UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

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

OR

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

For the fiscal year ended December 31, 2016

Commission file number: 001-34152

WESTPORT FUEL SYSTEMS INC.

(Exact Name of Registrant as Specified in its charter)

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

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

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

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

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

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

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

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

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

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2016, 110,109,092 common shares of the Registrant were issued and outstanding.

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

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

EXPLANATORY NOTE

Westport 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

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

- our liquidity and going concern discussed in the audited consolidated financial statements of the Company filed as Exhibit 99.2 to this annual report on Form 40-F;
- the future demand for Cummins Westport Inc. (" **CWI**") products and Company products;
- increasing penetration within our existing markets and expansion of those markets geographically;
- continuing growth in the transportation sector and in the natural gas engine market;
- the timing of and our ability to successfully launch new technology and market initiatives, including in light-, medium-, and heavy-duty markets;
- our ability to exploit and protect our intellectual property;
- our capital expenditure and investment programs;
- the future desirability and use of natural gas as an alternative fuel;
- commodity prices and the fuel price differential between natural gas and diesel;
- ongoing relationships between us and our business and partners and the results of our development programs with such partners;
- our ability to continue to compete with our competitors and their technologies;
- the capital and operating costs of vehicles using our technologies relative to competing technologies;
- profit margins and production costs of engines incorporating our technologies;
- the further development of infrastructure supporting the application of natural gas as an alternative fuel;
- increasingly stringent environmental and emissions regulations in the future;
- ongoing availability of government funding and incentives for our technology;
- our ability to attract and retain employees;
- demand for engines incorporating our technologies;
- the timing of commissioning of liquefied natural gas (" **LNG**") refueling stations;
- production capacity methods for our methods for our LNG system;

- expansion of our product offerings and markets;
- our estimates and assumptions used in our accounting policies, and accruals, including warranty accruals, and financial condition;
- our adoption, timing and ability to meet certain accounting standards;
- the ability of our products to adapt to the use of biogas, renewable natural gas and manufactured fuels, including hydrogen, as fuels;
- our compliance with environmental regulations; and
- the alignment of our business segments.

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

- risks related to our liquidity and going concern discussed in the audited consolidated financial statements of the Company filed as Exhibit 99.2 to this annual report on Form 40-F
- risks related to our Financing agreement with Cartesian Capital Group, including, but not limited to: failure to realize the anticipated benefits of the agreement;
- market acceptance of our products;
- product development delays and delays in contractual commitments;
- changing environmental regulations;
- the ability to attract and retain business partners;
- the success of our business partners and original equipment manufacturers (" **OEMs**"), with whom we partner;
- future levels of government funding and incentives;
- competition from other technologies;
- price differential between compressed natural gas (" **CNG**"), LNG and liquefied petroleum gas (" **LPG**") relative to petroleum-based fuels;
- limitations on our ability to protect our intellectual property;
- potential claims or disputes in respect of our intellectual property;
- limitations in our ability to successfully integrate acquired businesses;
- limitations in the development of natural gas refueling infrastructure;
- the ability to provide the capital required for research, product development, operations and marketing;
- unforeseen claims made against us;
- exposure to factors beyond our control through our international business operations, such as currency exchange rates, changes in governmental policy, trade barriers, trade embargoes and delays in the development of international markets for our products; and
- those risks discussed under the heading "Risk Factors" in the Annual Information Form (" **AIF**") of the Company filed as Exhibit 99.1 to this annual report on Form 40-F.

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

CURRENCY

Unless specifically stated otherwise, all dollar amounts in this annual report on Form 40-F are in United States dollars. The exchange rate of Canadian dollars into United States dollars, based upon the closing rate of exchange on December 31, 2016 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.35.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2016 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, 2016, 2015 and 2014, including the reports of the independent registered public accounting firms 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, 2016, 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, 2016, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting — Changes in Internal Control Over Financial Reporting".

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

See the audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2016, 2015 and 2014, including the reports of the independent auditors with respect thereto, filed as Exhibit 99.2 to this annual report on Form 40-F, under the heading "Report of Independent Registered Public Accounting Firm".

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2016, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting — Changes in Internal Control Over Financial Reporting".

AUDIT COMMITTEE

Audit Committee

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

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

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

Operations, and undertakes other activities required by exchanges on which the Company's securities are listed and by regulatory authorities to which the Company is held responsible.

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

Audit Committee Financial Expert

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

PRINCIPAL ACCOUNTING FEES AND SERVICES — INDEPENDENT AUDITORS

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

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

INDEPENDENT AUDITORS

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

OFF-BALANCE SHEET TRANSACTIONS

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

CODE OF ETHICS

The Company has adopted a Code of Conduct (the "**Code**") for all its directors, executive officers and employees. The Code is available on the Company's website at www.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, furnished to the SEC under a Current Report on Form 6-K, and provided in print to any shareholder who requests them.

There have been no amendments, waivers or implicit waivers to the Code during the year ended December 31, 2016. 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, 2016, 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, 2016 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

NASDAQ CORPORATE GOVERNANCE

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

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

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

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

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

UNDERTAKING

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

CONSENT TO SERVICE OF PROCESS

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

EXHIBIT INDEX

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

Exhibit	Description
Annual Information	
99.1	Annual Information Form of the Company for the year ended December 31, 2016
99.2	Audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2016, 2015 and 2014 together with the reports of the independent auditors thereon
99.3	Management's Discussion and Analysis for the year ended December 31, 2016
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
99.9	Consent of Deloitte LLP
Exhibits	
101.1	XBRL Interactive Data File

SIGNATURES

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

WESTPORT FUEL SYSTEMS INC.

By: /s/ Nancy Gougarty
Name: Nancy Gougarty
Title: Chief Executive Officer

Date: March 31, 2017

WESTPORT FUEL SYSTEMS
ANNUAL INFORMATION FORM

For the year ended December 31, 2016

1750 West 75th Avenue, Suite 101

Vancouver, British Columbia

V6P 6G2, Canada

T +1 604-718-2000

F +1 604-718-2001

www.wfsinc.com

Effective Date: March 31, 2017

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Forward-Looking Information

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

- Westport Fuel Systems Inc. high pressure direct injection 2.0 ("**Westport™ HPDI 2.0**") providing original equipment manufacturers ("**OEMs**") with vertically integrated natural gas solutions with attractive price, performance and fuel economy and the timing for commercialization of same (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" and "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - CORPORATE AND TECHNOLOGY INVESTMENTS");
- Westport™ HPDI 2.0 offering ready integration into OEM operations and providing an attractive way to reach scalable volume deliveries (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY", "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - CORPORATE AND TECHNOLOGY INVESTMENTS", and "RISK FACTORS");
- the future demand for Cummins Westport Inc. ("**CWI**") products and Westport Fuel Systems Inc. products, increasing penetration within our existing markets and expansion of those markets geographically, and continuing growth in the transportation sector and in the natural gas engine market (set out, for example, under the heading "GENERAL DEVELOPMENTS - STRATEGY");
- the timing of and our ability to successfully launch new technology and market initiatives and integrate our products into existing engine OEMs products, including: (set out, for example, under the headings "GENERAL DEVELOPMENTS - THE WORLD OF WESTPORT FUEL SYSTEMS", "GENERAL DEVELOPMENTS - STRATEGY", "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS", and "RISK FACTORS");
- the manufacture of Westport™ HPDI 2.0 system components (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY", "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - CORPORATE AND TECHNOLOGY INVESTMENTS");
- CWI's focus on sales in North America with engines manufactured in Rocky Mount, North Carolina and Jamestown, New York (set out, for example under the heading "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - CORPORATE AND TECHNOLOGY INVESTMENTS - CUMMINS WESTPORT JOINT VENTURE");
- our ability to expand, exploit and protect our intellectual property (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY", "BUSINESS OVERVIEW - INTELLECTUAL PROPERTY", and "RISK FACTORS", particularly under the subheadings, "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success" and "We could become engaged in intellectual property litigation or disputes that may negatively affect our business");
- our capital expenditure and investment programs (set out, for example, under the heading, "RISK FACTORS", particularly under the subheadings "We may not realize the anticipated benefits from joint ventures, investments or acquisitions" and "We could be adversely affected by risks associated with acquisitions");

- the future desirability and use of natural gas as an alternative fuel and commodity prices and the fuel price differential between natural gas and diesel (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" and "RISK FACTORS", particularly under the subheadings "Sustained negative economic factors could negatively impact our business" and "Fuel price differentials are hard to predict and may be less favourable in the future");
- ongoing relationships between us and our business partners and the results of our development programs with such partners (set out, for example, under the heading "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - CORPORATE AND TECHNOLOGY INVESTMENTS", we make statements throughout these sections regarding such relationships, and under the heading "RISK FACTORS", particularly under the subheading "We are dependent on relationships with strategic partners", and future development program expectations under the heading "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS-CORPORATE AND TECHNOLOGY INVESTMENTS");
- our ability to continue to compete with our competitors and their technologies, and the capital and operating costs of vehicles using our technologies relative to competing technologies (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY", "BUSINESS OVERVIEW - COMPETITIVE CONDITIONS" and "RISK FACTORS", particularly, under the subheading "We currently face, and will continue to face, significant competition");
- continuing growth in the transportation sector and in the natural gas engine market (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" and "RISK FACTORS", particularly under the subheading "A market for engines with our fuel systems may be limited or may take longer to develop than we anticipate");
- profit margins and production costs of engines incorporating our technologies (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" and "RISK FACTORS", particularly under the subheadings "Warranty claims could diminish our margins" and "We have foreign currency risk");
- the further development of infrastructure supporting the application of natural gas as an alternative fuel (set out, for example, under the headings, "GENERAL DEVELOPMENTS - STRATEGY" and "RISK FACTORS");
- increasing penetration of our technologies in key markets within the transportation sector and in key geographic markets (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" and "RISK FACTORS");
- increasingly stringent environmental and emissions regulations in the future (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" and "RISK FACTORS");
- our ability to attract and retain employees (as set out, for example, under the heading "HUMAN RESOURCES AND 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 "GENERAL DEVELOPMENTS - STRATEGY" and "RISK FACTORS", particularly under the subheading, "A market for engines with our fuel systems may be limited or may take longer to develop than we anticipate");
- the timing of commissioning of liquefied natural gas ("**LNG**") refuelling stations (as set out, for example, under the heading "RISK FACTORS");

- 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, in Schedule "A" entitled "AUDIT COMMITTEE CHARTER" and in our quarterly and annual financial statements);
- the ability of our products to adapt to the use of renewable natural gas (" **RNG**") and manufactured fuels, including hydrogen, as fuels (as set out, for example, under the heading "GENERAL DEVELOPMENTS - STRATEGY");
- our future growth and the expected changes to the transportation sector (as set out, for example, under the headings "GENERAL DEVELOPMENTS - THE WORLD OF WESTPORT FUEL SYSTEMS", "GENERAL DEVELOPMENTS - STRATEGY", "GENERAL DEVELOPMENTS - MARKET OVERVIEW" and "BUSINESS OVERVIEW - COMPETITIVE CONDITIONS";
- our future growth and expected changes to the transportation sector as set out, for example, under the heading "GENERAL DEVELOPMENTS - STRATEGY");
- our compliance with environmental regulations and regulatory policies and our ongoing assessments of targets for improving our commitment to environmental and social responsibilities (as set out, for example, under the headings "BUSINESS OVERVIEW - 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 Automotive segment and resulting growth in market share (as set out, for example, under the heading "GENERAL DEVELOPMENTS - THE WORLD OF WESTPORT FUEL SYSTEMS");
- the expansion of existing relationships with truck and engine OEMs (as set out, for example, under the heading "GENERAL DEVELOPMENTS - STRATEGY");
- Volvo Car's expansion of the Bi-Fuel version of the V90 station wagon in Belgium and Luxembourg (as set out, for example, under the heading "GENERAL DEVELOPMENTS - THREE YEAR HISTORY")
- the dividend payment to be received by from Weichai Holding Group Co., Ltd. (" **Weichai**") in connection with the sale of our interest in the Weichai Westport Inc. ("**WWI**") joint venture, and the gross proceeds received therefrom (as set out, for example, under the headings "GENERAL DEVELOPMENTS - THREE YEAR HISTORY" and "GENERAL DEVELOPMENTS - ACQUISITIONS AND DIVESTITURES");
- the development of our high horsepower ("**HHP**") P200 cryogenic pump and our development process with a supplier of heavy duty HHP mining trucks, including the introduction of gas on rail (as set out, for example, under the heading "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - CORPORATE AND TECHNOLOGY INVESTMENTS");
- the timing for publishing our Sustainability Report within our fiscal 2016 Annual Report (as set out, for example, under the heading "BUSINESS OVERVIEW - SOCIAL AND ENVIRONMENTAL POLICIES"); and
- expected fluctuations in our revenues and results of operations (as set out, for example, under the heading "RISK FACTORS", particularly under the subheading "Potential fluctuations in our financial results make financial forecasting difficult").

Such statements reflect management's current views with respect to future events and are subject to certain risks and uncertainties and are based upon a number of factors and assumptions. Actual results may differ materially from those expressed in the foregoing forward-looking statements due to a number of uncertainties and risks, including the risks described in this AIF and in the documents incorporated by

reference into this AIF and other unforeseen risks. Such risks, uncertainties, factors and assumptions include, without limitation:

- market acceptance of our products (as set out, for example, under "RISK FACTORS", particularly, under the subheadings "Sustained negative economic factors could negatively impact our business" and "Certain of our products may not achieve widespread adoption");
- product development delays and delays in contractual commitments (as set out, for example, under "RISK FACTORS", particularly, under the subheadings "We are dependent on relationships with strategic partners", "We are dependent on relationships with our suppliers" and "Our limited production trials, commercial launch activities and field tests could encounter problems");
- changing environmental regulations (as set out, for example, under "RISK FACTORS", particularly, under the subheading "Changes in environmental and regulatory policies could hurt the market for our products");
- the ability to attract and retain business partners (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We are dependent on relationships with strategic partners" and "We are dependent on our relationship with Cummins for CWI profits and cash flows");
- the success of our business partners and OEMs with whom we partner (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "We are dependent on relationships with strategic partners");
- future levels of government funding and incentives (as set out, for example, under the heading "RISK FACTORS", particularly, under the subheadings "We may be unable to raise additional capital", "Potential fluctuations in our financial results make financial forecasting difficult", "Business benefits from availability of government incentives - United States" and "Business benefits from availability of government incentives - The rest of the world");
- competition from other technologies (as set out, for example, under the heading, "RISK FACTORS", particularly under the subheading "We currently face, and will continue to face, significant competition");
- price differential between CNG, LNG and LPG relative to petroleum-based fuels (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "Fuel price differentials are hard to predict and may be less favourable in the future");
- limitations on our ability to protect our intellectual property (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success");
- potential claims or disputes in respect of our intellectual property (as set out, for example, under the heading "RISK FACTORS", in particular under the subheadings "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success" and "We could become engaged in intellectual property litigation or disputes that may negatively affect our business");
- limitations in our ability to successfully integrate acquired businesses (as set out, for example, under the heading "RISK FACTORS", in particular under the subheadings "We may not realize the anticipated benefits from joint ventures, investments or acquisitions" and "We could be adversely affected by risks associated with acquisitions");

- limitations in the development of natural gas refuelling infrastructure (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "Our growth is dependent on natural gas refuelling infrastructure that may not be built and commissioned");
- the ability to provide the capital required for research, product development, operations and marketing (as set out, for example, under the heading "RISK FACTORS");
- there could be unforeseen claims made against us (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We could become subject to product liability claims", "We could become liable for environmental damages resulting from our research, development or manufacturing activities", "We could become engaged in intellectual property litigation or disputes that may negatively affect our business" and "Natural gas, LPG, hydrogen and products that use these gases entail inherent safety and environmental risks that may result in substantial liability to us");
- our international business operations could expose us to factors beyond our control such as currency exchange rates, changes in government policy, trade barriers, trade embargoes, and delays in the development of international markets for our products (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We have foreign currency risk", "If we do not properly manage foreign sales and operations, our business could suffer", "We could be adversely affected by the operations of our joint ventures and joint venture partners" and "Economic Sanctions may Impact on the Business of Certain of our Foreign Subsidiaries and Joint Ventures");
- other risks relating to our common shares ("**Common Shares**") discussed in more detail in this AIF under the heading "RISK FACTORS" particularly under the subheadings "Our Common Share price may fluctuate", "We do not currently intend to pay any cash dividends on our Common Shares in the foreseeable future; therefore, our shareholders may not be able to receive a return on their Common Shares until they sell them", "If we are characterized as a passive foreign investment company, U.S. holders may be subject to adverse U.S. federal income tax consequences", "As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to our U.S. shareholders", "We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses to us," and "U.S. investors may not be able to obtain enforcement of civil liabilities against us"; and
- risks related to the Merger with Fuel Systems Solutions Inc., including, but not limited to: failure to realize the anticipated benefits of the Merger with Fuel Systems and to successfully integrate the Company and Fuel Systems; failure of each of the Company and Fuel Systems to secure necessary shareholder approval or otherwise satisfy the conditions to completion of the Merger with Fuel Systems in a timely manner or at all; and the risk that the Merger may not be completed on the terms contemplated or at all.

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

Currency

All dollar amounts set forth in this AIF are in United States (" **U.S.**") dollars unless specifically stated otherwise.

Corporate Structure

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

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

During 2016 Westport Fuel Systems changed its name from Westport Innovations Inc. (" **Westport Innovations**") to Westport Fuel Systems Inc. following the merger with Fuel Systems Solutions Inc. ("**Fuel Systems")** on June 1, 2016 (the **"Merger"**). Westport now has two material subsidiaries:

1. Westport Power Inc. ("WPI"), which is wholly-owned by Westport Fuel Systems and incorporated pursuant to the Business Corporations Act (British Columbia); and
2. Fuel Systems, which is wholly-owned by Westport Fuel Systems and incorporated in Wilmington, Delaware.

Key Entities

A list of Westport Fuel Systems principal key entities and each of their jurisdictions of incorporation as of December 31, 2016 is set out below. Our legal structure (including that of our subsidiaries) is not necessarily indicative of our operational structure.

KEY ENTITIES		
Name	**Voting Securities**	**Jurisdiction of Incorporation**
Westport Fuel Systems	100%	Canada
Westport Power Inc.	100%	Canada
Westport Luxembourg S.a.r.l.	100%	Luxembourg
Juniper Engines Italy S.r.l.	100%	Italy
Emer S.p.A.	100%	Italy
Valtek S.p.A.	100%	Italy
OMVL S.p.A.	100%	Italy
Prins Autogas Holdings	100%	Netherlands
Prins Autogas B.V.	100%	Netherlands
Westport Innovations (U.S.) Holdings Inc.	100%	U.S.A.
Westport Fuel Systems (U.S.) Inc.	100%	U.S.A.
Cummins Westport Inc.	50%	U.S.A.
Westport Dallas Inc.	100%	U.S.A.
Fuel Systems Solutions Inc.	100%	U.S.A.
IMPCO Technologies (Canada) LLC	100%	U.S.A.
IMPCO Technologies Canada Inc.	100%	Canada
IMPCO Technologies, Inc.	100%	U.S.A.
IMPCO Technologies B.V.	100%	Netherlands
MTM. S.r.l.	100%	Italy
BRC Brasil S.A.	100%	Brazil
TA Gas Technologies	100%	Argentina
Rohan BRC Gas	100%	India
Zavoli S.r.l.	100%	Italy

Notes:

1. *The table shows the percentages of the votes attached to all voting securities, owned by us or over which control or direction is exercised by us. Parent/subsidiary relationships are identified by indentations.*

2. *Entities not shown each represent less than 10% of our total consolidated revenues and total consolidated assets (although not all entities shown necessarily each represent more than 10% of our total consolidated assets and total consolidated sales) and, if considered in aggregate as a single entity, represent less than 20% of our total consolidated revenues and total consolidated assets.*

3. *As at December 31, 2016 Fuel Systems was owned directly by Westport Fuel Systems and Impco Technologies Canada Inc. was owned by Impco Technologies Canada LLC. On January 20, 2017 Fuel Systems and Impco Technologies Canada Inc. became subsidiaries of WPI and Impco Technologies Canada LLC was merged with Impco Technologies Inc.*

General Developments

The World of Westport Fuel Systems

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

Fuel Systems and Westport Innovations, two companies with a strong foundation of innovation and technology leadership in the alternative fuels space, were both key players in the development of the global market for gaseous fueled engines and vehicles for transportation and industrial applications. The merger of these two leaders in June 2016 created Westport Fuel Systems, a premier global company for the engineering, manufacturing, and supply of alternative fuel systems and components.

Our new corporate vision - “Driving Innovation to Power a Cleaner Tomorrow” - encompasses our mandate to deliver best-in-class alternative fuel engines, fuel systems, and components. Global trends in greenhouse gas emission reduction regulations and increasingly stringent urban air quality requirements further solidify our strategy to develop technology solutions and commercialize products that OEMs will need to meet demanding regulatory frameworks. With a broad range of alternative fuel capabilities in LPG, CNG, LNG, RNG, and hydrogen and our innovative proprietary technologies, Westport Fuel Systems is well positioned in key on-road, industrial, and high horsepower market segments.

Our Automotive and Industrial businesses are the solid foundation of our market leadership position and source of competitive advantage. We have been able to realize synergies through a post-Merger strategic assessment of our entire portfolio with emphasis on streamlining our operating lines as well as our product and brand portfolios. The outcome of this work has been a more focused portfolio with capital and resources targeted to the businesses that will drive long-term profitability.

In the Automotive segment, we are leveraging our increased scale, customer base, and global sales and distribution networks to continue growing market share.

In addition to our significant operational competency in well-established automotive and industrial markets, our investment in new technologies is expected to drive future growth. Westport Fuel Systems has a track record of innovation, specialized engineering capabilities, and a deep patent portfolio resulting in a strong intellectual property position. We are on track to ship the first commercial Westport High Pressure Direct Injection 2.0 (Westport™ HPDI 2.0) components to our European OEM launch partner in 2017. Our fully integrated Westport™ HPDI 2.0 system matches the “diesel-like” power, torque, and fuel economy benefits of a true compression ignition engine powered by natural gas, with reduced GHG emissions, and the capability to run entirely on renewable fuels.

