4.3)	$ (4.5)	$ (12.9)	$ (4.5)	$ (4.0)	$ (3.0)	$ (10.0)
U.S. dollar to Euro average exchange rate	0.89	0.94	0.99	0.98	0.93	0.92	0.95	0.92
U.S. dollar to Canadian dollar average exchange rate	1.27	1.28	1.31	1.36	1.35	1.34	1.35	1.35
Earnings (loss) per share								
Basic	0.50	(0.70)	(0.70)	(1.00)	(0.62)	(0.77)	(0.70)	(0.81)
Diluted	0.40	(0.60)	(0.70)	(1.00)	(0.62)	(0.77)	(0.70)	(0.81)

Notes

(1) During the first quarter of 2022, we recorded a $19.1 million gain on sale of investment from the sale of our interest in CWI and the monetization of the related intellectual property.

(2) These financial measures of 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.

NON-GAAP FINANCIAL MEASURES

In addition to the results presented in accordance with U.S. GAAP, we used EBIT, EBITDA, Adjusted EBITDA, gross margin, gross margin as a percentage of revenue, net working capital, and non-current liabilities (collectively, the “Non-GAAP Measures") throughout this MD&A. We believe these non-GAAP measures provide additional information that is useful to stakeholders in understanding our underlying performance and trends through the same financial measures employed by our management. We believe that EBIT, EBITDA, and Adjusted EBITDA are useful to both management and investors in their analysis 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 the Company. EBITDA is also frequently used by stakeholders 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 these non-GAAP financial measures also provide additional insight to stakeholders 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's EBITDA from 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 that 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. Readers should be aware that non-GAAP measures have no standardized meaning under U.S. GAAP and accordingly may not be comparable to the calculation of similar measures by other companies. Non-GAAP 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.

NON-GAAP FINANCIAL MEASURES RECONCILIATION

Gross Margin

	Years ended December 31,		
	2023	**2022**	**2021**
(expressed in millions of U.S. dollars)			
Revenue	$ 331.8	$ 305.7	$ 312.4
Less: Cost of revenue	$ 282.9	$ 269.5	$ 264.2
Gross margin	**$ 48.9**	**$ 36.2**	**$ 48.2**

Gross Margin as a percentage of Revenue

	Years ended December 31,		
	2023	**2022**	**2021**
(expressed in millions of U.S. dollars)			
Revenue	$ 331.8	$ 305.7	$ 312.4
Gross margin	$ 48.9	$ 36.2	$ 48.2
Gross margin as a percentage of revenue	**15 %**	**12 %**	**15 %**

Net Working Capital

(expressed in millions of U.S. dollars)	December 31, 2023	December 31, 2022
Accounts receivable	$ 88.1	$ 101.6
Inventories	67.5	81.6
Prepaid expenses	6.3	7.8
Accounts payable and accrued liabilities	(95.4)	(98.9)
Current portion of operating lease liabilities	(3.3)	(3.4)
Current portion of warranty liability	(6.9)	(11.3)
Net working capital	**56.3**	**77.4**

Non-Current Liabilities

(expressed in millions of U.S. dollars)	December 31, 2023	December 31, 2022
Total liabilities	$ 195.3	$ 203.5
Less:		
Total current liabilities	134.8	135.5
Long-term debt	31.0	32.2
Long-term royalty payable	—	4.4
Other non-current liabilities	**29.5**	**31.4**

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-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23
Income (loss) before income taxes	$ 7.6	$ (11.5)	$ (11.0)	$ (16.4)	$ (9.7)	$ (13.0)	$ (12.0)	$ (14.0)
Interest expense, net (1)	1.0	0.7	0.2	0.1	0.4	(0.1)	0.2	(0.2)
EBIT	8.6	(10.8)	(10.8)	(16.3)	(9.3)	(13.1)	(11.8)	(14.2)
Depreciation and amortization	3.1	3.1	2.8	2.8	3.0	3.0	3.2	3.3
EBITDA	$ 11.7	$ (7.7)	$ (8.0)	$ (13.5)	$ (6.3)	$ (10.1)	$ (8.6)	$ (10.9)

Notes

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

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-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23
EBITDA	$ 11.7	$ (7.7)	$ (8.0)	$ (13.5)	$ (6.3)	$ (10.1)	$ (8.6)	$ (10.9)
Stock based compensation	0.5	0.9	0.8	0.2	0.7	0.8	(0.3)	1.4
Foreign exchange (gain) loss	0.8	2.5	2.7	0.4	1.1	2.4	1.4	(0.9)
Gain on sale of investments	(19.1)	—	—	—	—	—	—	—
Loss on extinguishment of royalty payable	—	—	—	—	—	2.9	—	—
Severance costs	—	—	—	—	—	—	4.5	—
Impairment of long-term investment	—	—	—	—	—	—	—	0.4
Adjusted EBITDA	$ (6.1)	$ (4.3)	$ (4.5)	$ (12.9)	$ (4.5)	$ (4.0)	$ (3.0)	$ (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, 2023 under the heading “Risk Factors” and is available on SEDAR at www.sedar.com.

Exhibit 99.4

CERTIFICATION

I, Daniel Sceli, 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 25, 2024

By: /s/ Daniel Sceli

Name: Daniel Sceli
Title: Chief Executive Officer, Westport Fuel Systems Inc.

Exhibit 99.5

CERTIFICATION

I, William E. Larkin, 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 25, 2024

By: /s/ William E. Larkin
Name: William E. Larkin
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, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Daniel Sceli, 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 25, 2024

/s/ Daniel Sceli

Daniel Sceli
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, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William E. Larkin, 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 25, 2024

/s/ William E. Larkin

William E. Larkin
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.

Consent of Independent Registered Public Accounting Firm

The Board of Directors of Westport Fuel Systems Inc.

We consent to the use of:

- our report dated March 25, 2024 on the consolidated financial statements of Westport Fuel Systems Inc. (the "Entity") which comprise the consolidated balance sheets as of December 31, 2023 and December 31, 2022, the related consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for each of the years then ended, and the related notes (collectively the "consolidated financial statements"), and
- our report dated March 25, 2024 on the effectiveness of the Entity's internal control over financial reporting as of December 31, 2023

each of which is included in the Annual Report on Form 40-F of the Entity for the fiscal year ended December 31, 2023.

We also consent to the incorporation by reference of such reports in the Registration Statements (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.

/s/ KPMG LLP

Chartered Professional Accountants

March 25, 2024
Vancouver, Canada