Westport Fuel Systems has a compelling value proposition. We offer technology solutions for global environmental challenges, we occupy a premier technology leadership position, and we have a range of brands and products for diverse applications and markets. Our team has the specialized technical knowledge and engineering talent that can conceive, prototype, demonstrate, and commercialize the next generation of gaseous fueled technologies with our OEM partners. Our operationally focused leadership team has deep expertise in successful organizational restructuring, customer satisfaction, and financial discipline. We are building a sustainable, profitable company that delivers value to customers, shareholders, employees, and the environment.

Strategy

Westport Fuel Systems is the premier global organization for the engineering, manufacturing, and supply of alternative fuel systems and components for transportation and industrial applications. We believe gaseous fuels such as natural gas, propane, renewable natural gas, and hydrogen provide the best near-term alternative to petroleum-derived fuels in many applications, offering compelling environmental, economic, and energy security benefits. The first-generations of natural gas vehicles are now well established in key markets around the world with many using Westport Fuel Systems proprietary components or delivered through our joint ventures.

We intend to maintain our market leadership position by focusing our efforts on the following number of business strategies:

Provide Technology Solutions for Global Environmental Challenges

The transportation sector is undergoing a profound transformation. The Paris Climate Accord signaled a strong call to action with more than 174 countries committing to large GHG emissions reductions over the next 15 years. The increasing availability of low-carbon fuels, the rise of a multi-fuel economy with natural gas, LPG, electric vehicles, biofuels, and hydrogen competing with diesel and gasoline, continued technological advancements and breakthroughs on both incumbent and new powertrains, the participation of non-traditional industry players, like Google, with capital to invest in autonomous vehicles, and the emergence of new transportation companies, like Uber, have already begun to influence how people and freight are moved.

Westport Fuel Systems is the technology solutions provider for global OEMs with a track record of innovation in gaseous fueled engines, vehicles, systems, and components. Our expertise in gaseous fuels and cryogenics has made us the go-to partner for OEMs needing on-road and industrial products to meet increasingly stringent regulatory frameworks. While early innovative efforts have been driven by the need to reduce criteria air pollutants, the focus has now shifted in most jurisdictions to reducing greenhouse gas emissions and improving fuel efficiency.

Air quality remains an important public health issue in key markets like California. The California Air Resources Board (“**CARB**”) adopted optional low oxides of nitrogen (“**NOx**”) emission standards for on-road heavy-duty engines in 2013. For California to meet its 2023 ambient ozone air quality standards, CARB estimates that it will require a 90% reduction in NOx emissions below 2010 baseline levels measured in the South Coast air basin.

The 8.9 litre Cummins Westport ISL G Near Zero NOx engine is the first medium duty engine in North America to receive emissions certifications from both the U.S. Environmental Protection Agency ("**EPA**") and the CARB that meet the 0.02 g/bhp-hr optional Near Zero NOx Emissions standards for medium-duty truck, urban bus, school bus, and refuse applications. Methane emissions have also been cut through the combined use of closed crankcase ventilation and revised catalyst formulations.

As an engine and fuel system manufacturer, our direct responsibility is for the performance of fuels in the engines we develop and the emissions created by the engine. However, when any transportation fuels are used, it is not just the direct emissions that are calculated in a life-cycle analysis. There are emissions that are generated in the production of all fuels (i.e. oil extraction, refining, electricity generation, natural gas processing and transmission). When these emissions are taken into account, a well-to-wheel comparison can be made that includes the carbon intensity in producing, delivering, and combusting fuels.

Transportation quality grade natural gas is increasingly being produced from non-fossil sources, in the form of RNG or biomethane. Feedstocks for RNG include landfill gas, municipal solid waste, waste water treatment plants, or agricultural manure. In the case of these alternative natural gas feedstocks, substantial carbon intensity reductions can be achieved because turning these waste products into transportation fuel eliminates direct emissions of CO2 and methane that occur naturally and without any end-use benefit. Natural gas vehicles can operate with 100 percent renewable natural gas or any percentage of blended renewable and geologic gas.

In December 2013, Westport unveiled Westport™ HPDI 2.0; a next generation natural gas technology designed to provide a vertically integrated solution to vehicle and engine OEMs with a compelling value proposition and comparable power, torque, and fuel economy benefits of a true compression ignition engine. Westport HPDI 2.0 features further improvements to maximize the GHG emission reduction benefits of natural gas, such as the capture of dynamic venting. It is the only natural gas engine technology that can achieve thermal efficiency within 1% of current generation high efficiency heavy duty diesel engines, with inherently low engine-out unburnt methane emissions.

Developed to OEM quality standards, Westport™ HPDI 2.0 system components are expected to be manufactured in our partner facilities as part of our asset-light strategy, offer ready integration into OEM operations globally, and provide an attractive way to reach scalable volume deliveries as natural gas markets mature and grow.

We partner with OEMs to offer a complete systems solution, including development services, while leveraging the manufacturing, distribution, sales, and aftermarket service capability of our partners. This enables us to optimize an integrated approach to achieve economies of scale. We are continuing discussions with additional leading truck and engine OEMs to integrate our products into existing truck and engine configurations and expand our existing relationships.

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

High-horsepower applications (16 litre or greater) including locomotives, mine-haul trucks, and marine vessels face similar regulatory pressure to reduce GHG emissions. These demanding engine applications consume large amounts of fuel and often operate in jurisdictions where LNG offers a significant cost advantage over diesel, thereby also providing more favourable economics for the use of natural gas. Westport Fuel Systems proprietary technologies for fuel storage and delivery such as the P200 cryogenic pump for high-volume applications like locomotive tenders and mine-haul trucks is an example of our innovation in natural gas fuel supply expertise.

Maintain a Premier, Leading Technology Position

Westport Fuel Systems has both significant operational competency and a leading technology position. We believe the combination of our considerable investment in research and development and team of world-class engineers is responsible for unique innovative solutions and differentiated intellectual property that allows us to attract and access leading global engine OEMs in the transportation and industrial space.

Our global patent portfolio has been pivotal to our market-leading position and it continues to serve as a significant barrier to new entrants. In order to maintain our technology leadership, we continue to explore

product improvements and new product opportunities in each of the segments we serve to ensure that our portfolio evolves to meet market dynamics. We expect to expand our intellectual property portfolio as we file new patent and trademark applications to capture value generated by new technological advances. We also believe that our gaseous-fueled engine technologies, cryogenic fuel systems, and experience will allow us to exploit opportunities that may arise related to emerging low-carbon fuels such as hydrogen.

Our access to OEMs sets us apart. Westport Fuel Systems has established several strategic partner relationships with key automotive, industrial, engine and truck OEMs, joint ventures including CWI and WWI and co-marketing agreements with natural gas fuel providers like Royal Dutch Shell plc ("**Shell**"). These relationships provide strategic value to Westport Fuel Systems in our ability to leverage our partners' global market access and distribution channels.

Offer a Range of Brands and Products for Diverse Applications and Markets

Westport Fuel Systems offers recognized global brands and products for a diverse range of fuel system applications and markets. We have brand equity in the alternative fuel space and our breadth of reach includes passenger car and light-duty truck, medium-duty, heavy-duty, industrial, high horsepower, cryogenics, and CNG refueling markets. Post-Merger integration activities in 2016 have enabled us to realize synergies through a strategic assessment of our entire portfolio with emphasis on the products and brands that will drive long-term profitability.

We will intend to accelerate market penetration in key light-duty automotive markets by leveraging our increased scale, customer base, and global sales and distribution networks. The Westport Fuel Systems Automotive division designs, manufactures, and sells components and systems for passenger car, light-duty and medium trucks including OEM, delayed OEM (“**DOEM**”), and aftermarket applications. We sell LPG and CNG components to more than 20 global OEMs and to Aftermarket customers in more than 70 countries around the world. The products designed and sold by Westport Fuel Systems are sold directly to OEM or local distributors under 12 different well-recognized and well-established brands such as BRC, Prins, Emer and IMPCO Automotive.

We continue to pursue strategic investments and develop OEM products and capabilities to maintain our market leadership position. We are able to optimize our industry-leading portfolio via the ability to cross-sell products and efforts to sell full systems and conversions rather than just components. Our global footprint allows us to leverage capabilities to better serve customers through product localization to after-sales support.

We focus our market development efforts in the regions of Europe, Asia-Pacific, the Middle East, and the Americas where natural gas and LPG vehicle sales are growing or where market conditions are attractive for growth. These countries generally have attributes that serve to promote the shift to natural gas for transportation, including but not limited to: i) policies and regulations for either GHG mitigation, urban air quality, or energy security purposes that either mandate alternative fuels or promote their use, ii) domestically available and cost advantageous natural gas resources, iii) a favourable natural gas fuel price differential compared to petroleum-derived fuels, and iv) a lack of domestic oil reserves or insufficient refining capacity to meet transportation demands with petroleum fuels only.

Westport Fuel Systems Industrial segment products enable a wide range of industrial engines such as off-road mobile and stationary equipment for a variety of applications. Our auxiliary power unit (“**APU**”) products for Class 8 diesel trucks and locomotives offer significant environmental benefits and cost of operation savings by providing electrical power to the vehicle during stationary periods with much lower fuel consumption than would be used by the main engine at idle.

Industrial fuel system components and systems are primarily sold under the IMPCO, Beam-Garretson, and GFI brands, engines are sold under the Westport Power brand, with APUs sold under the ComfortPro brand.

Our Industrial segment is focused on the continued leverage of investments in distribution channels, technology development and new products, as well as opportunities to further penetrate high-growth market segments. With new emissions regulations in key markets, industrial OEMs will require advanced technologies that enable the use of gaseous fuels to satisfy not only new regulations but their customer's requirements for durability, performance, reliability, and cost-competitiveness.

Market Overview

Transportation accounts for about 14% of global GHG emissions.[1] Compared to other primary energy use sectors, including electricity, industry, and buildings, transportation is the most difficult to decarbonize because of the challenge of economically replacing the energy density of fossil fuels. The current global transportation energy mix is still dominated by petroleum derived fuels like gasoline and diesel that total approximately 95% of current consumption, but we are witnessing the emergence of a more diversified or poly-fuel mix as natural gas, liquid biofuels, electric vehicles, and hydrogen fuel cells are gaining an ability to compete on price, range, and market share.[2]

The Paris Climate Agreement, signed by more than 174 countries in October 2016, has the central aim to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.[3]

The degree to which we are able to realize the targets for the transport sector and diversify beyond oil will be a function of technology breakthroughs on both fuels and vehicles, political action, shifting demographics, and a range of new public policy considerations that will not only influence how people and freight are moved, but how and where we live. Despite significant progress on higher efficiency vehicles, advanced engines and alternative fuels, expanded public transit, increased urbanization, lower carbon freight options like rail and marine, and new mobility modes like car sharing and the potential of autonomous vehicles, achieving deep reductions in GHG emissions and fossil fuel consumption remains a challenge.

This challenge also presents an opportunity for leadership. Most companies provide or use transportation and virtually all companies use vehicles, fleets, and logistics to get work done.The sustainability drivers for transportation include energy consumption, rising or volatile fuel prices, and emissions regulations that necessitate energy efficiency and the management of GHG emissions. Evolving energy regulation is also creating an opportunity for innovation.[4] With our current commercialized product portfolio, soon-to-be launched technology, like HPDI 2.0, brand value, and geographic reach in key markets, Westport Fuel Systems is presently delivering cleaner-burning, low-carbon, gaseous fuelled engines, fuel systems, and components to meet demanding regulatory frameworks.

The market for alternative fuels is also driven by economic and energy security considerations. Concerns over oil supply availability, costs of oil production, and price levels and price volatility have all contributed to the demand for cleaner, low-carbon technology solutions for the transport and industrial sector. The acceptance of natural gas-fuelled engines depends in large part on the price differential between natural gas, diesel, and gasoline. Despite current oil price volatility tied to an overabundance of supply, natural gas and LPG has generally been, and currently is, less expensive than diesel fuel in many jurisdictions. This price differential is affected by many factors, including changes in the resource base for natural gas compared with crude oil, availability of shale gas, pipeline transportation capacity for natural gas, refining capacity for crude oil, exports for refined products and government excise and fuel tax policies.

Notes:

1. *https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data*
2. *http://www.bsr.org/reports/BSR_Future_of_Fuels_Understanding_Impacts_of_Fuels.pdf*
3. *http://unfccc.int/paris_agreement/items/9485.php*
4. *http://www.greenbiz.com/blog/2014/02/27/rise-sustainability-transportation*

Three Year History

Recent History of Announced Product News

2017

On February 7, 2017 the Company announced that Volvo Car will expand the Bi-Fuel version of its new V90 station wagon in Belgium and Luxembourg. Westport Fuel Systems believes that growth opportunities such as Belgium and Luxembourg make ideal initial markets for Westport Fuel Systems planned expansion in the European market.

2016

On December 8, 2016, CWI announced that its ISB6.7 G, 6.7 litre midrange, factory built natural gas engine was fully available as a production engine for shuttle bus, medium duty truck, and vocational applications in North America.

On November 28, 2016, the Company announced that its Westport™ WiNG product line has received certification from the U.S. EPA for its Westport WiNG™ Power System on multiple 2017 model year Ford Motor Company ("**Ford**") products and streamlined the supply chain through a Ford-approved ship-thru process on the F-150, F-250/350 and Transit products, reducing transportation costs and simplifying the ordering process.

On October 13, 2016, CWI announced that orders were being processed and production of the ISL G ("**ISL G"**) Near Zero ("**NZ**") NOx natural gas engine had commenced. The ISL G NZ is the first medium duty engine in North America to receive emission certification from both the U.S. EPA and CARB to meet the optional 0.02 g/bhp-hr. Near Zero NOx Emissions standards eight years in advance of the 2023 California Near Zero NOx schedule and contributing to California Clean Air initiatives.

On September 27, 2016, the Company announced the signing of a new multi-year agreement between a distributor of Westport Fuel Systems and Honda Turkey to supply LPG systems for the new Civic ECO model that will be launched in October 2016.

On August 23, 2016, the Company confirmed its next generation natural gas engines and vehicles, including Westport™ HPDI 2.0 and Enhanced Spark Ignition ("**Westport™ ESI**") technologies, comply with the announced U.S. EPA and the Department of Transportation's National Highway Traffic Safety Administration Phase 2 GHG emissions and fuel efficiency standards for medium- and heavy-duty vehicles.

On June 23, 2016, the Company announced that Volvo Car Group ("**Volvo Car**") launched the Bi Fuel version of its new V90 station wagon. This vehicle is based on the same engine technology as the Volvo V60 sports wagon which recently won second place in the Best Environmental Car in Sweden - company car category.

On June 17, 2016, IMPCO Technologies, Inc., a released a new Heavy-Duty/Light Weight Rail Auxiliary Power Unit developed in collaboration with the railroad industry expert Canadian Environmental Technologies ("**CET**").

On May 18, 2016, the Company announced it had received certification from the CARB for the dedicated CNG Westport WiNG™ Power System used in the Ford Transit Cargo Van and Passenger Wagon, and the F-150 truck for model year 2016.

2015

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

On November 2, 2015, the Company announced an update to HPDI 2.0 development program. Early production design intent components, including the latest generation injector from Delphi, were undergoing engine testing at Westport, and would be delivered to OEM customers for validation and vehicle testing in December 2015. The Company delivered production design intent components to OEM customers in mid-2016 for vehicle integration, engine testing and certification, and initial customer field testing.

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

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

On September 23, 2015, the Company announced the delivery of the first 2016 Volvo V60 Bi-Fuel cars to key customer Sunfleet, a Volvo Car car sharing organization in Sweden. The 2016 Volvo Car Bi-Fuel is based on Volvo's two-litre, direct injection, four-cylinder Drive-E powertrain family.

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

On July 7, 2015, the Company announced it would offer dedicated, liquid propane systems for 2016 Ford 5.0L F-150 trucks. This new liquid propane system was offered in addition to Westport's CNG package for 2016 Ford F-150 trucks.

On May 6, 2015, CWI announced it would begin field tests in California in transit buses with a spark ignited natural gas engine capable of producing Near Zero NOx emissions well before the 2023 California Near Zero NOx schedule for Low NOx vehicles.

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

On May 5, 2015, CWI unveiled the ISB6.7 G, a 6.7 litre medium-duty, factory built, dedicated natural gas engine for school bus, shuttle bus, medium duty truck and vocational applications. The ISB6.7 G operates exclusively on natural gas (CNG or LNG) utilizing Cummins Westport's proprietary spark-ignited, SEGR technology, first introduced with the 8.9 litre ISL G.

On March 11, 2015, the Company announced the introduction of a new combustion technology in Volvo Car Company's Drive-E powertrain bi-fuel engine offering customers a competitive, high performance, and low emissions product at OEM standards. Volvo Cars was the first OEM to feature the new Westport system and is being used on Volvo's new two-litre, direct injection, four-cylinder Drive-E powertrain family.

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

2014

On September 23, 2014, the Company unveiled the first generation of enhanced spark-ignited ("**ESI**") natural gas systems, designed to provide vehicle and engine OEMs with a "downsized" natural gas solution that is cost competitive while providing similar levels of power, torque, and fuel economy to a larger diesel engine.

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

Recent History of Announced Corporate Matters

2017

On January 31, 2017, the Company announced that Warren Baker stepped down as Chairman of the Board of Directors (the "**Board**"). Dr. Baker remains on the Westport Fuel Systems Board and currently acts as Chair of the Nominating & Corporate Governance Committee. The Board appointed Brenda Eprile, a director since October of 2013, as the new Chair of the Board.

On January 9, 2017, the Company announced that Mariano Costamagna stepped down from the Board of Directors while continuing in his ambassador role with the company. Mariano Costamagna was Fuel Systems Chief Executive Officer from January 2005 to May 2016. Upon the closing of the Merger, he joined the Board of Westport Fuel Systems and began his role as ambassador, both effective June 1, 2016.

2016

On November 7, 2016 the Company announced that effective at the opening of trading on Thursday, November 10, 2016, shares of Westport Fuel Systems would commence trading on the Toronto Stock Exchange ("**TSX**") under the symbol "WPRT".

On September 26, 2016, the Company announced that Scott R. Mackie, President of Qualitor Inc.'s International Brakes Industries division, a leading diversified supplier of safety and wear parts for the automotive aftermarket, had been appointed to the Board of Directors of Westport Fuel Systems. In connection with this appointment, Dr. Dezso J. Horvath, one of Westport Fuel Systems directors, stepped down from the Board.

On August 22, 2016, the Company announced that it had entered into agreements to sell an 11.7% interest in the WWI joint venture for gross proceeds of 48.2 million RMB (approximately US$7.2 million) to Weichai and an additional undisclosed purchaser. The Company also announced it would also receive a dividend payment of 23.8 million RMB (approximately US$3.5 million) from the joint venture, generating total gross proceeds of 72.0 million RMB (approximately US$10.7 million).

On August 1, 2016, the Company announced initial post-Merger actions targeted at consolidating operations and driving efficiencies while maintaining an ability to deliver OEM customer programs on schedule. Included in these efforts is the sale of non-core assets that unlock invested capital without disrupting delivery of OEM customer programs. Specifically, the Company completed the sale of its Michigan Tech Center assets located

in Plymouth, Michigan for a total value of over $12 million. Of the total, $11.5 million was received in cash with the remaining amount received as in-kind strategic value including access to test cells, facility space and other supporting equipment.

On July 22, 2016, the Company announced the appointment of Nancy S. Gougarty as Chief Executive Officer ("**CEO**") and that David R. Demers, Westport Fuel Systems prior CEO, had retired from the Company.

On June 16, 2016, the Company announced three new nominees for election to the board of directors at the Annual General Meeting of Shareholders held on Tuesday, June 28, 2016. Upon closing of the Merger, Mariano Costamagna, Colin S. Johnston and Anthony Harris were added to the Company's board of directors to fill vacancies created by the resignation of Philip B. Hodge, Gottfried (Guff) Muench and Joseph P. Caron.

On June 1, 2016, the Company announced the completion of the Merger. Shareholders of both companies approved the merger at separate special meetings of shareholders. Fuel Systems shareholders received 2.4755 Westport common shares for each share of Fuel Systems common stock owned.

On May 12, 2016, the Company announced that Doug Pearce had resigned from the Board as part of plans relating to the pending Merger.

On April 20, 2016, the Company announced that it sold a derivative economic interest in its Hong Kong holding company, Westport Hong Kong Ltd. ("**Westport HK**"), to Cartesian Capital Group ("**Cartesian**") for an upfront payment of US$6.3 million plus a potential future payment based on Cartesian's return on investment. Westport had previously announced its plans to enter into an asset sale transaction with Cartesian and its affiliates in a press release dated January 11, 2016.

On March 18, 2016, the Company announced that it held its Special Meeting of Shareholders in Vancouver, British Columbia and its shareholders had approved all resolutions presented in relation to the Merger.

On March 17, 2016, the Company announced that Rodney (Rod) Nunn, President and CEO of KSR International Co. (KSR), a leading Tier One automotive supplier, had been appointed to Westport's Board of Directors as part of a nomination agreement between Westport and certain entities affiliated with Westport's largest shareholder, Kevin Douglas.

On March 7, 2016, the Company announced that it signed an Amendment to the Agreement and Plan of Merger in relation to the Merger. The exchange ratio was amended to include a collar mechanism based on the NASDAQ volume weighted average price ("**VWAP**") of the Company common shares.

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

2015

On November 16, 2015, the Company's board composition and governance was restructured in preparation for the Merger. In connection with this process, Warren Baker, an existing director, was appointed Chairman of the Board by Westport's Board of Directors. Jill Bodkin, a director since 2008 and Chair of the Board since 2014,

resigned as Chair. Additionally, Doug King, a board member since 2012 and Chair of Audit Committee, resigned from the Board.

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

On September 1, 2015, the Company and Fuel Systems jointly announced that the companies had entered into a merger agreement to create a premier alternative fuel vehicle and engine company.

2014

On December 2, 2014, the Company acquired Netherlands-based Prins Autogassystemen Holding B.V. ("**Prins**") for a base purchase price of EUR 12.2 million ($15.0 million). Westport paid cash of EUR 2.5 million ($3.1 million) and assumed debt of EUR 9.7 million ($11.9 million).

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

On August 14, 2014, the Company announced that Jill Bodkin was elected Chair of the Board. Joseph Caron, formerly of Westport's Advisory Board, was appointed to the Board.

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

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

Acquisitions and Divestitures

Significant acquisitions and divestitures in the last three fiscal years are listed below.

2016

On August 22, 2016, the Company announced that it entered into agreements to sell an interest in the WWI joint venture for gross proceeds of 48.2 million RMB (approximately US$7.2 million) to Weichai and an additional undisclosed purchaser. Associated with the sale, Westport Fuel Systems would receive a dividend payment of 23.8 million RMB (approximately US$3.5 million) from the joint venture, generating total gross proceeds of 72.0 million RMB (approximately US$10.7 million). This transaction is consistent with the company's focus on strengthening its liquidity position.

On June 1, 2016, the Company announced the completion of the Merger between Westport Innovations and Fuel Systems Solutions (Nasdaq:FSYS). Shareholders of both companies approved the Merger at separate special meetings of shareholders. As previously announced, Fuel Systems shareholders received 2.4755 Westport common shares for each share of Fuel Systems common stock owned. Fuel Systems shares are no longer listed on the Nasdaq Exchange or any other securities exchange. Westport filed a business acquisition report in respect of the Merger on August 12, 2016.

On April 20, 2016, the Company sold a portion of its economic interest in its Hong Kong holding company, Westport Hong Kong Ltd. ("**Westport HK**") to Cartesian, a related party, for an upfront payment of US$6.3 million plus a potential future payment based on Cartesian's return on investment.

2014

On December 2, 2014 the Company announced that it acquired Netherlands-based Prins for EUR 12.2 million (approximately U.S.$15.1 million) through a combination of EUR 6.6 million (approximately U.S.$8.2 million) in assumed liabilities and EUR 5.6 million (approximately U.S.$6.9 million) in cash.

Business Overview

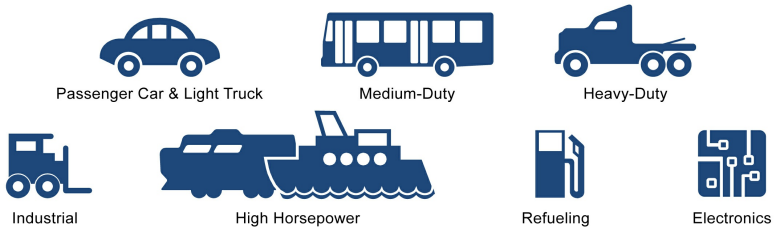
Westport Fuel Systems is the premier global organization for the engineering, manufacturing, and supply of alternative fuel systems and components for transportation and industrial applications. We believe gaseous fuels such as natural gas, propane, renewable natural gas, and hydrogen provide the best near-term alternative to petroleum-derived fuels in many applications, offering compelling environmental, economic, and energy security benefits.

Our Brands

Alternative Fuel Capabilities



Our Breadth of Reach



The Merger between Westport Innovations and Fuel Systems Solutions on June 1st, 2016 brought together two market leaders that have been delivering innovative alternative fuel products for more than 50 years. Our breadth of reach spans from passenger vehicles to heavy-duty trucks to locomotives and marine applications to off-road industrial to stationary power, refueling, and our ability to develop and utilize our intellectual property portfolio. Through the Westport Fuel Systems family of brands and an extensive distribution network, we serve customers in more than 70 countries, including the world's largest and fastest growing markets and are well positioned to lead industry transformation.

Operating Business Groups

The company operates its business through four segments: Automotive, Industrial, Corporate and Technology Investments and Cummins Westport Joint Venture. The revenue for the 2 most recent fiscal years and the principal focus of the operating units is summarized below.

OPERATING BUSINESS REVENUE		
(Expressed in thousands of dollars)	**12/31/2016**	**12/31/2015**
Automotive - Westport	86,883	100,108
Automotive - Fuel Systems[1]	78,188	$ —
Total Automotive	**165,071**	**100,108**
Industrial - Fuel Systems[1]	54,662	—
Corporate and Technology Investments	5,162	3,196
CWI	276,465	331,882
WWI[2]	29,931	185,967
Total segment revenues	**531,291**	**621,153**
Less: Equity investees revenues	306,396	517,849
Total consolidated revenues	**224,895**	**103,304**

Notes:

1. *The 2016 results include 7 month results from Fuel Systems as a result of the merger.*
2. *WWI results included in total segment revenue are only for the three months ended March 31, 2016 due to our Westport HK divestiture on April 20, 2016.*

Automotive

The Westport Fuel Systems Automotive division designs, manufactures, tests and certifies, and sells CNG and LPG components and systems for passenger cars and light-duty trucks and medium-duty vehicles, including OEM, DOEM and independent aftermarket. Our capabilities include the research and development of complete, in-house solutions for entire CNG and LPG fuel systems including engine management, applications, and certification. Our team has the specialized technical knowledge and engineering talent that can conceive, prototype, demonstrate, and commercialize next generation gaseous fueled automotive OEM and aftermarket technologies. The portfolio of products includes pressure regulators, injectors, electronic control units, valves and filters, in addition to complete bi-fuel, mono-fuel and dual-fuel LPG and CNG conversion kits.

The Automotive division also designs, manufactures, and sells a wide range of CNG Compressors and refueling systems, from BRC FuelMaker home appliance for individuals or small fleets, to complete refueling stations branded CUBOGAS.

We serve more than 70 countries with a strong customer base in Europe, the Americas, Asia, and a growing presence in Africa. Products are either sold directly to the OEM or through a local distributor or directly to workshops. We supply a large number of global OEMs including Volkswagen, Tata Motors, GAZ Group, FCA, General Motors, Ford, Maruti Suzuki, Honda, Volvo Car, Hyundai, and Kia as well as Independent Aftermarket distributors and workshops.

Products

Fueling Systems and Components

We engineer, design, and build LPG and CNG components and systems including pressure regulators, injectors, electronic control units, valves, filters and complete bi-fuel, mono-fuel and dual-fuel LPG and CNG conversion kits are sold under the following established product brands: BRC Gas Equipment, Emer, OMVL, Valtek, Prins, Zavoli, GFI and TA Gas Technology. In addition, the BRC Electronic Division provides EMS electronic boards and complete EMS solutions to not only Westport Fuel Systems companies, but also external clients in the automotive, industrial, marine, and other sectors.

Fuel system components include vaporizers, CNG and LPG tank valves designed to provide multiple layers of safety, fill nozzles, gaseous fuel lines, manual and electrically operated shut-off valves, single and double-stage pressure regulators, fuel gauges, high and low pressure fuel filters, integrated fuel rails and injectors, and customized electronic control units.

The Sequent Plug & Drive system is one of the most successful LPG injection systems produced by BRC and sold to several other DOEM and OEM customers worldwide. This system has been chosen and validated by car makers such as Kia, Hyundai, Nissan, Subaru, Mitsubishi, Ford and is currently installed in our Cherasco, Italy DOEM facility. BRC also provides this solution for Ford Europe and Honda Turkey. The Honda Civic ECO is fully integrated inside the Honda Turkey factory, using BRC Gas Equipment's Sequent Plug & Drive LPG system, a gaseous, fully sequential, port injection system.

YaMZ, the powertrain division of the GAZ group in Russia, is a leading manufacturer of diesel and CNG engines, powering Liaz, Paz, Ural and Gaz vehicles.The CNG 530 engine family comprises two engines, a 4 cylinder, 4.4 liter and a 6 cylinder, 6.6 litre. Both engines are equipped with Westport Fuel Systems engine management, complete fuel systems and off engine high pressure components. Today there are hundreds of trucks and buses in operation across the Russian Federation. They range from the Gazon Next truck, a small 2 wheel drive truck, to the Ural Next, 6 wheel drive on/off road vehicle, the PAZ Next bus, and the Liaz 5292 bus.

DOEM Vehicle Solutions

The Company provides DOEM vehicle solutions in full cooperation with major global OEMs as a key partner in their supply chain and production process, covering all process phases from development to prototype, installation, calibration, and validation.

For Volvo Car, the Westport AB Volvo Bi-Fuel System, an advanced natural gas fuel system, is engineered and installed on the Volvo V90 and V60 Bi-Fuel station wagon. The V90, with a 254 horsepower engine, is the most powerful CNG car available on the market. Westport builds and installs the natural gas systems at facilities located inside Volvo Car Group's main production center in Gothenburg, Sweden and vehicles are sold in Sweden and Benelux. Negotiations are underway for the distribution of Volvo vehicles in all of Europe including Italy which remains the most important market for CNG vehicles.

As a leading developer and installer in Ford's QVM North American program, Westport has the largest line-up of Ford alternative fueled vehicles. Sold under the Westport WiNG™ Power System product brand, the bi-fuel and dedicated CNG and LPG systems are developed and engineered at our Dallas, Texas production facility, which includes the Ford Transit Van, F-150/ F-250/F-350/ F-450 to F-550 chassis cab and the E-450 Collins Type A Bus. The WiNG System undergoes the same rigorous testing for safety and durability required for all Ford OEM products.

Development and Production

Development and production activities for the Automotive business are located in Italy, China, Netherlands, Sweden, Argentina, the United States, and India. There is capillary production in all continents to assure a high level of service and local quality product. Certain plants and related processes are certified to ISO 9001 and ISO TS 16949 certification. Certain facilities are also certified to ISO 14001 in accordance with OEM supply agreements.

Europe

Production activities are carried out in several plants located in Italy which have automatic assembly lines, sophisticated lathes, milling and cutting equipment, robots to perform machining of critical electronic components, and automatic testing capabilities. In the Netherlands, products are assembled and packaged in Eindhoven facilities which are NEN-EN-ISO-9001:2008 certified.

India

Minda Emer Technologies Limited ("**Minda Emer**"); a 50:50 joint venture between Minda Group and Westport Fuel Systems, manufactures CNG pressure regulators for Maruti Suzuki in a modern plant, designed according OEM standard to address the demand of the Indian and Asian markets.

South America

In Buenos Aires,CNG reducers, valves and injectors are manufactured and distributed in Argentina, Brazil, Perù, Colombia, Bolivia and Mexico.

Industrial

The Westport Fuel Systems Industrial division designs and manufactures alternative fuel components and systems for off-road mobile and stationary equipment, and heavy-duty on-road vehicles as well as develops complete emissions certified and non-certified engines for forklifts and other industrial equipment. In addition, our APU products for Class 8 diesel trucks and locomotives offer significant environmental benefits and cost of operation savings by displacing diesel fuel usage while these engines idle. Fuel system components and systems are primarily sold under the IMPCO, Westport and GFI brands.

Engines in forklifts, aerial platforms, sweepers, turf equipment, power generators and other industrial equipment have long been workhorses of developed countries and comprise a significant portion of our global business. With key jurisdictions seeking a broader consensus on the regulation of emission sources in an attempt to further reduce air pollution, many countries have legislated, and we believe will continue to legislate, emission standards for this type of equipment.

Our industrial brands focus on serving the market with fuel systems, services and emission controlled engine packages. With the imposition of new emissions regulations, OEMs will require advanced technologies that permit the use of gaseous fuels in order to satisfy customers' requirements for durability, performance and reliability, as well as emissions objectives. All of our products go through rigorous design, testing and validation to meet customer requirements.

Development and Production

Santa Ana, California

As an established provider of alternative fuels systems and components for industrial applications, IMPCO Technologies, Inc. ("**IMPCO**") develops, manufactures and markets products that enable internal combustion engines to operate on less expensive, cleaner burning fuel which promotes both energy independence and a cleaner environment. IMPCO's products and its integration expertise, enable OEMs and distributors to satisfy both customer specifications and emissions objectives for application in the industrial, lawn and garden, large stationary, small engine and power generation markets.

The Santa Ana facility is ISO-9001 and ISO14001 certified and houses all facets of our component design and assembly activities.

Kitchener, Ontario

IMPCO Technologies Canada LLC ("**IMPCO Technologies**") in Kitchener, Ontario is our primary North American location for the development, installation and dressing of industrial engines with our fully in house design fuel injection systems, development of high pressure CNG and hydrogen components and the design and manufacturing of diesel-electric APUs for North American trucks and locomotives. The Kitchener location is ISO-9001 and TS 16949 certified. High pressure CNG components target OEMs operating in the Medium and Heavy Duty segment in Europe, North America and India; the Indian market is addressed through Advantek, a value added distributor for CNG systems. Hydrogen components are mainly distributed in USA and China markets.

Delfgauw, the Netherlands

IMPCO's European headquarters are based in Delfgauw, the Netherlands. IMPCO Technologies B.V. ("**IMPCO Technologies Europe**") works with Europe's most prominent forklift truck OEMs, providing both fuel systems and fleet management solutions via its ISO 9001:2008 and 14001:2004 accredited organizations.

Fukuoka-City, Japan

IMPCO Tech Japan Co. Ltd ("**IMPCO Technologies Japan**") headquarters are based in Fukuoka. IMPCO Technologies Japan provides distribution of IMPCO components as well as providing direct support to many significant industrial Japanese OEMs who incorporate IMPCO product into their designs worldwide.

Kunshan, China

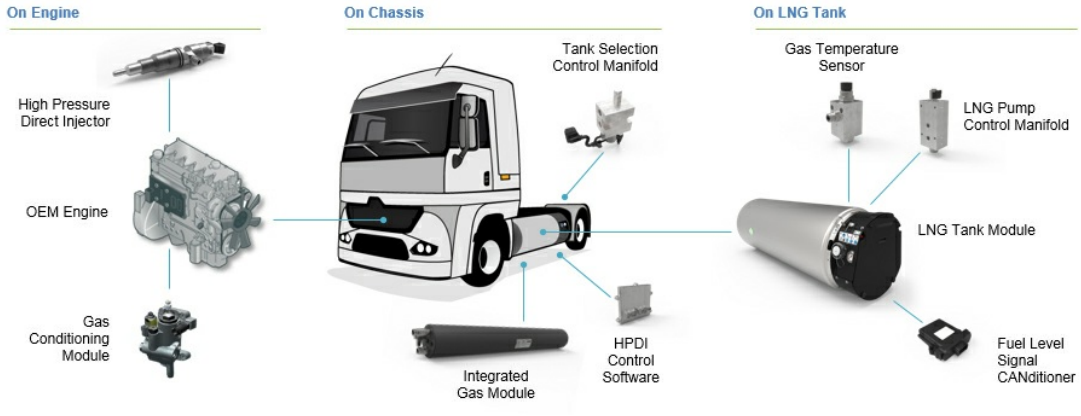
IMPCO China is co-located with Westport China in Kunshan. IMPCO China provides local support to both Chinese industrial OEM's who have long used IMPCO products in the heavy duty on-road and stationary power markets and automotive OEMs.

Corporate and Technology Investments

The Corporate and Technology Investments segment is responsible for current and advanced R&D programs, corporate oversight, and general administrative duties. Examples of our leading technologies include fully integrated combustion solutions, fuel injectors, and fuel storage and delivery solutions including cryogenics.

Products Under Development or Pre-Launch Window

HPDI 2.0



Westport's next generation of HPDI technology, Westport™ HPDI 2.0 will provide global vehicle and engine OEMs with a vertically integrated natural gas solution with attractive price, performance, and fuel economy. Developed to OEM quality standards, Westport™ HPDI 2.0 system components are manufactured in industry partners facilities and offer ready integration into OEM operations globally. A key component of the Westport™ HPDI 2.0 system is a brand new family of high pressure fuel injectors, co-developed with Delphi, designed to provide better cost, smaller size and improved packaging compared to prior generation Westport™ HPDI injector designs. Westport and Delphi have entered into a joint development agreement which will combine our intellectual property and engineering strengths to co-develop and manufacture high-pressure natural gas fuel injectors designed for multiple engine OEMs. The family of injectors is developed with core components of Westport's HPDI 2.0 fuel system.

Westport has developed proprietary technologies to store and deliver liquefied gaseous fuels at cryogenic temperatures. Given our deep cryogenics expertise and capabilities and associated intellectual property portfolio, we also work closely with leading suppliers including SAG (LNG fuel tanks) and G.W. Lisk (gas conditioning module) on key off-engine components.

High Efficiency Spark Ignited ("HESI") Natural Gas System

Westport's proprietary HESI technology is designed to provide vehicle and engine OEMs with a natural gas solution that exceeds the power and torque of the diesel engine upon which it is based. This allows for engine downsizing resulting in a smaller, lighter, more powerful, more fuel efficient and lower emissions package. Using 100% dedicated natural gas as fuel, this technology optimizes the combustion system and thermal management of the engine by taking full advantage of the ultra-high octane performance fuel properties of natural gas. Developed to meet the highest level of OEM quality standards, Westport's new combustion system and components have been undergoing testing and are being further developed to offer ready integration into OEM applications globally.

Fuel Storage and Delivery

- Cryogenic Tanks and Pumps

Natural gas is a bulky fuel. The most space efficient way to store it onboard a vehicle is in liquefied form. Once liquid, it become feasible as a replacement for diesel fuel in applications such as heavy duty trucks and large mine trucks where space is limited, long driving range is mandatory and excess weight is costly. Westport has designed and developed durable and robust cryogenic tank and pump products that efficiently store LNG onboard vehicles and provide high pressure fuel to engines utilizing high pressure direct injection natural gas technology.

For Westport™ HPDI 2.0, we have completely re-designed our cryogenic tank and pump products for reduced cost, improved quality and durability and minimum space claim on the vehicle. Rigorous validation and durability testing has been carried out including bonfire, vibration, drop and rifle shot. The tank modules have passed shaker table testing that correlates to 1,250,000 km of real world driving conditions.

Westport's LNG tank modules with integrated cryogenic pumps, are offered in both high and low discharge pressure options. The colder the LNG, the greater the amount of fuel stored for a given space - about 10% greater than saturated or so-called "warm" LNG. Cold LNG also has the best possible environmental performance in terms of avoiding fugitive methane emissions - up to double the hold time. Not having to saturate or warm up the LNG at the fueling station, results in significant operational savings for fuel providers, lower capital costs of the stations and fewer LNG trucks needed to commission new stations - approximately 20 compared with 40 trucks needed for saturated or warm stations. Westport's LNG tank products with integrated cryogenic pump enables all of these benefits.

For high horsepower ("**HHP**") applications such as mining, rail, marine, and oil & gas, current cryogenic pump options available in the market today are bulky, expensive, unreliable and do not provide instant fueling on startup. Westport is in the final development stage of our HHP P200 pump to overcome these problems. We are in the process of significant development with a world renowned supplier of heavy duty high horse power mining trucks and it is also a means of introducing gas on rail. We are engaged with OEMS to handle both low pressure and high pressure applications. High Pressure with the P200 has not been introduced to the market as of today as validation for structural and durability factors are being evaluated. It is being designed to surpass current emission regulations as well as meet or beat the future planned emission regulations.

Operations

Office and Facility Locations

The number of cities where office and facilities are located for the Automotive, Industrial, and Corporate and Technology segments are collectively as follows:

OPERATIONS LOCATIONS	
Geographic Region	Locations
North America	5
Europe	7
Asia	6
South America	2

Raw Materials and Inputs

Westport Fuel Systems organizes its purchasing of inputs into three general categories depending on the type of input: raw materials, commercial off-the-shelf parts, and custom made-to-order parts. Raw material parts are typically sourced from large scale trading partners, and are purchased at fair market value. When practical, the Company will try to 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. Custom made-to-order parts are sourced with strategic suppliers, or jointly developed with key partners, to ensure the best combination of price, quality and delivery. Our supply base is subject to our general terms and conditions and is subject to review against key performance indicators to ensure we are getting optimal performance and value.

Cummins Westport Joint Venture

CWI, our 50:50 joint venture with Cummins, Inc. ("**Cummins**"), serves the medium and heavy-duty on highway engine markets. CWI engines are offered by many OEMs for use in transit, school and shuttle buses, conventional trucks and tractors, and refuse collection trucks, as well as specialty vehicles, such as short-haul port drayage trucks and street sweepers. CWI is the leading supplier of natural gas engines to the North American medium- and heavy-duty truck and transit bus industries.

All CWI natural gas engines are dedicated 100% natural gas engines. The fuel for CWI engines can be carried in tanks on the vehicle as CNG or LNG All engines are also capable of operating on up to 100% RNG.

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

The purpose of the CWI joint venture is to engage in the business of selling, marketing and developing SI natural gas or propane engines for on-highway use. CWI utilizes Cummins' supply chain, back office systems and distribution and sales networks. The joint venture term is scheduled to end on December 31, 2021.

Products

CWI has six engines in commercial production today: ISL G NZ , ISB6.7 G, ISX12 G, ISL G, ISC8.3 G, and ISB5.9 G.

ISL G NZ

The ISL G NZ is an 8.9L natural gas engine which went into production in October 2016, and is the first midrange engine in North America to receive emission certifications from both the U.S. EPA and CARB for meeting the ARB optional Near Zero NOx Emissions standards for medium-duty truck, urban bus, school bus, and refuse applications.

The Cummins Westport ISL G NZ exhaust emissions are now certified 90% lower than the current EPA NOx limit. The ISL G NZ also meets the 2017 EPA greenhouse gas emission requirements with a 9% GHG reduction from the current ISL G.

The ISL G NZ operates on 100% natural gas which can be carried on the vehicle in either CNG or LNG form. The ISL G Near Zero can also run on RNG.

ISB6.7 G Natural Gas Engine

In 2016, CWI also introduced a new dedicated natural gas engine for school bus, shuttle, transit, medium-duty truck, and vocational vehicle markets. Based on the Cummins ISB6.7 diesel platform, the CWI ISB6.7 G meets the U.S. EPA and CARB 2016 emissions regulations, and also meets CARB's optional low oxides of nitrogen (NOx) standard as well as the 2017 EPA GHG requirements

The ISB6.7 G features the same advanced combustion and emissions control technologies as CWI's ISL G & ISX12 G engines. It operates on 100 percent natural gas, which can be carried on the vehicle in either CNG or LNG form. It can also run on 100 percent biomethane or RNG, which meets published Cummins fuel specifications.

ISX12 G

The ISX12 G engine is an 11.9 litre heavy-duty, dedicated natural gas engine for regional haul truck / tractor, vocational and refuse applications. The ISX12 G natural gas engine is based on the Cummins ISX12 diesel engine platform. The ISX12 G was introduced in April 2013 and is certified to EPA 2016 and CARB emissions standards.

ISL G

The 8.9 litre ISL G was introduced in 2007 as a medium-duty engine for bus and truck applications, and is certified to the EPA 2016, as well as Euro V, EEV (Enhanced Environmentally Friendly Vehicle) and Euro VI standards.

ISC8.3 G and ISB5.9 G

The ISC8.3 G and ISB5.9 G are older generation natural gas engines that are no longer sold in North America or Europe, but continue to be available in certain international markets where an older technology engine is appropriate.

Development and Production

CWI engines are manufactured in Cummins' North American engine plants in Rocky Mount, North Carolina and Jamestown, New York, allowing CWI to leverage Cummins' manufacturing footprint without incurring additional capital costs. Engines are sold to truck and bus OEMs for installation onto new vehicles. The fuel storage systems are installed at the OEM factory or at a third party location, such as a truck-body builder or at a fuel system integrator.

Intellectual Property

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

We use patents as the primary means of protecting our technological advances and innovations, which include proprietary claims to components, materials, operating techniques, and systems. We have a proactive approach to identifying, evaluating and choosing strategic inventions that we seek to protect through the timely filing and prosecution of patent applications. We have a comprehensive invention disclosure program involving written invention memoranda and maintenance and preservation of supporting laboratory records. Patent applications are filed in various jurisdictions internationally, which are carefully chosen based on the likely value and enforceability of intellectual property rights in those jurisdictions, and to strategically reflect our anticipated major markets.

As of December 31, 2016, we had filed over 1,300 patent applications worldwide relating to almost 300 inventions, and we held more than 450 issued patents worldwide, including more than 100 issued U.S. patents. We also have more than 280 patent applications pending in the U.S. and other countries and under the international Patent Cooperation Treaty, which preserves for at least 30 months our right to file corresponding patent applications in all of the major industrial countries that are of interest to us. These issued patents and pending patent applications cover various aspects of our technology.

We believe we have developed a significant international patent portfolio, which establishes a broad foundation for our ongoing research activities and continues to yield new and patentable developments. Our strategy is directed not only to capturing improvements that we make to our current technologies and extending the window for such technologies, but also to capturing future technologies that we believe could supplant current technologies.

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

Competitive Conditions

Westport Fuel Systems is a leader in high-performance, low-emission engine and fuel system technologies utilizing gaseous fuels. We believe we are one of the few companies that is focused on the development and commercialization of these technologies. The company primarily competes directly with companies offering alternative fuel combustion technologies, fuel delivery systems, components, electronics, and related systems using gaseous fuels. The company also competes with other alternative powered vehicle technologies such as those powered by electric or hybrid-electric or other propulsion technologies. Indirectly, the company competes with conventional manufacturers and developers of combustion technologies, fuel delivery systems, components, and electronics for vehicles fueled by diesel or gasoline. Competitors can range in size, technical expertise, and resources from the largest automotive OEMs to individual inventors. Industry participants compete on innovation, product performance, customer support, price, and other factors. Increasing interest in the alternative-fuels marketplace has increased the number of new entrants in certain countries; however, lower oil price levels in recent years and changing macroeconomic factors have also reduced the number of competitors in some countries, particularly reducing the number of smaller firms that do not have the economies of scale to stay competitive. The Company has leading market share positions in many of its alternative fuel markets and application segments globally or in certain countries, including its alternative fuel systems and components, light duty DOEM products, and heavy duty applications.

Specifically, Westport Fuel Systems products and its related technologies compete with:

- Manufacturers of on-engine and off-engine components and systems that use alternative fuels such as LPG, CNG, LNG, and hydrogen. These companies may produce only a small sub-set of components, or manufacture or assemble complete systems. They may also manufacture or assemble conversion kits that are used to convert vehicles fueled by diesel or gasoline to an alternative fuel. In the future, the Company may also compete with traditional automotive component suppliers. The Company also competes with motor vehicle OEMs that develop fuel systems internally.
- Conversion specialists that convert vehicles to run on alternative fuels by installing alternative fuel components or systems on vehicles as part of a vehicle production OEM process, a DOEM process, or by installing components and conversion kits on vehicles in the aftermarket that were originally fueled by diesel or gasoline.
- Conventional established technologies using spark-ignited or direct injection combustion technologies and related systems and components, such as engines powered by diesel fuel and gasoline. These incumbent technologies, from a fairly large number of global manufacturers, hold a very large market share in our target applications.
- Alternative-fuel engines and related technologies using broadly the same technical approaches as Westport Fuel Systems products, such as high pressure direct injection combustion technology, spark-ignited natural gas and dual-fuel engines, LNG tanks, and new and aftermarket fuel system components. These Westport Fuel Systems products compete head-to-head with conceptually-similar products from other companies.
- Alternatively powered vehicle and related technologies using fundamentally different technical approaches, such as hybrid and fully-electric vehicles, which Westport Fuel Systems does not offer.

Human Resources and Policies

Westport Fuel Systems employs a highly educated and experienced team of professionals focused on the development and commercialization of a portfolio of products and technologies. We actively recruit skilled individuals with diverse backgrounds from around the world and provide them with specific training relating to our product and technology portfolios, and retain consultants and contract workers with specific expertise when appropriate. Each new employee is required to execute confidentiality and proprietary rights agreements as well as a Code of Conduct certification as part of the employee's terms of employment.

In December 2016 our full-time equivalent headcount worldwide was 1751 employees. Our employee base consists mostly of engineers, manufacturing technicians, and commercial professionals that have experience with alternative fuel systems, combustion technologies, and fuel storage and delivery systems, including cryogenics. Our employees are not represented by a labour union, except in Italy, Sweden, 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 our Code of Conduct which applies to everyone in Westport Fuel Systems, including directors, officers, employees, contractors, agents and consultants who act of behalf of Westport Fuel Systems in any business dealings. The Code of Conduct is reviewed and signed annually by all directors, officers and employees. We have also implemented an ethics hotline to provide an avenue for employees to raise concerns about corporate conduct. The Whistleblower Policy includes the reassurance that individuals will be protected from reprisals or victimization for "whistle blowing" in good faith.

Social and Environmental Policies

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

- Westport Fuel Systems will work to ensure that its operations comply with all applicable environmental legislation, industry codes, and standards;
- Westport Fuel Systems will work to collaborate with partners and industry stakeholders in the protection of the environment, the conservation of resources, and the implementation of pollution mitigating practices;
- Westport Fuel Systems will continue to research, design, and develop alternative fuel engine technologies that preserve environmental health and safeguard employees, customers and the general public from injuries or health hazards;
- Westport Fuel Systems determines, evaluates, and strives to mitigate the environmental impacts of our existing operations and will work to conduct a thorough environmental assessment and risk analysis prior to the implementation of new projects;
- Westport Fuel Systems will set internally established standards to utilize energy and other resources efficiently in its operations;
- Westport Fuel Systems will strive to be an environmentally responsible neighbour in the communities where we operate and to act promptly and responsibly to correct incidents or conditions that endanger health, safety or the environment;

- Westport Fuel Systems will work to fully investigate all environmental incidents or unplanned releases and to communicate findings as necessary to all affected parties;
- Westport Fuel Systems will endeavor to train its employees on their individual responsibility to protect the environment, to adhere to this Environmental Policy Statement, and to cooperate with Westport Fuel Systems efforts in this regard. On-site contractors and others acting on behalf of Westport Fuel Systems are expected to abide by the same environmental code of conduct;
- Westport Fuel Systems will strive to evaluate its environmental performance through regular auditing and assessment of its regulatory compliance and adherence to this policy. We will strive to communicate the appropriate information to our stakeholders including our Board of Directors, employees, shareholders, governmental agencies and the general public; and
- Westport Fuel Systems will strive to continuously improve our environmental management system and measure the environmental impacts of our operations. Westport Fuel Systems will implement this policy through a comprehensive plan with measurable goals/targets and a rigorous analysis of performance. Westport Fuel Systems will work to provide a candid discussion of our environmental achievements and challenges in its annual sustainability report published on its website.

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

We published our first Sustainability Report at the end of fiscal 2008 to highlight aspects of our safety, environment, and community engagement performance. Our Sustainability Report, which will be published within our fiscal 2016 Annual Report, has been self-declared to be in accordance with the Global Reporting Initiative G3 Core framework.

Dividend Policy

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

Description of Capital Structure

Our authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares ("**Preferred Shares**") issuable in series with no par value. As at December 31, 2016, our issued share capital consisted of 110,109,092 Common Shares and no Preferred Shares. Our Board may at any time issue any Preferred Shares in one or more series, each series to consist of such number of Preferred Shares as may be determined by the Board. The Board may determine at the time of issuance the designation, rights, privileges, restrictions, and conditions attaching to each series of Preferred Shares.

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

Subject to any rights, privileges, restrictions and conditions that may have been determined by the directors to apply to any series of Preferred Shares or any restrictions in any of our debt agreements, the directors shall have complete 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. Under our credit facilities, any dividends, shareholder loan repayments and other capital withdrawals require prior consent from our creditors.

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

Description of Common Shares

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

OUTSTANDING COMMON SHARES, PSUs, & RSUs	
	Share Units
Shares Outstanding	110,109,092
Performance Share Units	
Outstanding[1]	1,695,000
Exercisable	—
Restricted Share Units	
Outstanding	4,969,591
Exercisable	1,891,008

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

Market for Securities

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange 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 Toronto Stock Exchange for the periods indicated:

TORONTO STOCK EXCHANGE ("WPRT") in Canadian Dollars				
Period	High (C$)	Low (C$)	Close (C$)	Volume
January 2016	3.30	1.79	2.70	1,024,840
February 2016	2.77	2.11	2.52	286,899
March 2016	3.99	2.52	3.38	761,673
April 2016	3.38	2.69	3.08	439,593
May 2016	3.34	2.35	2.80	468,051
June 2016	2.95	1.88	2.16	1,184,332
July 2016	2.35	1.66	1.80	1,259,927
August 2016	2.43	1.72	1.74	1,180,949
September 2016	2.19	1.74	2.12	936,417
October 2016	2.32	2.00	2.06	894,506
November 2016	2.08	1.58	1.70	1,137,829
December 2016	1.78	1.51	1.52	1,258,257
January 2017	1.82	1.52	1.66	1,234,389
February 2017	1.67	1.40	1.41	946,093
March 1–30, 2017	1.45	1.10	1.32	1,460,578

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

NASDAQ GLOBAL SELECT MARKET (WPRT)				
Period	High ($)	Low ($)	Close ($)	Volume
January 2016	2.32	1.30	1.92	12,073,136
February 2016	2.00	1.51	1.87	4,595,553
March 2016	3.09	1.88	2.61	8,765,386
April 2016	2.69	2.10	2.46	4,653,476
May 2016	2.63	1.81	2.15	4,255,420
June 2016	2.25	1.43	1.67	13,256,767
July 2016	1.74	1.29	1.38	14,033,740
August 2016	1.86	1.32	1.33	20,017,140
September 2016	1.67	1.32	1.61	8,907,131
October 2016	1.78	1.54	1.55	7,500,311
November 2016	1.55	1.17	1.27	11,813,628
December 2016	1.35	1.12	1.13	11,142,002
January 2017	1.39	1.14	1.26	8,652,036
February 2017	1.28	1.05	1.05	4,588,800
March 1–30, 2017	1.08	0.82	0.99	13,439,510

In the twelve-month period ended December 31, 2016, Westport Fuel Systems granted the following restricted share units ("**RSUs**") pursuant to the Westport Fuel Systems Omnibus Plan. The following grants are in Canadian dollars.

WESTPORT FUEL SYSTEMS OMNIBUS PLAN in units and Canadian Dollars		
Date	**Number of Securities Granted (RSUs)**	**Per Share Market Value of Shares Underlying Securities at Time of Unit Issuance ($CDN)**
June 2, 2016	684,402	2.90

Prior Securities Issued

No securities of Westport Fuel Systems not listed or quoted on any exchange were issued during the year ended December 31, 2016, other than RSUs and PSUs. On June 1, 2016, the Company completed the Merger and issued 44,882,782 Common Shares to the holders of common stock of Fuel Systems at a ratio of 2.4755 to 1. Additional information with respect to the issuance of securities under Westport Fuel Systems equity compensation plans during the most recently completed financial year will be contained in Westport Fuels Systems Management Information Circular in respect of its 2017 Annual and Special Meeting of Shareholders, which will be made available on SEDAR at www.sedar.com.

Directors and Executive Officers

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

The following tables set forth the names and municipalities of residence of all of the members of our Board and executive officers as of December 31, 2016, as well as the positions and offices held by such persons, their principal occupations, and number of Common Shares held as of March 31, 2017.

Director Biographies

Brenda J. Eprile — CHAIR



Citizenship: Canada

Resides in: North York, ON, Canada

Director since: October 2013

Common Shares: 9200

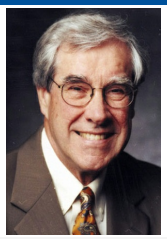
Share Units: 17,379

Principal Occupation for Last 5 years:

Managing Director at Eprile & Company since 2012;
Senior Partner at PricewaterhouseCoopers LLP (2000 to 2012)

Brenda J. Eprile (62), was appointed as Chair of Westport's Board of Directors in February of 2017 and brings extensive financial experience and acumen. Ms. Eprile joined the Board in October of 2013 and is Chair of the Human Resources and Compensation Committee, a member of the Audit Committee and a member of the Nominating and Corporate Governance Committee. Ms. Eprile's familiarity with Westport as a former Advisory Board member and her deep understanding of public companies is valuable to Westport as it continues to grow and business evolves. Ms. Eprile is the owner and principal at Eprile & Company Inc., a boutique consulting firm serving a wide variety of clients on a range of regulatory and compliance issues. From 2000 to 2012, Ms. Eprile was a Senior Partner at PricewaterhouseCoopers and led the Risk Advisory Services practice. From 1985 to 1997, Ms. Eprile had a distinguished career as a securities regulator in Canada, having held the positions of both Executive Director and Chief Accountant at the Ontario Securities Commission. Ms. Eprile is a Fellow Certified Professional Accountant (FCPA), and received an ICD.D from the Institute of Corporate Directors in 2013. She has an Honours Bachelor of Music from the University of Toronto, as well as a Master of Business Administration from Schulich School of Business, York University. She is a director of Home Capital Group, a TSX listed company and serves on the board of a privately owned securities dealer. She is a director and audit committee Chair of War Child Canada. She is the past Chair of the Board of Canada's National Ballet School.

Dr. Warren J. Baker — DIRECTOR



Citizenship: U.S.

Resides in: Avila Beach, CA, U.S.A.

Director since: September 2002

Common Shares: 58,331

Share Units: -

Principal Occupation for Last 5 years:

Retired from California Polytechnic State University since 2010. President, California Polytechnic State University (1979-2010)

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

Nancy S. Gougarty — DIRECTOR



Citizenship: U.S.

Resides in: Leesville, SC, U.S.A.

Director since: July 2016; and Feb. 2013 to July 2013.

Common Shares: 59,518

Share Units: 1,616,074

Principal Occupation for Last 5 years:

Chief Executive Officer of Westport Fuel Systems since July of 2016. President and Chief Operating Officer of Westport from July 2013 to July 2016; Vice President for TRW Automotive Holdings Corp. (2005 to 2012)

Nancy S. Gougarty (61), was appointed Chief Executive Officer of Westport Fuel Systems in July of 2016 and is a member of the Board of Directors. Prior to her appointment, she was appointed President and Chief Operating Officer in July of 2013 and she served on the Board from February of 2013 to July of 2013. Ms. Gougarty served as the Vice President for TRW Automotive Corporation ("**TRW**") operations in the Asia-Pacific region from 2008 to 2012. Joining TRW in 2005, her previous positions included Vice President of Product Planning, Business Planning and Business Development, and Vice President of Braking, Electronics and Modules for Asia Pacific. Based at the Asia- Pacific headquarters in Shanghai, China, Ms. Gougarty oversaw the operations of more than 30 plants in the region. She directed the development and implementation of strategic and operational plans and worked to enhance strategic relationships with customers and joint venture partners in the region. Ms. Gougarty's distinguished career began in 1978 when she started with GM's Packard Electric Division as an industrial engineer. She later took on various roles in application engineering, finance, operations, and sales and engineering with increasing responsibility. In 1997, she was named Managing Director for GM's joint venture in Shanghai, followed by a series of appointments accountable for strategic growth in Asian countries. After the successful post as the Director for Delphi Packard, Asia Pacific, Ms. Gougarty spent three years leading Delphi's largest account as Global Account Director GM, until becoming the Vice President for Delphi Automotive Systems, Japan and Korea. Ms. Gougarty is a certified Six Sigma Green Belt. She holds an EMBA degree from Case Western Reserve University and a Bachelor of Science degree in Industrial Management from the University of Cincinnati. A community service advocate, Ms. Gougarty serves as Advisor to the President of Marietta College, Ohio and is a member of the board of TriMas Corporation and SKF Corporation.

Anthony (Tony) Harris — DIRECTOR



Citizenship: U.S.

Resides in: Alameda, CA, U.S.A.

Director since: June 2016

Common Shares: 30,190

Share Units: -

Principal Occupation for Last 5 years:

President and CEO of Campbell/Harris Security Equipment Company since 2006.

Anthony ("Tony") Harris (63), was appointed to the Board of Directors in June of 2016. Mr. Harris served as a director of Fuel Systems from December 2013 to May 2016. Since 2006, Mr. Harris has served as president and CEO of Campbell/Harris Security Equipment Company ("**CSECO**"), a manufacturer of contraband, explosives, and "dirty bomb" detection equipment. Prior to its acquisition of CSECO, he had served as Vice President of Marketing for Calpine Corporation since 2001, where he was responsible for brand management, marketing strategy development and execution, new product development, advertising and sales training. From 1997 to 1999, Mr. Harris was with PG&E Energy Services, where he served as Vice President of National Account Services and Western Region sales. From 1992 to 1997 he was with Pacific Gas and Electric Company ("**PG&E**") where he served as Director of Alternative Fuel Vehicles, Division Manager, Vice President of Marketing and Sales, and President of Standard Pacific Gas Line, Inc., respectively. Mr. Harris worked at Ford Motor Company as a Production Supervisor from 1979 to 1981, at Ford Aerospace and Communications Corporation as a Program Manager from 1981 to 1986, at Anaheim Lincoln Mercury as a General Manager from 1986 to 1987 and at Sonoma Ford Lincoln/Mercury as President & CEO from 1987 to 1992. Mr. Harris holds a Bachelor of Science in mechanical engineering from Purdue University and an MBA from the Harvard Graduate School of Business. He was named a Purdue Outstanding Mechanical Engineer in 1999, a Distinguished Engineering Alumnus in 2008 and awarded an honorary Doctor of Engineering degree from Purdue in 2013. Mr. Harris is a founder of the National Society of Black Engineers and currently serves as Chair of its National Advisory Board.

Colin S. Johnston — DIRECTOR



Citizenship: UK

Resides in: Turin, Italy

Director since: June 2016

Common Shares: 26,621

Share Units: -

Principal Occupation for Last 5 years:

Self-employed consultant. Retired from Deloitte & Touche Italy in 2012.

Colin S. Johnston (62), was appointed director in June of 2016. Mt. Johnston served as a director of Fuel Systems from May 2014 to May 2016. He currently also serves as Chairman of the statutory audit committee of CLN group, a global automotive component supplier headquartered in Italy. Prior to that Mr. Johnston worked for over 35 years in the international accounting profession, including 22 years as a partner in Arthur Andersen, then Deloitte & Touche in Italy through 2012. Mr. Johnston has extensive experience in auditing, accounting, financial reporting, internal control and governance for multinational corporations, primarily in the manufacturing sector (in the automotive, aerospace, consumer products and textile industries). While in professional practice, he worked as lead client service partner for major public and private Italian groups, including foreign registrants with the SEC, as well as for Italian subsidiaries of US groups. Mr. Johnston is a graduate of Oxford University, a UK chartered accountant, and a registered statutory auditor in Italy.

Scott Mackie — DIRECTOR



Citizenship: Canada

Resides in: Milford, MI, U.S.A.

Director since: 2014

Common Shares: -

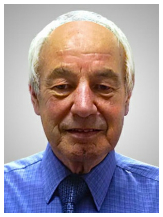
Share Units: -

Principal Occupation for Last 5 years:

President of Qualitor Inc. since April 2016. Vice President of Business Development and Mergers and Acquisitions for Navistar Inc. from Jan 2015 - Mar 2016. Consultant to Navistar Inc., Oct 2013 to Dec 2014, SRM Solutions LLC. President, Weld Racing LLC Sept 2010 to Sept 2013.

Scott Mackie (55), was appointed to Westport Fuel Systems Board of Directors in September 2016. Mr. Mackie is President of Qualitor Inc.'s International Brakes Industries division-a leading diversified supplier of safety and wear parts for the automotive aftermarket. Mr. Mackie joined Qualitor Inc. in April 2016 and most recently served as Vice President of Business Development and Mergers and Acquisitions for Navistar Inc. Prior to that, he was President and CEO of Weld Racing, a global leader in forged aluminum racing and street performance wheels. In addition, during a 30-year career with General Motors he held several senior executive leadership roles in North America and Europe including six years as general manager of ACDelco's global operations. Mr. Mackie holds a Bachelor of Science in mechanical engineering from General Motors Institute (Kettering) and a Master of Business Administration from The University of Chicago.

Rodney (Rod) Nunn — DIRECTOR



Citizenship: Canada

Resides in: Chatham, ON, Canada

Director since: March 2016

Common Shares: -

Share Units: -

Principal Occupation for Last 5 years:

President and Chief Executive Officer of KSR International Co

Rodney Nunn (73), joined the Board of Directors in March 2016. Mr. Nunn served as President and Chief Executive Officer of KSR International Co. from 1976 to 2011 and from November 2015 until present. KSR is an industry leader in the design, engineering and manufacture of an array of automotive products, including sensors, electronic throttle controls, steering system control modules, MOSFET power modules and adjustable & fixed pedals. KSR's production facilities are strategically located globally on four continents. KSR is a vertically integrated manufacturing company located near its customers to provide quick response, cost containment and local expertise. Executive and engineering offices are headquartered in Ridgetown, Ontario (Canada) and sales are in Southfield, Michigan, USA. Rod graduated from Technical College in England in 1963 with a U.E.I. and City of Guilds Certificate in Industrial Engineering.

Peter Yu — DIRECTOR



Citizenship: U.S.

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

Director since: January 2016

Common Shares: -

Share Units: -

Principal Occupation for Last 5 years:

Founder and Managing Partner of Cartesian Capital Group since 2006.

Peter Yu (55), joined the Board of Directors in January 2016 and is currently a member of the Audit Committee. Mr. Yu is Founder and Managing Partner of Cartesian, a global private equity firm with more than $2.5 billion under management. Mr. Yu directs a team of twenty-five professionals on four continents, managing capital for leading institutional investors around the world. Prior to founding Cartesian, Mr. Yu founded and served as President and Chief Executive Officer of AIG Capital Partners. He built AIG Capital Partners into a leading global private equity firm with $4.5 billion under management. Over his career, Mr. Yu has initiated, negotiated and executed numerous innovative and successful investments across a wide range of industries and geographies. He has served as a director and advisor to more than two dozen industry-leading companies. Prior to founding AIG Capital Partners, Mr. Yu served President Bill Clinton as Director to the National Economic Council in the White House. In that capacity, he managed a number of domestic and international economic policy initiatives and priorities. Mr. Yu graduated *magna cum laude* from Harvard Law School, where he served as President of the Harvard Law Review. Mr. Yu served as a law clerk to Justice John Paul Stevens of the United States Supreme Court and to Chief Judge Patricia Wald of the U.S. Court of Appeals for the D.C. Circuit. Mr. Yu received his B.A. degree from the Woodrow Wilson School at Princeton University.

Executive Officers Biographies

For **Nancy S. Gougarty**, see information contained under the heading "Director Biographies".

Ashoka Achuthan — CHIEF FINANCIAL OFFICER



Citizenship: U.S.

Resides in: Chicago, IL, U.S.

Westport Fuel Systems since: November 2013

Common Shares: 2,745

Share Units: 634,304

Principal Occupation for Last 5 years:

Chief Financial Officer of Westport since June 5, 2014; Executive Vice President, Finance Operations of Westport from November 2013 until June 2014; Chief Financial Officer of CODA Holdings Inc. from 2011 until 2013; Chief Financial Officer at Key Plastics LLC in 2010

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

Andrea Alghisi — CHIEF OPERATING OFFICER, AUTOMOTIVE & INDUSTRIAL



Citizenship: Italy

Resides in: Tortona, Italy

Westport Fuel Systems since: 2016

Common Shares: -

Share Units: 74,265

Principal Occupation for Last 5 years:

Chief Operating Officer of Westport Fuel Systems Automotive & Industrial Group since June 2016; COO of Fuel Systems Solutions since March 2016; Senior Vice President of McKinsey & Company in 2015, Managing Director of AlixPartners (2003-2015).

Andrea Alghisi was appointed Chief Operating Officer ("**COO**") of Westport Fuel Systems Automotive & Industrial Group in June 2016, after the completion of the Merger between Westport Innovations Inc. and Fuel Systems Solutions Inc. Mr. Alghisi joined Fuel Systems in March 2016 as COO, having previously held the position of interim COO in 2015 when he was with AP Services, LLC, an affiliate of AlixPartners, LLP. Mr Alghisi joined Fuel Systems from McKinsey & Co. Previously, he was a Managing Director of AlixPartners, a financial advisory firm specializing in business performance improvement and corporate restructuring initiatives, where he was Core member of the EMEA Automotive & Industrial Goods practice. Mr. Alghisi has more than 20 years of professional experience primarily dedicated to leading turnaround, performance improvement and growth strategy programs in the automotive and industrial goods industry. He worked for 12 years at AlixPartners, supporting investors and management of industrial companies developing and implementing competitive strategies and turnaround programs. Mr. Alghisi led several transformation and cost reduction programs for large European Automotive OEMs and carried out turnaround activities for several companies in Automotive and Industrial Goods Industries. Prior to joining AlixPartners in 2003, Mr. Alghisi worked for 10 years both as a manager in Fiat Group and as a consultant at The Boston Consulting Group, where he performed major performance improvement and growth strategy programs for the Automotive and Industrial goods practice and the consumer and retail practice. Mr. Alghisi received his degree in mechanical engineering from Politecnico of Torino, Italy. Mr. Alghisi received his Master of Business Administration from SDA Bocconi in Milan, Italy. Mr. Alghisi is an occasional lecturer and contributor to conferences and publications on the subjects of automotive industry and corporate restructuring.

James (Jim) Arthurs — EXECUTIVE VICE PRESIDENT, ELECTRONICS



Citizenship: Canada

Resides in: North Vancouver BC, Canada

Westport Fuel Systems since: May 2011

Common Shares: 33,023

Share units: 305,831

Principal Occupation for Last 5 years:

Executive Vice President, Electronics of Westport Fuel Systems since November 2016; Executive Vice President, Heavy Duty Engine Systems of Westport Fuel Systems since January 2014; President of CWI. from January 2012 to December 2013; Vice President, Cryogenic Systems of Westport Fuel Systems from May 2011 to December 2012;Managing Partner and Co-Founder of i3 Transition Partners LLP (2009 to 2011).

Jim Arthurs is Executive Vice President, Electronics at Westport Fuel Systems. Mr. Arthurs joined Westport Fuel Systems in 2011 and has overseen the development of Westport's heavy duty engine and fuel system technologies, including the High Pressure Direct Injection system. In November 2016, Jim took responsibility for the newly formed Electronics Group, with oversight of Electronic Control Unit hardware and software across Westport Fuel Systems. Jim is also Chairman of CWI, a joint venture company owned equally by Cummins Inc. and Westport Fuel Systems that designs, engineers and markets spark-ignited natural gas engines for medium- and heavy-duty transportation applications such as trucks and buses. Previously, Jim was President of CWI from 2012 to 2013 and led the development of the Cummins Westport ISX12 G natural gas engine. Prior to that, Jim was Vice President, Cryogenic Systems and Vice President, Operations for Westport. Prior to joining Westport, Jim was a Managing Partner and Co-Founder of i3 Transition Partners LLP, a management consulting firm that specializes in business assessments and helping companies plan for and implement strategic change. Over his career, Jim has held senior sales, operating and executive management positions at several companies including IBM and Weyerhaeuser. Jim was Chief Information Officer at the Loewen Group and Managing Director of Operations for the Jim Pattison Group. He is currently a member of the board of directors of Western Forest Products Inc., an integrated forest products company. Jim holds a BSc degree in Computer Science from the University of Calgary.

Jack Keaton — EXECUTIVE VICE PRESIDENT, INNOVATIONS GROUP



Citizenship: U.S.

Resides in: Vancouver, BC, Canada

Westport Fuel Systems since: 2014

Common Shares: 12,724

Share units: 254,098

Principal Occupation for Last 5 years:

Executive Vice President of the Westport Fuel Systems Innovation Group since June 2016; Executive Vice President, Technology and Operations of Westport Fuel Systems since April 2014; Senior Vice-President, Program Management & Business Development, Tata Technologies (2013-2014); Global Vehicle Line Executive, General Motors (2006- 2012).

Jack Keaton is Executive Vice President of the Westport Fuel Systems Innovation Group as of June 2016. Mr. Keaton oversees operations including program management, supply chain, product & operational planning, business development, and human resources. Prior to joining Westport Fuel Systems in April 2014, Mr. Keaton was Senior Vice-President of Vehicle Programs & Development at Tata Technologies Ltd. where he played a key role in product development and organizational structure, working with clients in India. Prior to Tata Technologies, Jack worked with General Motors for 27 years in various countries, functions and joint ventures around the globe. His last position with GM was Global Vehicle Line Executive for Mini-cars in Korea. Among his many accomplishments in this role was the development and launch of the current Chevrolet Spark as well as championing the MyLink® Radio/Information system which became the GM global standard for all non-luxury production cars. Mr. Keaton was also a Manufacturing Engineer for a division of Hughes Tools (Now Baker Hughes) after serving as a Captain in the U.S. Army. Jack has a B.S. from the U.S. Military Academy at West Point, N.Y. and an MBA from Harvard University.

Thomas G. Rippon

CHIEF TECHNOLOGY OFFICER & EXECUTIVE VICE PRESIDENT, ENGINEERING



Citizenship:
Dual Canada/U.S.

Resides in:
White Rock,
BC, Canada

Westport Fuel Systems since:
September 2013

Common Shares: 1,372

Share units:
356,049

Principal Occupation for Last 5 years:

Chief Technology Officer and Executive Vice President, Engineering of Westport Fuel Systems since September 2016, Executive Vice President, Engineering of Westport Fuel Systems since October 2014; Vice President, Mining and Rail of Westport Fuel Systems from 2013-2014; Vice President, Engineering and Program Management, CODA Automotive, Inc

Thomas G. Rippon is Chief Technology Officer and Executive Vice President of Engineering as of 2016. Mr. Rippon joined Westport Fuel Systems in September 2013 as Vice President, Mining and Rail. Mr. Rippon's experience includes an extensive tenure at General Motors (GM) in both North America and Asia. Mr. Rippon's career began in 1972 at GM on the assembly line, and from there he was successively promoted. From 2001 to 2011, Mr. Rippon held a number of executive roles responsible for powertrain activities, including building an engine plant capable of producing 350,000 engines per year. Mr. Rippon's last position at GM was Global Program Manager - Powertrain where he was responsible for overall program management of five different joint ventures located in China, Korea, India and Uzbekistan while overseeing more than $1 billion in capital investment. From January 2012 to August 2013, he held the roles of Vice President Engineering, Vice President, and Program Management Officer at CODA Automotive, where he had responsibility for program execution, standardizing process and procedures, and change management. Mr. Rippon is currently a member of the board of directors of CWI. He was active in his community and has served as a volunteer for organizations such as the American Women's Club, Boy Scouts of America, and YMCA.

Shareholdings of Directors and Executive Officers

As of March 31, 2017, our Board members and executive officers as a group beneficially owned, directly or indirectly, 290,708 of our Common Shares, representing approximately 0.3% of the 110,213,277 Common Shares outstanding on such date.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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, chief executive officer or chief financial officer 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, chief executive officer or chief financial officer; or (ii) was subject to such an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as described below, none of the directors or executive officers, or, to the Company's knowledge, shareholders holding a sufficient number of securities of the Company to affect materially 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 or executive officer of any company (including Westport Fuel Systems) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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

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

Conflict of Interests

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

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

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

Certain of the directors and officers may currently, or in the future, also serve as directors and/or officers of other public companies that may be involved in the same industry as Westport Fuel Systems, 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, including that Mr. Yu is the Managing Partner of Cartesian, an entity which has a significant existing investment in the Company. Westport Fuel Systems and the directors attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such items of which they are conflicted. In appropriate cases, Westport Fuel Systems will establish a special committee of independent directors to review a matter in which directors, or management, may have a conflict. In accordance with the *Business Corporations Act* (Alberta), the directors of Westport Fuel Systems are required to act honestly, in good faith and in the best interests of Westport Fuel Systems. In determining whether or not Westport Fuel Systems will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to Westport Fuel Systems, the degree of risk to which Westport Fuel Systems may be exposed, and its financial position at that time. Other than as indicated, Westport Fuel Systems has no other procedures or mechanisms to deal with conflicts of interest. Other than as described above, there are no known existing or potential material conflicts of interest between Westport Fuel Systems or any of its subsidiaries and any director or officer of Westport Fuel Systems or of any of its subsidiaries.

Risk Factors

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

Risks Related to our Business

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

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

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

Certain of our products may not achieve widespread adoption.

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

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

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

We have incurred and continue to incur losses.

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

We may be unable to raise additional capital.

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

Sustained negative economic factors could negatively impact our business.

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

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

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

Potential fluctuations in our financial results make financial forecasting difficult.

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

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

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

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

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

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

We currently benefit from, and hope to continue to benefit from, certain government environmental policies, mandates and regulations around the world, most significantly in the international automotive market and in the U.S. Examples of such regulations include those that provide economic incentives, subsidies, tax credits and other benefits to purchasers of low emission vehicles, restrict the sale of engines that do not meet

emission standards, fine the sellers of non-compliant engines, tax the operators of diesel engines and require the use of more expensive ultra-low sulphur diesel fuel. There can be no assurance that these policies, mandates and regulations will be continued. Incumbent industry participants with a vested interest in gasoline and diesel, many of which have substantially greater resources than we do, may invest significant time and money in an effort to influence environmental regulations in ways that delay or repeal requirements for clean vehicle emissions. If these are discontinued or if current requirements are relaxed, this may have a material impact on our competitive position.

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

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

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

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

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

Failure to protect our existing and future intellectual property rights could seriously harm our business and prospects and may result in the loss of our ability to exclude others from practicing our technology or our own

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

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

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

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

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

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

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

We also seek to protect our proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our strategic partners and employees. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach or that such persons or institutions will not assert rights to intellectual property arising out of these relationships.

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

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

From time to time, claims have been made by third parties that the practice of our technology infringes upon patents owned by those third parties. Although we have seen no valid basis for any of these claims, as our business grows, parties may attempt to take advantage of that growth and assert similar claims and demands for compensation. Our response to such claims will be commensurate with the seriousness of the allegations, their potential effect on our business and the strength of our position. We will examine a range of options, from

formal legal action to obtain a declaratory judgment of non-infringement, to the initiation of design changes. We intend to vigorously defend our intellectual property.

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

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

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

We are dependent on relationships with strategic partners.

Execution of our current strategy is dependent on cooperation with strategic partners for technology development, manufacturing and distribution. To be commercially viable, our fuel systems must be integrated into engines, and our engines must be integrated into chassis manufactured by OEMs. We can offer no guarantee that existing technology agreements will be renewed or advanced into commercialization agreements or that our strategic partners will not seek to renegotiate or amend those agreements before or after a product has been commercialized. We can offer no guarantee that even if technology agreements do exist with our strategic partners that OEMs will manufacture engines with our fuel systems or chassis for our engines, or if they do manufacture such products, that customers will choose to purchase them. Any integration, design, manufacturing or marketing problems encountered by OEMs could adversely affect the market for our products and our financial results. In addition, there can be no assurance of the commercial success of any joint ventures in which we are, or will become, involved.

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

In addition, disputes regarding the rights and obligations of the parties have in the past and may in the future arise under our agreements with our strategic partners. These and other possible disagreements have in the past and may in the future lead to the renegotiation or modification of such agreements, or could lead to the termination of such agreements or delays in collaborative research, development, supply, or

commercialization of certain products, or could require or result in litigation or arbitration. Moreover, disagreements have in the past and may in the future arise with our strategic partners over rights to intellectual property. These kinds of disagreements could result in costly and time-consuming litigation.

Any such conflicts with our strategic partners could reduce our ability to obtain future collaboration agreements and could have a negative impact on our relationship with existing strategic partners.

We are dependent on relationships with our suppliers.

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

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

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

Under the Amended JVA, while Cummins is subject to exclusivity restrictions that generally limit Cummins' ability to compete against CWI in North America in respect of SI natural gas or propane products within the displacement range of the products covered by CWI Amended JVA ("**CWI Products**"), beginning in February 2017, Cummins will be permitted to market and sell a SI natural gas or propane engine within the displacement range of the CWI Products in North America should they choose to develop one based on a new Cummins heavy duty engine platform and without CWI’s assistance. In addition, the Amended JVA permits Cummins to develop, market and sell products that compete with CWI outside of North America. The introduction by Cummins of new products that compete with CWI could have a material adverse effect on CWI's sales of CWI Products and on CWI's financial results.

Under the Amended JVA, the market scope for sales of CWI Products by CWI is primarily limited to North America. Cummins has the sole right to sell CWI Products outside of North America, and the revenues from such sales (as well as the corresponding costs and liabilities) will be credited to CWI. There can be no

assurance that Cummins will continue to pursue sales of the CWI Products outside of North America or that the pricing for such CWI Products will be set at levels that will allow such CWI Products to compete effectively in the applicable markets. In addition, the limitation of CWI's market scope primarily to North America subjects CWI to more concentrated market risk. Any decrease in demand within the North American market for the CWI Products, including as a result of the decrease in the cost of fuels that are alternatives to natural gas or conditions or events that impair or adversely affect the infrastructure for producing and transporting LNG could have a material adverse effect on CWI's business and financial results.

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

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

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

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

We may have difficulty managing faster than anticipated product expansions.

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.

Warranty claims could diminish our margins.

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

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

We could become subject to product liability claims.

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

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

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

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

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

We have foreign currency risk.

Although we report in U.S. dollars, many of our operating expenses are in Canadian dollars and Euros. Foreign exchange gains and losses are included in results from operations. A decline in the U.S dollar relative to the Canadian dollar, or a decline in the Euro relative to the U.S. dollar could negatively impact margins and other financial results. We have not entered into foreign exchange contracts to hedge against gains and losses from foreign currency fluctuations. In fiscal 2016, the U.S. dollar appreciated significantly against the Canadian dollar and the Euro.

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

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

additional compliance costs associated with the implementation of our FCPA and CFPOA compliance policies and training programs, which could have a material impact on our business.

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

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

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

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

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

Our joint ventures, and any future joint venture, investment or acquisition, could expose us to certain liabilities, including those that we fail or are unable to identify during the investment or acquisition process. In addition, joint ventures and acquisitions often result in difficulties in integration, and, if such difficulties were to occur, they could adversely affect our results. In particular, achieving the benefits of the Merger with Fuel Systems depends, in part, on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner. The integration process may also divert the attention of, and place significant demands on, our managerial resources, which may disrupt our current business operations. As a result, we may fail to meet our current product development and commercialization schedules. Additionally, we may not be able to find suitable joint venture partners, investments or acquisitions, which could adversely affect our business strategy.

We could be adversely affected by risks associated with acquisitions.

We have historically and may, in the future, seek to expand our business through acquisitions. Any such acquisitions will be in part dependent on management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In certain circumstances, acceptable acquisition targets might not be available. Acquisitions involve a number of risks, including: (i) the possibility that we, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (ii) the possibility that

we may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and employees of an acquired business; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retain and motivate key employees of an acquired business; and (vii) the potential disruption of our ongoing business and the distraction of management from our day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract management, result in the loss of key human capital, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

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

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

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

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

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

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

Risks Related to our Common Shares

Our Common Share price may fluctuate.

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

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

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

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

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

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

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

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

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

reporting requirements are longer. In addition, as a foreign private issuer, we are exempt from the proxy rules under the Exchange Act.

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

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

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

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

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

Audit Committee Matters

Mandate

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

Composition

Each Member of the Audit Committee is financially literate and has the ability to preform his or her responsibilities as a member on the Audit Committee based on his or her education and experience, as highlighted in the Director Biographies on page 36.

Reliance on Certain Exemptions

At no time since the commencement of Westport Fuel Systems most recently completed financial year has Westport Fuel Systems 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* ("**52 110**"), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Audit Committee Oversight

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

Pre-Approval of Policies and Procedures

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

Non-Audit Services

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

Principal Accountant Fees and Services

The following table shows the aggregate fees billed to the Company by Deloitte LLP and KPMG LLP, in their respective capacities as the Company's independent registered public accounting firm. For the 2015 year end KPMG LLP succeeded Deloitte LLP as the Company's independent registered public accounting firm with effect from October 16, 2015. The following tables are shown in Canadian dollars' and the 2015 figures do not include Fuel Systems Solutions' fees.

PRINCIPAL ACCOUNTANT FEES & SERVICES in Canadian Dollars		
	12/31/2016	**12/31/2015**
Audit Fees	$ 2,004,571	$ 743,157
Audit Related Fees	Nil	Nil
Tax fees	48,000	83,555
All Other Fees	85,150	751,286
Total	**$ 2,137,721**	**$ 1,577,995**

Audit Fees

Audit fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the Company's annual financial statements and reviews of the Company's quarterly financial reporting, and other services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years. Of the 2015 fees, $C32,500 of the total fees paid during the year related to fees paid to KPMG LLP prior to their appointment as auditor.

Audit-Related Fees

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

Tax Fees

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

All Other Fees

"Other Fees" represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant, Deloitte LLP or KPMG LLP. Fees to be disclosed under this category would be for products and services other than those described under the headings audit fees, audit-related fees and tax fees above, and relate primarily to the Merger with Fuel Systems. Of the 2015 fees, $C666,900 of the total fees paid during the year relate to fees paid to KPMG LLP prior to their appointment as auditor.

Legal and Regulatory Proceedings

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

Interests of Management and Others in Material Transactions

Other than as described below or elsewhere in this AIF, no director or officer of Westport Fuel Systems, no person or company beneficially owning, or controlling or directing, more than ten percent 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.

Material Contracts

Cartesian

Mr. Peter Yu, a director of Westport Fuel Systems, is the founder and managing partner of Cartesian. On January 11, 2016, Cartesian provided $17.5 million in capital to Westport in exchange for a percentage of amounts received by Westport on select HPDI and joint venture products through 2025. On April 20, 2016, Westport announced that it had sold a derivative economic interest in Westport HK to Cartesian for an up-front payment of $6.3 million plus a potential future payment based on Cartesian's return on investment.

Westport received an additional $17.5 million from Cartesian in consideration for the issuance by Westport Fuel Systems of convertible notes (the **"Convertible Notes"**) to Cartesian upon completion of the Merger with Fuel Systems. The Convertible Notes bear interest at 9% and have a five-year term. The Convertible Notes are convertible into common shares by dividing the principal and interest outstanding by a valuation price of $2.31.

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

Debentures

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

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

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

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

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

Amended and Restated Joint Venture Agreement

Effective February 19, 2012, Cummins and Westport entered into the Amended JVA for the CWI joint venture. The Amended JVA provides for, among other things, clarification concerning the scope of products within CWI and revised certain economic terms of the prior joint venture agreement.ins and Westport agreed in the Amended JVA to focus CWI's future product development investments on North American markets including engines for on-road applications between the displacement range of 5.9 litres through 12 litres, and to have these engines manufactured in Cummins North American plants.

The Amended JVA defines CWI's market as sales of CWI Products manufactured in the U.S.A, Canada and/or Mexico for use in on-road vehicles in such countries as well as continuation of CWI's business with respect to

the local production of CWI Products in India and/or China for those local markets for up to three years following the effective date of the Amended JVA.

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

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

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

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

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

Pursuant to the Amended JVA, certain actions require unanimous approval of CWI's board of directors and/or shareholders, including the declaration or payment of any dividends or any other distributions by CWI, material changes to CWI's business and the addition of new products to CWI's business. See "Risk Factors – We are dependent on our relationship with Cummins for CWI profits and cash flows."

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

Interests of Experts

KPMG LLP, our independent registered public accountants, have audited our consolidated financial statements for the year ended December 31, 2016. As at the date hereof, KPMG LLP has confirmed that it is independent with respect to Westport Fuel Systems within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia and also that they are independent registered public accountants with respect to Westport Fuel Systems under all relevant U.S. professional and regulatory standards.

Additional Information

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

Additional financial information is contained in our financial statements and Management's Discussion & Analysis for the year ended December 31, 2016, which are incorporated herein by reference and form an integral part of this AIF. Additional information relating to Westport Fuel Systems may be found on SEDAR at: www.sedar.com.

Schedule "A": Audit Committee Charter

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

Purpose

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

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

Authority

The Committee has unrestricted access to Westport Fuel Systems personnel and documents and to its external auditors and will be provided with the resources necessary to carry out its responsibilities. The

Committee shall have the authority to authorize investigations into any matter within the Committee's scope of responsibility and is empowered, if it deems it necessary, to retain special legal, accounting or other consultants to advise the Committee at Westport Fuel Systems expense. The Committee shall have sole authority to recommend to the Board the appointment, termination and compensation of the external auditors who shall report directly to the Committee.

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

Limitations of the Audit Committee's Role

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

Composition

The Committee shall consist, at a minimum, of three members of the Board each of whom shall be affirmatively determined to be financially literate by the Board, one of whom shall be designated the Chair (the "**Committee Chair**"), as annually appointed by the Independent Directors (as defined in the Charter of the Board) (the "**Independent Directors**"). The Committee shall be composed solely of Independent Directors. Each of the Directors on the Committee shall possess a basic level of "financial literacy", and at least one member should qualify as a "financial expert", as defined by Item 407(d)(5) of Regulation S-K, and be financially sophisticated as described in Section 5605(c)(2)(A) of the NASDAQ Manual. The Board shall give consideration to the periodic rotation of Committee membership as well as the Committee Chair (as part of the annual committee chair appointment process or at such other times as the Chair, or Lead Director, as applicable, sees fit).

Meetings

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

The Committee Chair shall, in consultation with Board Chair or the Lead Director, as applicable, Management and the internal and external auditors, set the Committee meeting agendas. Committee members may recommend agenda items subject to approval by the Committee Chair. The Committee shall meet in executive session with Management, the external auditors, and as a Committee to discuss any matters that the Committee or each of these groups believes should be discussed. The Audit Committee and the

Corporate Counsel of Westport Fuel Systems shall also meet in executive session to review legal matters that, in the Corporate Counsel's or the Audit Committee's opinion, may have a material impact on the financial statements. In addition to the above scheduled meetings, any member of the Committee, the Chairman or Lead Director, as applicable, or the auditors may, subject to required notice, call a meeting of the Committee at any time.

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

The Committee is Charged with the Following Specific Responsibilities:

1. The Committee's Relationship With the External Auditors

The Committee is responsible for recommending to the Board:

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

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

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

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

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

services is compatible with maintaining the auditor's independence, taking into account the opinions of Management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the Board.

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

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

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

2. Oversight of Risk Management Processes

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

- have the primary oversight role with respect to identifying and monitoring the management of principal financial risks that could impact the financial reporting of Westport Fuel Systems; and
- assess, as part of its oversight of the system of internal controls , the effectiveness of the overall process for identifying principal business risks and provide its view to the Board.

3. Oversight of Internal Control

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

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

The Corporate Counsel of Westport Fuel Systems shall advise the Committee and the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with

Westport Fuel Systems Code of Conduct and Employee Handbook. Such advisement shall also include the policies and procedures relating to Section 5 of this Charter pertaining to the referenced Related Companies.

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

4. Oversight of Continuous Disclosure Reporting

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

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

In discharging its responsibilities, the Committee will review:

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

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

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

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

5. Related Companies Financial Results

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

6. Internal Audit Oversight and Responsibilities

The Committee shall:

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

7. Other Responsibilities

A. Review of Charter

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

B. Annual Performance Evaluation

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

C. Annual Communication Regarding Significant Disagreements

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

D. Annual Review of Transactions Involving Directors and Officers

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

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

WESTPORT FUEL SYSTEMS INC.

For the years ended December 31, 2016, 2015 and 2014

KPMG LLP
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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Westport Fuel Systems Inc.

We have audited the accompanying consolidated financial statements of Westport Fuel Systems Inc., which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, the consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Westport Fuel Systems Inc. as at December 31, 2016 and December 31, 2015, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with US generally accepted accounting principles**.**

Emphasis of matter

Without modifying our opinion, we draw attention to Note 8(a) to the consolidated financial statements which indicates that the comparative information presented as at and for the years ended December 31, 2015 and December 31, 2014 has been adjusted to reflect that the Company's investee has elected to change its method of accounting for its warranty obligations.

Comparative Information

The consolidated financial statements of Westport Fuel Systems Inc. for the year ended December 31, 2014, excluding the adjustment described in Note 8(a) to the consolidated financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 9, 2015 (October 15, 2015 as to the change in reportable segments discussed in Note 22).

As part of our audits of the consolidated financial statements as at and for the years ended December 31, 2016 and December 31, 2015, we audited the adjustment described in Note 8(a) to the consolidated financial statements. In our opinion, the adjustment is appropriate and has been properly applied.

We were not engaged to audit, review, or apply any procedures to the December 31, 2014 consolidated financial statements, other than with respect to the adjustment described in Note 8(a) to the consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Westport Fuel Systems Inc.'s internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 31, 2017 expressed an unmodified (unqualified) opinion on the effectiveness of Westport Fuel Systems Inc.'s internal control over financial reporting.

/s/ KPMG LLP

Chartered Professional Accountants

March 31, 2017
Vancouver, Canada

Report of Independent Registered Public Accounting Firm

To the Shareholders of Westport Fuel Systems Inc.

We have audited Westport Fuel Systems Inc.'s (the "Company") internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Westport Fuel Systems Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Financial Statements and Assessment of Internal Control over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Westport Fuel Systems Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Westport Fuel Systems Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows for the years then ended and our report dated March 31, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Chartered Professional Accountants

March 31, 2017
Vancouver, Canada

Deloitte.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Westport Fuel Systems Inc. (formerly, Westport Innovations Inc.)

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 8(a) to the consolidated financial statements, the consolidated financial statements of Westport Fuel Systems Inc. (formerly, Westport Innovations Inc.) and subsidiaries (the "Company"), which comprise the consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the year ended December 31, 2014 and a summary of significant accounting policies and other explanatory information (the 2014 consolidated financial statements before the effects of the adjustments discussed in Note 8(a) to the consolidated financial statements are not presented herein).

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

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

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

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

Opinion
In our opinion, such 2014 consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting discussed in Note 8(a) to the consolidated financial statements, present fairly, in all material respects, the results of their operations and their cash flows of Westport Fuel Systems Inc. (formerly, Westport Innovations Inc.) and subsidiaries for the year ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

Other Matter
We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting as discussed in Note 8(a) to the consolidated financial statements and, accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 9, 2015 (October 15, 2015 as to the change in reportable segments discussed in Note 22 to the consolidated financial statements)

WESTPORT FUEL SYSTEMS INC.

Consolidated Balance Sheets

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

December 31, 2016 and 2015

	December 31, 2016	December 31, 2015 (Adjusted, note 8)
Assets		
Current assets:		
Cash and cash equivalents	$ 60,057	$ 27,143
Short-term investments	848	696
Accounts receivable (note 6)	77,178	38,324
Inventories (note 7)	70,624	35,660
Prepaid expenses	5,055	3,475
	213,762	105,298
Long-term investments (note 8)	13,422	35,142
Property, plant and equipment (note 10)	59,682	42,527
Intangible assets (note 11)	22,858	22,307
Deferred income tax assets (note 19(b))	3,767	2,538
Goodwill (note 12)	2,923	3,008
Other long-term assets	15,046	2,863
	$ 331,460	$ 213,683
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 13)	$ 93,245	$ 57,454
Current portion of restructuring obligation (note 14)	5,408	—
Current portion of deferred revenue	4,656	1,779
Current portion of long-term debt (note 15)	48,097	8,257
Current portion of royalty payable (note 16)	1,500	—
Current portion of warranty liability (note 17)	6,834	5,554
	159,740	73,044
Restructuring obligation (note 14)	8,715	—
Deferred revenue	3,559	1,513
Long-term debt (note 15)	30,935	54,190
Long-term royalty payable (note 16)	20,062	—
Warranty liability (note 17)	6,936	8,437
Deferred income tax liabilities (note 19(b))	9,803	3,570
Other long-term liabilities	6,272	1,302
	246,022	142,056
Shareholders' equity:		
Share capital (note 18):		
Authorized:		
Unlimited common shares, no par value		
Unlimited preferred shares in series, no par value		
Issued:		
110,109,092 (2015 - 64,380,819) common shares	1,042,410	937,029
Other equity instruments	20,926	16,460
Additional paid in capital	10,079	9,837
Accumulated deficit	(956,890)	(859,317)
Accumulated other comprehensive income	(31,087)	(32,382)
	85,438	71,627
Commitments and contingencies (note 21)		
	$ 331,460	$ 213,683

See accompanying notes to consolidated financial statements

Approved on behalf of the Board **Brenda J. Eprile** Director **Colin Johnston** Director

WESTPORT FUEL SYSTEMS INC.

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Years ended December 31,		
	2016	2015 (Adjusted, note 8)	2014 (Adjusted, note 8)
Product revenue	$ 220,488	$ 97,844	$ 118,015
Service and other revenue	4,407	5,460	12,554
	224,895	103,304	130,569
Cost of revenue and expenses:			
Cost of product revenue	176,550	85,232	101,053
Research and development	59,413	52,777	76,580
General and administrative	48,204	35,201	40,319
Sales and marketing	20,949	17,496	25,489
Restructuring, termination and other exit costs (note 14)	19,000	—	—
Foreign exchange (gain) loss	6,408	(11,601)	(3,433)
Depreciation and amortization (notes 10 and 11)	11,308	11,736	15,536
Impairments on long lived assets, net (notes 8, 10, 11 and 12)	4,843	22,722	29,604
Provision for inventory purchase commitments (note 21(b))	—	—	4,106
	346,675	213,563	289,254
Loss from operations	(121,780)	(110,259)	(158,685)
Income from investments accounted for by the equity method	5,838	17,551	15,863
Interest on long-term debt and amortization of discount	(10,773)	(5,529)	(5,849)
Bargain purchase gain from acquisition (note 5)	35,808	—	—
Interest and other income (expense), net of bank charges	(1,656)	(186)	114
Loss before income taxes	(92,563)	(98,423)	(148,557)
Income tax expense (recovery)(note 19):			
Current	2,002	1,245	606
Deferred	3,008	(514)	(1,185)
	5,010	731	(579)
Net loss for the year	$ (97,573)	$ (99,154)	$ (147,978)
Other comprehensive income (loss):			
Cumulative translation adjustment	1,295	(16,889)	(15,201)
Comprehensive loss	$ (96,278)	$ (116,043)	$ (163,179)
Loss per share:			
Basic and diluted	$ (1.07)	$ (1.55)	$ (2.34)
Weighted average common shares outstanding:			
Basic and diluted	91,028,504	64,109,703	63,130,022

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)

	Common shares outstanding	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
January 1, 2014 (Adjusted, note 8)	62,733,762	$ 916,497	$ 13,834	$ 8,205	$ (612,185)	$ (292)	326,059
Issuance of common shares on exercise of stock options	43,071	374	—	(132)	—	—	242
Issuance of common shares on exercise of share units	608,975	10,701	(10,701)	—	—	—	—
Issuance of common shares in connection with acquisition	94,914	3,285	(3,285)	—	—	—	—
Stock-based compensation	—	—	7,919	1,764	—	—	9,683
Net loss for the year	—	—	—	—	(147,978)	—	(147,978)
Other comprehensive loss	—	—	—	—	—	(15,201)	(15,201)
December 31, 2014 (Adjusted, note 8)	63,480,722	930,857	7,767	9,837	(760,163)	(15,493)	172,805
Issuance of common shares on exercise of share units	575,024	5,010	(5,010)	—	—	—	—
Issuance of common shares in connection with acquisition	325,073	1,162	—	—	—	—	1,162
Stock-based compensation	—	—	13,703	—	—	—	13,703
Net loss for the year	—	—	—	—	(99,154)	—	(99,154)
Other comprehensive loss	—	—	—	—	—	(16,889)	(16,889)
December 31, 2015 (Adjusted, note 8)	64,380,819	937,029	16,460	9,837	(859,317)	(32,382)	71,627
Issuance of common shares on exercise of share units	845,491	6,639	(6,639)	—	—	—	—
Issuance of common shares in connection with acquisition	44,882,782	98,742	655	—	—	—	99,397
Beneficial conversion feature on convertible debt	—	—	—	242	—	—	242
Stock-based compensation	—	—	10,450	—	—	—	10,450
Net loss for the year	—	—	—	—	(97,573)	—	(97,573)
Other comprehensive income	—	—	—	—	—	1,295	1,295
December 31, 2016	110,109,092	$ 1,042,410	$ 20,926	$ 10,079	$ (956,890)	$ (31,087)	$ 85,438

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,		
	2016	2015 (Adjusted, note 8)	2014 (Adjusted, note 8)
Cash flows from (used in) operating activities:			
Net loss for the year	$ (97,573)	$ (99,154)	$ (147,978)
Items not involving cash:			
Depreciation and amortization	16,015	13,654	18,666
Stock-based compensation expense	10,450	14,871	9,683
Unrealized foreign exchange (gain) loss	6,408	(11,601)	(3,434)
Deferred income tax (recovery) expense	3,008	(514)	(1,185)
Income from investments accounted for by the equity method	(5,838)	(17,551)	(15,863)
Accretion of long-term debt	4,945	876	2,139
Impairments on long lived assets, net	4,843	22,722	29,604
Inventory write-downs to net realizable value	7,104	8,743	2,102
Bargain purchase gain from acquisition	(35,808)	—	—
Provision for inventory purchase commitments	—	—	4,106
Change in fair value of derivative liability and bad debt expense	1,670	587	1,338
Restructuring obligations	14,123	—	—
Changes in non-cash operating working capital:			
Accounts receivable	(4,675)	975	11,629
Inventories	26,152	(5,997)	(1,367)
Prepaid expenses	881	661	(556)
Accounts payable and accrued liabilities	(20,650)	9,526	(4,749)
Deferred revenue	(5,212)	(1,507)	(5,096)
Warranty liability	(5,473)	(5,359)	(5,797)
	(79,630)	(69,068)	(106,758)
Cash flows from (used in) investing activities:			
Purchase of property, plant and equipment	(9,347)	(4,845)	(10,249)
Sale of short term investments, net	1,000	—	—
Maturity (purchase) of short-term investments, net	—	—	31,369
Acquisitions, net of acquired cash (note 5)	45,344	787	(3,053)
Proceeds on sale of investments	12,965	—	—
Proceeds on sale of assets	13,219	—	—
Dividends received from joint ventures	13,398	20,464	3,200
	76,579	16,406	21,267
Cash flows from (used in) financing activities:			
Repayment of operating lines of credit and long term facilities	(12,789)	(8,308)	(9,540)
Drawings on operating lines of credit	9,184	5,432	17,797
Finance costs incurred	—	—	(2,033)
Proceeds from stock options exercised	—	—	242
Issuance of convertible debt and royalty payable	35,000	—	—
	31,395	(2,876)	6,466
Effect of foreign exchange on cash and cash equivalents	4,570	(10,601)	(6,206)
Increase (decrease) in cash and cash equivalents	32,914	(66,139)	(85,231)
Cash and cash equivalents, beginning of year	27,143	93,282	178,513
Cash and cash equivalents, end of year	$ 60,057	$ 27,143	$ 93,282

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.

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

	2016	2015	2014
Supplementary information:			
Interest paid	$ 4,339	$ 4,551	$ 4,702
Taxes paid, net of refunds	2,479	1,238	871
Non-cash transactions:			
Shares issued for acquisitions (note 5)	98,742	1,162	3,285

See accompanying notes to consolidated financial statements.

1. Company organization and operations:

Westport Fuel Systems Inc. (the “Company”, formerly known as Westport Innovations Inc.) was incorporated under the Business Corporations Act (Alberta) on March 20, 1995. On June 1, 2016, the Company merged with Fuel Systems Solutions, Inc. The Company engineers, manufactures and supplies alternative fuel systems and components for use in the transportation and industrial markets on a global basis. The Company 's components and systems control the pressure and flow of gaseous alternative fuels, such as propane and natural gas used in internal combustion engines.

2. Liquidity and going concern:

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.* Under the new standard, management must evaluate whether there are conditions or events, considered in the 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. This evaluation initially does not take into consideration the potential mitigating effect of management’s plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, 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 entity’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. This standard was adopted by the Company at December 31, 2016.

These financial statements have been prepared on the basis that the Company will continue as a going concern. At December 31, 2016, the Company's cash and cash equivalents were $60,057 and its long-term debt was $79,032, of which $48,097 matures in 2017. The Company incurred significant recurring losses and negative cash flows from operating activities during 2016, 2015 and 2014, and anticipates incurring additional losses and cash outflows through 2017, largely due to the start up of production and commercial distribution of HPDI in the fourth quarter of 2017.

Principal conditions or events that require management's consideration

The factors which raise substantial doubt as to the Company’s ability to continue as a going concern are as follows:

(a) Forecast operating and capital investment requirements

After the merger with Fuel Systems and given the low oil price environment experienced in most of 2015 and 2016, the Company has been rationalizing its operations to achieve the necessary synergies required in order to become cash flow positive from operations. The Company expects to generate positive cash flows from operations throughout its business in 2017 and beyond except for its Technology Investments segment where the Company expects significant costs for final development, testing and capital expenditures on its HPDI program with a major OEM in fiscal 2017. Overall, the Company forecasts negative cash flows in 2017.

(b) Maturing Debt

Significant debt maturing in 2017 is the CDN $55,000 Debentures ("Debentures") maturing on September 15, 2017. This debt is classified as current liabilities on the consolidated balance sheet as at December 31, 2016. Details of this loan can be found in note 15(a) to these consolidated financial statements.

Management's plans

Management considered the following factors and management’s plans to alleviate or mitigate substantial doubt:

(a) Asset sales

In conjunction with its rationalization and synergy program, the Company has a number of initiatives to simplify the number of businesses that the Company will focus on. As a result, the Company has identified a number of non-core assets that it has or would make available for sale, subject to appropriate terms and conditions in the circumstances. The Company has been active in discussions with interested parties and two of these initiatives are in the final stages of negotiation. The Company expects final binding agreements to be signed in April 2017 and closing to occur shortly thereafter. These two non-core assets sales are expected to contribute significant proceeds to the Company and would be used to fund the forecasted operating and capital investment requirements for HPDI commercialization.

The Company continues to examine other assets to determine whether it is in the best interest of the Company to monetize these assets in the next year or continue to hold and invest in these assets. The Company's decisions with respect to these assets may depend on its ability to raise additional financings as discussed below. The Company's Board of Directors has approved a sales process and timeline for the sale of certain assets in the event that the financing is not obtained when required.

(b) Maturing Debt

The holders of the CDN $55,000 Debentures have the option to extend, a maximum of six times, the maturity date for an additional period of six months each time (i.e. if all extensions made, an additional three years) provided that greater than CDN $10,000 of the aggregate principal amount of the Debentures remains outstanding. At the date of these financial statements, the Debenture holders have not elected to extend and have until August 1, 2017 to do so.

The Company has engaged financial advisors to assist with alternative sources of funding. As of the date of these financial statements, the Company has held discussions and received interest including draft term sheets from potential lenders that would allow the Company to refinance a portion of the Debentures. In addition, the Company has initiated discussions with a representative of the Debenture holders on extending or replacing the Debentures with new financing. While there can be no assurance that the Company will be able to borrow on terms that are acceptable to the Company, management believes that it is probable that new loan(s) to refinance a portion of the Debentures, either with the Debenture holders or new lenders, will be entered into on a timely basis.

Management's assessment and conclusion

Management is confident that the cash on hand at December 31, 2016 of $60,057, the estimated proceeds from the sales of non-core assets and the estimated proceeds from financing as discussed above will provide the cash flow necessary to fund operations over the next year to March 31, 2018, and as a result, Management has determined that substantial doubt has been alleviated by Management's plans at a probable level of assurance. Management cautions the readers that there is no absolute assurance that the Company will be able to conclude all of the non-core assets sales and raise the financing necessary, under satisfactory terms and conditions, to continue as a going concern. If the Company was not to continue as a going concern, significant adjustments may be required to the carrying value of its 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, its wholly owned subsidiaries and variable interest entities ("VIEs") for which the Company is considered the primary beneficiary. All intercompany balances and transactions have been eliminated on consolidation.

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

(b) Foreign currency translation:

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

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

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

	Year end exchange rate as at:		Average for the year ended:		
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2014
Canadian dollar	0.74	0.72	0.76	0.78	0.91
Australian dollar	0.72	0.73	0.74	0.75	0.90
Euro	1.06	1.09	1.11	1.11	1.33
Argentina Peso	0.06	0.08	0.07	0.11	0.12
RMB	0.14	0.15	0.15	1.16	0.16
Swedish Krona	0.11	0.12	0.12	0.12	0.15
Japanese Yen	0.01	0.01	0.01	0.01	0.01
Indian Rupee	0.01	0.02	0.02	0.02	0.02

(c) Cash and cash equivalents:

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

3. Significant accounting policies (continued):

(d) Accounts receivable, net:

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

(e) Inventories:

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

(f) Property, plant and equipment:

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

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

Depreciation expense on equipment used in the production and manufacturing process is included in cost of sales. All other depreciation is included in the depreciation and amortization expense line on the statement of operations.

(g) Long-term investments:

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

(h) Financial liabilities:

Accounts payable and accrued liabilities, short-term debt and long-term debt are measured at amortized cost. Transaction costs relating to long-term debt are netted against long-term debt and are amortized using the effective interest rate method.

(i) Research and development costs:

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

3. Significant accounting policies (continued):

(j) Government assistance:

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

(k) Intangible assets:

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

(l) 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.

(m) Goodwill impairment:

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

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

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

3. Significant accounting policies (continued):

(n) Warranty liability:

Estimated warranty costs are recognized at the time the Company sells its products and are included in cost of revenue. The Company provides warranty coverage on products sold for a period ending two years from the date the products are put into service by customers. Warranty liability represents the Company's best estimate of warranty costs expected to be incurred during the warranty period. Furthermore, the current portion of warranty liability represents the Company's best estimate of the costs to be incurred in the next twelve-month period. The Company uses historical failure rates and 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 upon shipment using a factor based upon historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. The amount payable by the Company and the timing will depend on actual failure rates and cost to repair failures of its products.

(o) Revenue recognition:

The Company recognizes revenue upon transfer of title and risk of loss, generally when products are shipped provided there is (1) persuasive evidence of an arrangement, (2) there are no uncertainties regarding customer acceptance, (3) the sales price is fixed or determinable and (4) management believes collectibility is reasonably assured.

The Company recognizes service revenue from research and development arrangements based on the contracts and the ability of the Company to measure its performance. Depending on the contract, revenues may be recognized using the milestone, percentage of completion, or completed contract methods of accounting. All costs incurred related to revenue earned from research and development contracts are recorded as research and development expense as incurred.

(p) Income taxes:

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

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

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

4. Accounting Changes:

(a) New accounting pronouncements adopted in 2016:

Going Concern:

In August 2014, the FASB issued ASU 2014-15. *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern, along with the required disclosures.

(b) Change in accounting policy:

The Company's joint venture, Cummins Westport Inc ("CWI"), changed its method for determining its warranty liability to exclude, from the estimated cost to settle claims, the parts margin it expects to earn on parts sold and used to service warranty claims. These changes were accounted for as change in accounting policy and the comparative balances were restated on a retrospective basis. The Company's income from investments, accumulated deficit and long-term investments balances have been adjusted to reflect this change in accounting policy.

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

Revenue:

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

Simplifying the Measurement of Inventory (Topic 330): Inventory:

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

Leases (Topic 842):

In February 2016, the FASB issued ASU 2016-02, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those years for public business entities with early adoption permitted. The Company has not yet evaluated the impact of the adoption of this new standard.

Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments:

In August 2016, the FASB issued ASU 2016-15, which provides cash flow classification guidance on eight specific cash flow issues to reduce diversity in practice for which authoritative guidance did not previously exist. ASU 2016-15 is effective for public entities in annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company does not anticipate a material impact to the Company's financial statements as a result of this change.

5. Business Combinations:

Merger with Fuel Systems:

On June 1, 2016 ("the acquisition date"), the Company completed a merger with Fuel Systems Solutions, Inc. ("Fuel Systems"). Fuel Systems shareholders received 2.4755 Westport common shares for each share of Fuel Systems common stock owned. The Company issued 44,882,782 common shares to former Fuel Systems shareholders and 653,532 restricted stock units of the Company to replace outstanding Fuel Systems restricted stock units in connection with the merger. No replacement awards were issued for other equity instruments pursuant to the merger agreement.

The merger was accounted for as a business combination, with Westport deemed to be the acquirer. The Company determined the purchase price using the Nasdaq closing share price on the acquisition date at $2.20 per share, which resulted in total purchase consideration of $99,397, which includes the fair value of the common shares issued of $98,742 and the fair value of the restricted stock units related to pre-combination services of $655. The Company incurred total acquisition related costs of $9,890 in 2015 and 2016 under the Corporate and Technology Investments segment, which were expensed as incurred.

This business combination resulted in a bargain purchase transaction, as the fair value of assets acquired and liabilities assumed exceeded the total of the transaction date fair value of equity issued by $35,808. The Company believes it was able to acquire the assets of Fuel Systems for less than their fair value due to the weakness in the alternative fuel sector. The following table summarizes the final allocation of the purchase price to the fair values of assets acquired and liabilities assumed at the date of the acquisition, as well as the adjustments made during the measurement period.

Consideration allocated to:	Preliminary Purchase Price Allocation as of June 1, 2016	Measurement Period Adjustments	Final Purchase Price Allocation as of December 31, 2016
Cash and cash equivalents	$ 45,344	$ —	$ 45,344
Accounts receivable	42,165	789	42,954
Inventory	72,734	826	73,560
Property, plant and equipment	37,192	600	37,792
Intangible assets	4,240	—	4,240
Deferred income taxes, net	1,911	(3,964)	(2,053)
Other assets	12,962	—	12,962
Accounts payable and accrued liabilities	(58,401)	(5,305)	(63,706)
Other liabilities	(15,888)	—	(15,888)
Total net identifiable assets	142,259	(7,054)	135,205
Bargain purchase gain	(42,862)	7,054	(35,808)
Total consideration	$ 99,397	$ —	$ 99,397

5. Business Combinations (continued):

The fair value of $42,954 of accounts receivable acquired was based on the amounts expected to be collectible.

The fair value of $73,560 assigned to inventory was based on estimated selling prices net of selling costs associated with finished goods, and replacement value for raw materials and unassembled components.

Property, plant and equipment of $37,792 was determined based on depreciated replacement cost values.

The fair value of intangible assets of $4,240 primarily relates to brand value associated with the BRC, IMPCO and ComfortPro brands. The intangible assets are being amortized over their estimated useful life of ten years.

The fair value of $63,706 assigned to accounts payable and accrued liabilities acquired was based on the expected amount to be paid and contingent liabilities recognized at the acquisition date. Adjustments made in the measurement period include $4,000 settlement of a patent infringement and $1,305 to settle remaining claims.

Since the acquisition date, Fuel Systems' total revenue was $132,850 and generated a net loss of $5,049.

Proforma Results

The following unaudited supplemental proforma information presents the consolidated financial results as if the acquisition of Fuel Systems had occurred on January 1, 2015. This supplemental proforma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on January 1, 2015, nor are they indicative of any future results.

	Years ended December 31,	
	2016	2015
Revenue		
Revenue for the year	$ 224,895	$ 103,304
Fuel Systems (prior to merger)	96,833	263,397
Proforma revenue for the year	$ 321,728	$ 366,701
Net loss		
Net loss for the year	$ (97,573)	$ (99,154)
Fuel Systems, net of transaction costs (prior to merger)	(6,249)	(47,135)
Proforma adjustments (1)	(28,951)	(1,575)
Proforma net loss for the year	$ (132,773)	$ (147,864)

(1) Includes adjustments for the bargain purchase gain, additional interest expense for the convertible debt in all periods, and for transaction costs related to the merger with Fuel Systems.

6. Accounts Receivable:

	December 31, 2016	December 31, 2015
Customer trade receivable	$ 73,341	$ 35,517
Due from related parties (note 20)	488	1,165
Other receivables	5,010	3,617
Income tax receivable	1,638	1,047
Allowance for doubtful accounts	(3,299)	(3,022)
	$ 77,178	$ 38,324

7. Inventories:

	December 31, 2016	December 31, 2015
Purchased parts and materials	$ 46,475	$ 20,864
Work-in-process	4,403	3,485
Finished goods	19,746	11,311
	$ 70,624	$ 35,660

During the year ended December 31, 2016, the Company recorded write-downs to net realizable value of approximately $7,104 (year ended December 31, 2015 - $8,743; year ended December 31, 2014 - $2,102).

8. Long-term investments:

	December 31, 2016	December 31, 2015 (Adjusted)
Cummins Westport Inc. (a)	$ 10,950	$ 14,762
Weichai Westport Inc. (b)	1,824	19,065
Other equity accounted investees	648	1,315
	$ 13,422	$ 35,142

8. Long-term investments (continued):

(a) Cummins Westport Inc.:

The Company entered into a joint venture with Cummins Inc. ("Cummins") on March 7, 2001. The joint venture term is scheduled to end on December 31, 2021 and can be terminated under certain circumstances before the end of the term, including in the event of a material breach of the agreement by, or in the event of a change of control of, one of the parties.

On February 20, 2012, the joint venture agreement ("JVA") was amended and restated to provide for, among other things, clarification concerning the scope of products within CWI. In addition, the parties have revised certain economic terms of the JVA. Prior to February 20, 2012, the Company and Cummins shared equally in the profits and losses of CWI. Under the amended JVA, profits and losses are shared equally up to an established revenue baseline, then any excess profit will be allocated 75% to the Company and 25% to Cummins.

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

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

	Years ended December 31,		
	2016	2015 (Adjusted)	2014 (Adjusted)
Investment income under the equity method	$ 5,606	$ 16,339	$ 9,777
Dividends received	10,198	20,464	3,200

8. Long-term investments (continued):

(a) Cummins Westport Inc. (continued):

During the fourth quarter of 2016, CWI changed its method for determining its warranty liability to exclude, from the estimated cost to settle claims, the parts margin it expects to earn on parts sold to dealers and used to service warranty claims. This change was accounted for as a change in accounting policy and the comparative balances were restated on a retrospective basis, with the following after tax impact to CWI and the Company:

	CWI impact	Company impact
Opening accumulated deficit decrease (January 1, 2014)	$ 6,314	$ 3,157
Increase to 2014 income from investment	3,283	1,641
Decrease to 2015 income from investment	(1,533)	(766)
Decrease to 2016 income from investment	(8,064)	(4,032)
Net change to accumulated deficit (December 31, 2016)	$ —	$ —

Assets, liabilities, revenue and expenses of CWI, as adjusted for the change in accounting policy, are as follows:

	December 31, 2016	December 31, 2015 (Adjusted)
Current assets:		
Cash and short-term investments	$ 95,623	$ 114,053
Accounts receivable	5,018	4,632
Other current assets	209	287
Long-term assets:		
Property, plant and equipment	1,074	1,212
Deferred income tax assets	45,321	46,177
Total assets	$ 147,245	$ 166,361
Current liabilities:		
Current portion of warranty liability	$ 26,206	$ 30,922
Current portion of deferred revenue	20,070	13,858
Accounts payable and accrued liabilities	7,125	11,852
	53,401	56,632
Long-term liabilities:		
Warranty liability	27,282	31,461
Deferred revenue	41,788	45,859
Other long-term liabilities	2,863	2,908
	71,933	80,228
Total liabilities	$ 125,334	$ 136,860

8. Long-term investments (continued):

(a) Cummins Westport Inc. (continued):

	Years ended December 31,		
	2016	2015 (Adjusted)	2014 (Adjusted)
Product revenue	$ 205,235	$ 274,033	$ 283,551
Parts revenue	71,230	57,849	53,683
	276,465	331,882	337,234
Cost of revenue and expenses:			
Cost of product and parts revenue	199,317	230,508	265,584
Research and development	36,066	30,165	21,131
General and administrative	1,136	1,414	1,202
Sales and marketing	23,047	21,236	22,514
Foreign exchange (gain) loss	8	28	34
Bank charges, interest and other	695	817	805
	260,269	284,168	311,270
Income from operations	16,196	47,714	25,964
Interest and investment income	552	367	260
Income before income taxes	16,748	48,081	26,224
Income tax expense (recovery):			
Current	4,680	19,785	21,514
Deferred	856	(1,565)	(13,754)
	5,536	18,220	7,760
Income for the year	$ 11,212	$ 29,861	$ 18,464

8. Long-term investments (continued):

(b) Weichai Westport Inc.:

On April 20, 2016, the Company sold a portion of its economic interest in Weichai Westport Inc. ("WWI") to Cartesian Capital Group ("Cartesian"), a related party, for an upfront payment of $6,300 plus a potential future payment based on Cartesian's return on investment. A loss on sale of investment of $5,238 was recognized in the quarter ended June 30, 2016. On August 20, 2016, the Company sold a portion of the investment to Weichai Power Co., Ltd and Weichai Holding Group Co., Ltd for $7,372 and recognized a gain on sale of $2,696. In addition, the Company received a dividend of $3,200 from WWI net of withholding taxes. Commencing April 20, 2016, the Company no longer has the ability to exercise significant influence over the joint venture and, therefore, with effect from that date accounts for its interest by the cost method.

9. Variable interest entities:

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

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

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

	Balance at December 31, 2016		Balance at December 31, 2015 (Adjusted)	
	Carrying amount	Maximum exposure to loss	Carrying amount	Maximum exposure to loss
Equity method investment	$ 10,950	$ 10,950	$ 14,762	$ 14,762
Accounts receivable	236	236	1,165	1,165

10. Property, plant and equipment:

December 31, 2016	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 4,471	$ 1,127	$ 3,344
Computer equipment and software	9,230	7,044	2,186
Furniture and fixtures	6,703	2,641	4,062
Machinery and equipment	77,120	34,754	42,366
Leasehold improvements	14,346	6,622	7,724
	$ 111,870	$ 52,188	$ 59,682

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

Based on declining revenue and operating results, which were impacted by lower oil prices, the Company concluded that there were impairment indicators, requiring the performance of a long-lived assets impairment test during the years ended December 31, 2016 and 2015.

During the year ended December 31, 2016, the Company recorded an impairment charge of $2,708. The impairment resulted primarily from the write-down of engineering test equipment in Vancouver, Canada. The method used to determine the fair value of equipment was based on utilization of assets and the write-down was recorded in the Corporate and Technology Investments segment.

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

Depreciation expense for the year ended December 31, 2016 was $12,836 (year ended December 31, 2015 - $10,703; year ended December 31, 2014 - $14,106). The amount of depreciation expense included in cost of sales for the year ended December 31, 2016 was $4,707 (year ended December 31, 2015 - $1,918; year ended December 31, 2014 - $3,130).

11. Intangible assets:

December 31, 2016	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 20,770	$ 5,093	$ 15,677
Technology	4,735	3,068	1,667
Customer contracts	11,419	6,053	5,366
Other intangibles	319	171	148
Total	$ 37,243	$ 14,385	$ 22,858

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

Based on declining revenue and operating results, which were impacted by lower oil prices, the Company concluded there were impairment indicators as of November 30, 2016 and November 30, 2015 requiring the performance of a long-lived assets impairment test for trademarks, customer contracts, and technology. The Company completed its assessments at November 30, 2016 and November 30, 2015, respectively, and concluded that intangible assets were not impaired.

During the year ended December 31, 2016, amortization of $3,179 (December 31, 2015 - $2,951; year ended December 31, 2014 - $4,560) was recognized in the statement of operations.

12. Goodwill:

A continuity of goodwill is as follows:

	December 31, 2016	December 31, 2015
Balance, beginning of year	$ 3,008	$ 23,352
Measurement period adjustments	—	149
Impairment losses	—	(18,707)
Impact of foreign exchange changes	(85)	(1,786)
Balance, end of year	$ 2,923	$ 3,008

The Company completed its annual assessment at November 30, 2016 and concluded the remaining goodwill of $2,923 related to the Netherlands reporting unit under the Automotive business segment was not impaired.

Based on the revenue and operating results of the Italian reporting unit, which is within the Automotive segment in the nine months ended September 30, 2015, the decline in the outlook for the remainder of 2015 and future years and the decline in the Company's share price, the Company concluded there were impairment indicators requiring an interim goodwill impairment assessment as of September 30, 2015. Based on the Company's 2015 assessment, it was determined that the carrying amount of goodwill exceeded the implied fair value of goodwill and as a result, an impairment of $18,707 was recorded in the Italian reporting unit in 2015.

For 2016 and 2015, the fair value of the reporting units was determined using the present value of expected future cash flows discounted at a rate equivalent to a market participant's weighted-average cost of capital. The estimates and assumptions regarding expected future cash flows and the appropriate discount rates are in part based upon historical experience, financial forecasts and industry trends and conditions.

13. Accounts payable and accrued liabilities:

	December 31, 2016	December 31, 2015
Trade accounts payable	$ 70,411	$ 42,851
Accrued payroll	13,356	3,839
Accrued interest	1,977	1,037
Due to related parties (note 20)	1,191	—
Taxes payable	941	2,014
Other payables	5,369	7,713
	$ 93,245	$ 57,454

14. Restructuring, termination and other exit obligations:

	Year ended December 31, 2016		
	Termination	Lease-exit	Total
Balance, beginning of year	$ —	$ —	$ —
Additions	7,198	11,802	19,000
Additions: Interest and other	—	509	509
Payments	(3,876)	(1,196)	(5,072)
Impact of foreign exchange	(44)	(270)	(314)
Balance, end of year	3,278	10,845	14,123
Less: current portion	(2,903)	(2,505)	(5,408)
Long-term portion	$ 375	$ 8,340	$ 8,715

Beginning in the third quarter of 2016, the Company initiated a series of restructuring activities which included the consolidation of facilities in Argentina, Canada, China and the United States. This resulted in an implementation of a reduction in workforce resulting in employee severance, one-time termination benefits and contract termination costs associated with the restructuring activities. The Company incurred a charge of $7,198 associated with such termination obligations.

The Company recorded restructuring charges on leases during the year ended December 31, 2016. One lease is in New York, US, and has a lease end date of March 2017. The Company exited the premises in September 2016 and is no longer using this space. The Company has also exited its car service and racing facility in Cherasco, Italy and has a lease end date of April 30, 2017. The other lease is in Vancouver, Canada. The Company has a 10 year lease commitment for 116,000 square feet of office space; however, the Company has notified the lessor that it does not intend to occupy the space. With respect to these leases, the Company recorded a charge to earnings of $11,802. The liability is equal to the present value of rent and other direct costs for the period of time space is expected to remain contracted but unoccupied, less any expected rent to be paid to the Company by a tenant under a sublease over the remainder of the lease term. The cash flows have been discounted at 15% and the lease is expected to terminate in June 2026.

15. Long-term debt:

	December 31, 2016	December 31, 2015
Subordinated debenture notes (a)	$ 40,463	$ 38,359
Senior revolving financing (b)	10,553	10,859
Convertible debt (c)	17,286	—
Other bank financing (d)	9,949	12,435
Capital lease obligations (e)	781	794
Balance, end of period	79,032	62,447
Current portion	(48,097)	(8,257)
Long-term portion	$ 30,935	$ 54,190

(a) The subordinated debenture notes are unsecured, mature on September 15, 2017 and bear interest at 9% per annum, payable in cash semi-annually in arrears on March 15 and September 15 of each year during the term. The holders of the Debentures have the option to extend, a maximum of six times, the maturity date for an additional period of six months each time (i.e. if all extensions made, an additional three years) provided that greater than CDN$10,000 of the aggregate principal amount of the Debentures remains outstanding. At the date of these financial statements, the Debenture holders have not elected to extend and have until August 1, 2017 to do so.

15. Long-term debt (continued):

(b) The €10,000 senior revolving financing facility is denominated in Euros and bears interest at the 6-month Euribor plus 2.6% (2.3% as at December 31, 2016). Subsequent to year end on March 24, 2017, the €10,000 financing facility was renewed. The loan bears an interest at the 6-month Euribor plus 3.3% and can increase or decrease by 30 basis points based on an annual leverage ratio calculation. Interest is paid semi-annually. The Company has pledged its interest in EMER S.p.A. as a general guarantee for its senior revolving financing.

(c) On January 11, 2016, the Company entered into a financing agreement with Cartesian. As part of the agreement, on June 1, 2016, convertible debt was issued in exchange for 9.0% convertible unsecured notes due June 1, 2021, which are convertible into common shares of the Company in whole or in part, at Cartesian's option, at any time following the twelve month anniversary of the closing at a conversion price of $2.17 per share. Interest is payable annually in arrears on December 31 of each year during the term. The convertible debt is held by a related party as Peter Yu, founder and managing partner of Cartesian, became a member of the Board of Directors of the Company in January 2016.

(d) Other bank financing consists of various secured and unsecured bank financing arrangements that carry rates of interest ranging from 0.75% to 3.9% and have various maturities out to 2022. Security includes a building owned by the Company in the Netherlands and certain accounts receivable in one of our Italian subsidiaries. Approximately $6,700 of this financing is renewable as additional accounts receivables are pledged.

(e) The Company has capital lease obligations that have terms of three to five years at interest rates ranging from 2.3% to 11.0% (2015 - 3.1%% to 4.9%).

Throughout the entire term of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of December 31, 2016, the Company is in compliance with all covenants under the financing arrangements.

The principal repayment schedule of the long-term debt is as follows for the years ending December 31:

	Subordinated debenture notes	Senior revolving financing	Convertible debt	Other bank financing	Capital lease obligations	Total
2017	$ 40,463	$ 739	$ —	$ 6,449	$ 446	$ 48,097
2018	—	1,688	—	316	195	2,199
2019	—	1,794	—	316	64	2,174
2020	—	1,900	—	316	46	2,262
2021 and thereafter	—	4,432	17,286	2,552	30	24,300
	$ 40,463	$ 10,553	$ 17,286	$ 9,949	$ 781	$ 79,032

16. Long-term royalty payable:

On January 11, 2016, The Company entered into a financing agreement with Cartesian to support the Company's global growth initiatives. The financing agreement immediately provided $17,500 in cash (the “Tranche 1 Financing”). In consideration for the funds provided to the Company, Cartesian is entitled to royalty payments in respect of the Tranche 1 Financing based on the greater of (i) a percentage of amounts received by the Company on select high pressure direct injection systems and joint venture products in excess of agreed thresholds through 2025 and (ii) stated fixed amounts per annum (subject to adjustment for asset sales). The carrying value is being accreted to the expected redemption value using the effective interest method, which is approximately 23% per annum.

A continuity schedule of the long-royalty payable is as follows:

	December 31, 2016
Balance, beginning of year	$ —
Issuance of debentures	17,500
Accretion expense	4,062
Balance, end of year	21,562
Current portion	(1,500)
Long-term portion	$ 20,062

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

2017	$ 1,500
2018	3,426
2019	6,164
2020	7,722
2021	9,054
2022 and thereafter	18,113
	$ 45,979

17. Warranty liability:

A continuity of the warranty liability is as follows:

	Years ended December 31,		
	2016	2015	2014
Balance, beginning of year	$ 13,991	$ 23,109	$ 28,845
Warranty assumed on acquisition	5,180	—	1,952
Warranty claims	(7,353)	(9,438)	(10,709)
Warranty accruals	2,811	427	2,734
Impact of foreign exchange changes	(859)	(107)	287
Balance, end of year	13,770	13,991	23,109
Less: Current portion	(6,834)	(5,554)	(9,696)
Long-term portion	$ 6,936	$ 8,437	$ 13,413

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

On June 1, 2016, the Company issued 44,882,782 common shares to former Fuel Systems' shareholders and 653,532 restricted stock units in connection with the merger described in note 5.

During the year ended December 31, 2016, the Company issued 845,491 common shares, net of cancellations, upon exercises of share units and in connection with earn out payments, (year ended December 31, 2015 – 900,097 common shares). The Company issues shares from treasury to satisfy stock option and share unit exercises.

(a) Share Units:

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

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, 2016, the Company recognized $10,450 (year ended December 31, 2015 - $14,871; year ended December 31, 2014 – $9,683) of stock-based compensation associated with the Westport Omnibus Plan and the former Amended and Restated Unit Plan.

A continuity of the Units issued under the Westport Omnibus Plan and the former Amended and Restated Unit Plan as of December 31, 2016, December 31, 2015 and December 31, 2014 are as follows:

	December 31, 2016		December 31, 2015		December 31, 2014	
	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)
Outstanding, beginning of year	9,657,921	$ 7.62	5,337,873	$ 10.27	1,200,591	$ 23.68
Granted	684,402	2.90	5,556,630	6.74	5,792,162	10.54
Exercised/Vested	(845,491)	10.26	(575,024)	11.49	(608,975)	19.52
Forfeited/expired	(2,832,241)	6.60	(661,558)	10.34	(1,045,905)	21.75
Outstanding, end of year	6,664,591	$ 6.75	9,657,921	$ 7.62	5,337,873	$ 10.27
Units outstanding and exercisable, end of year	1,891,008	$ 7.77	1,150,294	$ 9.58	142,166	$ 11.67

During 2016, 684,402 (2015 - 5,556,630) share units were granted to employees. This included 684,402 RSUs (2015 - 2,861,630) and nil PSUs (2015 - 2,695,000). Values of RSU awards are generally determined based on the fair market value of the underlying common share on the date of grant. RSUs typically vest over a three year period so the actual value received by the individual depends on the share price on the day such RSUs are settled for common shares, not the date of grant. PSU awards do not have a certain number of common shares that will issue over time - the number depends on future performance and other conditions tied to the payout of the PSU. The vesting of the 1,695,000 remaining PSU's from the 2015 grant is conditional upon Shareholders of Westport approving an increase in the number of awards available for issuance pursuant to the Westport Omnibus Plan. As a result these PSU's are being treated as a liability until this condition is met.

As at December 31, 2016, $6,594 of compensation expense related to Units has yet to be recognized in results from operations and will be recognized over a weighted average period of 1.2 years.

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

(b) Aggregate intrinsic values:

The aggregate intrinsic value of the Company's share units at December 31, 2016 and 2015 are as follows:

	December 31, 2016 CDN$	December 31, 2015 CDN$
Share units:		
Outstanding	$ 10,130	$ 26,849
Exercisable	2,874	3,198
Exercised	1,285	1,599

(c) Stock-based compensation:

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

	Years ended December 31,		
	2016	2015	2014
Research and development	$ 6,010	$ 9,915	$ 1,749
General and administrative	2,334	2,224	5,884
Sales and marketing	2,106	2,732	2,050
	$ 10,450	$ 14,871	$ 9,683

19. Income taxes:

(a) The Company's income tax provision differs from that calculated by applying the combined enacted Canadian federal and provincial statutory income tax rate of 26% for the year ended December 31, 2016 (year ended December 31, 2015 – 26%; year months ended December 31, 2014 – 26%) as follows:

	2016	2015 (Adjusted, Note 8)	2014 (Adjusted, Note 8)
Loss before income taxes	$ (92,563)	$ (98,423)	$ (148,557)
Expected income tax recovery	(24,066)	(25,580)	(38,628)
Increase (reduction) in income taxes resulting from:			
Non-deductible stock-based compensation	2,176	3,553	2,495
Other permanent differences	5,854	(76)	(446)
Withholding taxes	1,109	1,429	969
Foreign tax rate differences, foreign exchange and other adjustments	(4,561)	(138)	7,409
Non-taxable income from equity investment	925	(4,313)	(4,162)
Change in valuation allowance	32,583	21,036	25,784
Goodwill impairment	—	4,820	4,748
Change in uncertain tax position	301	—	1,252
Bargain purchase gain	(9,311)	—	—
Income tax expense (recovery)	$ 5,010	$ 731	$ (579)

19. Income taxes (continued):

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

	December 31, 2016	December 31, 2015
Deferred income tax assets:		
Net loss carry forwards	$ 191,685	$ 129,653
Intangible assets	10,319	3,792
Property, plant and equipment	11,829	7,317
Warranty liability	4,072	4,220
Foreign tax credits	5,233	—
Inventory	4,104	2,206
Research and development	4,710	3,140
Other	17,114	7,831
Total gross deferred income tax assets	249,066	158,159
Valuation allowance	(245,299)	(153,099)
Total deferred income tax assets	3,767	5,060
Deferred income tax liabilities:		
Intangible assets	(4,945)	(4,566)
Property, plant and equipment	(596)	(1,177)
Other	(4,262)	(349)
Total deferred income tax liabilities	(9,803)	(6,092)
Total net deferred income tax liabilities	$ (6,036)	$ (1,032)
Allocated as follows:		
Deferred income tax assets	3,767	2,538
Deferred income tax liabilities	(9,803)	(3,570)
Total net deferred income tax liabilities	$ (6,036)	$ (1,032)

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
Years ended December 31, 2016				
Canada	$ (100,143)	57	788	$ 845
United States	14,926	7	—	7
Italy	(4,324)	192	1,440	1,632
Other	(3,022)	1,746	780	2,526
	$ (92,563)	$ 2,002	$ 3,008	$ 5,010
Years ended December 31, 2015 (Adjusted, note 8(a))				
Canada	$ (44,739)	$ 793	$ 228	$ 1,021
United States	(22,227)	9	—	9
Italy	(20,695)	389	(566)	(177)
Other	(10,762)	54	(176)	(122)
	$ (98,423)	$ 1,245	$ (514)	$ 731
Years ended December 31, 2014 (Adjusted Note 8(a))				
Canada	$ (86,143)	$ 165	$ 301	$ 466
United States	(49,577)	8	—	8
Italy	(3,834)	521	(1,463)	(942)
Other	(9,003)	(88)	(23)	(111)
	$ (148,557)	$ 606	$ (1,185)	$ (579)

19. Income taxes (continued):

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

	2017	2018	2019	2020	2021 and later	Total
Canada	$ —	$ —	$ —	$ —	$ 437,967	$ 437,967
Italy	—	—	—	—	16,622	16,622
United States	—	—	—	—	110,403	110,403
Sweden	—	—	—	—	18,843	18,843
Other	—	972	6,023	4,632	14,144	25,771
Total	$ —	$ 972	$ 6,023	$ 4,632	$ 597,979	$ 609,606

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

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

(f) The Company records uncertain tax positions in accordance with ASC No. 740, Income Taxes. As at December 31, 2016, the total amount of the Company's uncertain tax benefits was $2,745 (year ended December 31, 2015 - $1,230). If recognized in future periods, the uncertain tax benefits would affect our effective tax rate. The Company files income tax returns in Canada, the U.S., Italy, and various other foreign jurisdictions. All taxation years remain open to examination by the Canada Revenue Agency, the 2013 to 2016 taxation years remain open to examination by the Internal Revenue Service and the 2011 to 2016 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 is reporting a larger number of related party transactions compared to 2015 as a consequence of the appointments of Mr. Peter Yu (Cartesian financing) and Mr. Mariano Costamagna (Fuel Systems merger) as directors of the Company. Subsequent to year end, Mr. Costamagna resigned from the Board of Directors. The following table sets forth amounts that are included within the captions noted on the consolidated balance sheets, representing related party transactions with the Company:

	December 31, 2016	December 31, 2015
Receivables:		
Entities related to Mariano Costamagna (a)	$ 237	$ —
Cummins Westport Inc. (b)	236	1,165
Ideas & Motion S.r.L. (c)	15	—
	$ 488	1,165
Payables:		
Entities related to Mariano Costamagna (a)	$ 1,191	—

(a) Entities related to Mariano Costamagna include: Bianco S.p.A, TCN S.r.L., Biemmedue S.p.A, MTM Hydro S.r.L., Immobiliare IV Marzo, Delizie Bakery S.r.L., Galup S.r.L., TCN Vd S.r.L., Europlast S.r.L., A.R.S. Elettromeccanica S.r.L., Ningbo Topclean Mechanical Technology Co. Ltd., and Erretre S.r.L..

(b) Pursuant to the amended and restated Joint Venture Agreement, Westport engages in transactions with CWI (see note 8(a)). Amounts receivable relate to costs incurred by the Company on behalf of CWI. The amounts are generally reimbursed by CWI to the Company in the month following the month in which the payable is incurred.

(c) Ideas & Motion S.r.L is an Italian consulting and services company in which the Company owns an equity ownership interest of 14.28%.

	Years ended December 31,			
	2016		2015	
	Purchases	Sales	Purchases	Sales
Related party company:				
Entities related to Mariano Costamagna	$ 2,592	$ 412	$ —	$ —
Cummins Westport Inc.	—	2,744	—	5,742
Ideas & Motion S.r.L.	—	43	—	—
	$ 2,592	$ 3,199	$ —	$ 5,742

(d) Other transactions with related parties:

The Company leases buildings under separate facility agreements from IMCOS Due S.r.L., a real estate investment company owned 100% by Mariano Costamagna and members of his immediate family. The terms of these leases reflect the fair market value of such properties based upon appraisals. The Company made payments to IMCOS Due S.r.L. of $1,475 for the year ended December 31, 2016 (2015 - nil).

Peter Yu, founder and managing partner of Cartesian, was elected as a Director in January 2016 in connection with the Investment Agreement. The convertible debt (note 15(c)) and royalty payable (note 16) are related party balances. In addition, the Company sold a portion of its economic interest in WWI to Cartesian (note 8(b)). The Company has not made any cash payments to Cartesian relating to the convertible debt or royalty payable as at December 31, 2016, but has accrued interest in accordance with the terms of the agreements.

21. Commitments and contingencies:

(a) Contractual Commitments

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

2017	$	9,347
2018		9,134
2019		7,686
2020		6,298
2021		4,548
Thereafter		19,996
	$	57,009

As disclosed in note 14, the Company has recorded restructuring charges on several leases. Any income received from subleasing the leases will reduce the minimum annual payments required by the Company.

For the year ended December 31, 2016, the Company incurred operating lease expenses of $5,675 (year ended December 31, 2015 - $3,763; year ended December 31, 2014 - $3,879).

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

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

(b) Purchase Commitments

The Company purchases components from a variety of suppliers and contract manufacturers. During the normal course of business, in order to manage manufacturing lead times and help ensure adequate component supply, the Company enters into agreements with suppliers and contract manufacturers. A portion of our reported estimated purchase commitments arising from these agreements are firm, noncancelable, and unconditional commitments. The Company may be subject to penalties, and may lose important suppliers, if it is unable to meet its purchase commitments. In 2014, the Company entered into several long-term fixed price contracts to purchase parts to produce certain products. These contracts represent firm purchase commitments which are evaluated for potential market value losses. The Company estimated a loss on these firm purchase commitments with reference to the estimated future sales price of these products and recognized a provision for inventory purchase commitments of $4,106 in 2014. The provision is recognized in other payables in accounts payable and accrued liabilities. During 2015 and 2016, no additional loss for provision for inventory purchase commitments was accrued and the provision has been drawn down to $751 as at December 31, 2016.

22. Segment information:

The financial information for the Company's business segments evaluated by the Chief Operating Decision Maker ("CODM") includes the results of CWI as if they were consolidated, which is consistent with the way the Company manages its business segments. As CWI is accounted for under the equity method of accounting, an adjustment is reflected in the tables below to reconcile the segment measures to the Company's consolidated measures.

The Company's business operates in four operating segments:

Automotive Business Segment (previously branded as Westport Operations)

The Westport Fuel Systems Automotive division designs, manufactures and sells compressed Natural Gas ("CNG") and liquid petroleum gas ("LPG") components and systems for passenger cars and light-duty trucks and medium-duty vehicles including OEM, delayed OEM ("DOEM") and Aftermarket. The portfolio of products includes pressure regulators, injectors, electronic control units, valves and filters, in addition to complete bi-fuel, mono-fuel and dual-fuel LPG and CNG conversion kits.

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

Industrial Business Segment

The Westport Fuel Systems Industrial division designs and manufactures alternative fuel components and systems for off-road mobile and stationary equipment, and heavy-duty on-road vehicles as well as the development of complete emissions certified and non-certified engines for forklifts and other industrial equipment.

Corporate and Technology Investments Segment

The Corporate and Technology Investments segment is responsible for current and advanced research and development programs, corporate oversight, and general administrative duties. The corporate oversight and general administrative duties function for the company is grouped under this unit.

Cummins Westport Inc. Joint Venture

CWI, our 50:50 joint venture with Cummins, serves the medium and heavy-duty on highway engine markets. CWI engines are offered by many OEMs for use in transit, school and shuttle buses, conventional trucks and tractors, and refuse collection trucks, as well as specialty vehicles such as short-haul port drayage trucks and street sweepers.

Weichai Westport Inc. Joint Venture

WWI is a joint venture between Westport, Weichai Holding Group Co. Ltd. ("Weichai") and Hong Kong Peterson (CNG) Equipment Ltd. focusing on the Chinese market. WWI develops, manufactures and sells advanced, alternative fuel engines and parts that are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally. On April 20, 2016, the Company sold a portion of its economic interest in WWI (note 8(b)) and the Company discontinued reporting of WWI results on an equity basis. As the Company no longer has significant influence in the joint venture, the Company does not consider WWI a business segment.

The accounting policies for the reportable segments are consistent with those described in note 3. The CODM evaluates segment performance based on the net operating income (loss), which is before income taxes and does not include depreciation and

amortization, impairment charges, restructuring charges, foreign exchange gains and losses, bank charges, interest and other expenses, interest and other income, gain on sale of long-term investments and bargain purchase gain.

22. Segment information (continued):

Financial information by business segment as follows:

	Years ended December 31,		
	2016	2015	2014
Revenue:			
Automotive	$ 165,071	$ 100,108	$ 126,988
Industrial	54,662	—	—
Corporate and Technology Investments	5,162	3,196	3,581
CWI	276,465	331,882	337,234
WWI	29,931	185,967	618,465
Total segment revenues	531,291	621,153	1,086,268
Less: equity investees' revenue	(306,396)	(517,849)	(955,699)
Consolidated revenue	$ 224,895	$ 103,304	$ 130,569

	Years ended December 31,		
	2016	2015 (Adjusted, note 8)	2014 (Adjusted, note 8)
Operating loss:			
Automotive	$ (19,157)	$ (21,855)	$ (35,952)
Industrial	3,746	—	—
Corporate and Technology Investments	(76,118)	(77,283)	(92,456)
Restructuring	(19,000)	—	—
Foreign exchange gain (loss)	(6,408)	11,601	3,433
Impairment of long lived assets, net	(4,843)	(22,722)	(29,604)
Provision for inventory purchase commitments	—	—	(4,106)
CWI	29,782	51,011	21,555
WWI	718	3,784	78,502
Total segment operating loss	(91,280)	(55,464)	(58,628)
Less: equity investees' operating income	(30,500)	(54,795)	(100,057)
Consolidated operating loss	$ (121,780)	$ (110,259)	$ (158,685)

	Years ended December 31,		
	2016	2015	2014
Total additions to long-lived assets, excluding business combinations:			
Automotive	$ 3,310	$ 1,350	$ 2,278
Industrial	747	—	—
Corporate and Technology Investments	5,290	3,495	7,971
	$ 9,347	$ 4,845	$ 10,249

22. Segment information (continued):

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

	% of total product revenue and service and other revenue		
	Years ended December 31,		
	2016	2015	2014
Europe	54%	48%	47%
Americas	32%	40%	42%
Asia	12%	12%	11%
Others	2%	—%	—%

As at December 31, 2016, total goodwill of $ 2,923 (December 31, 2015 - $3,008) was allocated to the Automotive segment.

As at December 31, 2016, total long-term investments of $12,876 (December 31, 2015 - $34,716) was allocated to the Corporate and Technology Investments segment and $546 (December 31, 2015 - $426) was allocated to Automotive segment.

Total assets are allocated as follows :

	Total assets by location	
	Years ended December 31, 2016	
	2016	2015
Automotive	$ 241,975	$ 157,452
Industrial	65,717	—
Corporate and Technology Investments and unallocated assets	23,768	56,231
CWI	147,245	171,189
WWI	—	125,724
	478,705	510,596
Less: equity investees' total assets	(147,245)	(296,913)
Total consolidated assets	$ 331,460	$ 213,683

22. Segment information (continued):

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

Long-lived assets information by geographic area:

December 31, 2016	Fixed assets	Intangible assets and goodwill	Total
Italy	$ 26,713	$ 19,942	$ 46,655
Canada	22,157	1,377	23,534
United States	5,613	—	5,613
Rest of Europe	3,119	4,462	7,581
Asia Pacific	3,154	—	3,154
	60,756	25,781	86,537
Less: equity investees' long lived assets	(1,074)	—	(1,074)
Total consolidated long-lived assets	$ 59,682	$ 25,781	$ 85,463

December 31, 2015	Fixed assets	Intangible assets and goodwill	Total
Italy	$ 6,212	$ 19,531	$ 25,743
Canada	18,875	494	19,369
United States	14,210	—	14,210
Rest of Europe	3,076	5,135	8,211
Asia Pacific	7,767	155	7,922
	50,140	25,315	75,455
Less: equity investees' long lived assets	(7,613)	—	(7,613)
Total consolidated long-lived assets	$ 42,527	$ 25,315	$ 67,842

23. Financial Instruments:

(a) Financial risk management:

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

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company has sustained losses and negative cash flows from operations since inception. At December 31, 2016, the Company has $60,905 of cash, cash equivalents and short-term investments.

The following are the contractual maturities of financial obligations as at December 31, 2016:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	>5 years
Accounts payable and accrued liabilities	$ 93,245	$ 93,245	$ 93,245	$ —	$ —	$ —
Subordinated debentures notes (1)	40,463	43,727	43,727	—	—	—
Senior revolving financing (2)	10,553	11,793	1,039	4,026	4,336	2,392
Convertible debt	17,286	24,456	1,575	3,150	19,731	—
Senior financing (3)	9,949	10,476	6,893	767	758	2,058
Capital lease obligations	781	826	473	268	85	—
Long-term royalty payable	21,562	45,979	1,500	9,590	16,776	18,113
Operating lease commitments	10,845	57,009	9,347	16,820	10,846	19,996
Royalty payments (4)	2,577	3,831	—	3,831	—	—
	$ 207,261	$ 291,342	$ 157,799	$ 38,452	$ 52,532	$ 42,559

(1) Includes interest at 9%.
(2) Includes interest at rates disclosed in note 15(b).
(3) Includes interest at rates disclosed in note 15(d).
(4) The Company is obligated to repay funding received from Industrial Technologies Office ("ITO") in the form of royalties equal to the greater of $1,005 (CDN $1,350) or 0.33% of the Company's gross annual revenue from all sources, including CWI, provided that gross revenue exceeds $10,055 (CDN$13,500) in any aforementioned fiscal year, until the earlier of March 31, 2018 or until cumulative royalties total of $21,003 (CDN$28,200) has been repaid. As at December 31, 2016, $2,577 remains accrued in accounts payable and accrued liabilities (December 31, 2015 - $2,387). As at December 31, 2016, cumulative royalties of CDN $12,991 have been paid.

23. Financial Instruments (continued):

(c) Credit risk:

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, short-term investments and accounts receivable. The Company manages credit risk associated with cash and cash equivalents and short-term investments by regularly consulting with its current bank and investment advisors and investing primarily in liquid short-term paper issued by Schedule 1 Canadian banks, R1 rated companies and governments. The Company monitors its portfolio, and its policy is to diversify its investments to manage this potential risk.

The Company is also exposed to credit risk with respect to uncertainties as to timing and amount of collectability of accounts receivable and other receivables. As at December 31, 2016, 91% (December 31, 2015 - 85%) of accounts receivable relates to customer receivables, and 9% (December 31, 2015 - 15%) relates to amounts due from related parties, income tax and value added taxes receivables. In order to minimize the risk of loss for customer receivables, the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. Most sales are invoiced with payment terms in the range of 30 days to 90 days. The Company reviews its customer receivable accounts and regularly recognizes an allowance for doubtful receivables as soon as the account is determined not to be fully collectible. Estimates for allowance for doubtful debts are determined on a customer-by-customer evaluation of collectability at each balance sheet reporting date, taking into consideration past due amounts and any available relevant information on the customers' liquidity and financial position.

(d) Foreign currency risk:

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily the United States dollar and the Euro. Cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and long-term debt that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies.

23. Financial Instruments (continued):

(d) Foreign currency risk (continued):

The Company's functional currency is the Canadian dollar. The U.S. dollar amount of financial instruments subject to exposure to foreign currency risk reflected in the consolidated balance sheet at December 31, 2016 is as follows:

	US Dollars
Cash and cash equivalents	$ 9,732
Accounts receivable	9,780
Accounts payable	4,353
Long-term debt, including current portion	17,286
Long-term royalty payable, including current portion	21,562

(e) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk on certain long-term debt with variable rates of interest. The Company limits its exposure to interest rate risk by continually monitoring and adjusting portfolio duration to align to forecasted cash requirements and anticipated changes in interest rates.

If interest rates for the year ended December 31, 2016 had increased or decreased by 50 basis points, with all other variables held constant, net loss for the year ended December 31, 2016 would have increased or decreased by $67.

23. Financial Instruments (continued):

(f) Fair value of financial instruments:

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term period to maturity of these instruments.

The Company's short-term investments are recorded at fair value. The long-term investments represent our interest in CWI, which is accounted for using the equity method, and WWI and other investments, which are accounted for using the cost method.

The carrying values reported in the consolidated balance sheet for the unsecured subordinated debenture notes (note 15) is greater than its fair value based on a recent financing the Company performed with Cartesian (note 16). The approximate fair value of the unsecured subordinated debenture notes is approximately $38,848 (CDN $52,159). Additionally, the interest rate on the notes approximates the interest rate being demanded in the market for debt with similar terms and conditions.

The carrying value reported in the balance sheet for senior financing agreements (note 15(b)) approximates their fair values as at December 31, 2016, as the interest rates on the debt is floating and therefore approximates the market rates of interest. The Company's credit spread in these subsidiaries also has not substantially changed from the premiums currently paid.

The Company categorizes its fair value measurements for items measured at fair value on a recurring basis into three categories as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When available, the Company uses quoted market prices to determine fair value and classify such items in Level 1. When necessary, Level 2 valuations are performed based on quoted market prices for similar instruments in active markets and/or model–derived valuations with inputs that are observable in active markets. Level 3 valuations are undertaken in the absence of reliable Level 1 or Level 2 information.

As at December 31, 2016, cash and cash equivalents and short-term investments are measured at fair value on a recurring basis and are included in Level 1.

24. Subsequent Events

On March 24, 2017, the Company renegotiated its €10,000 senior revolving financing facility. See note 15(b) to these financial statements for details.

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") for Westport Fuel Systems Inc. (formerly known as Westport Innovations Inc.; "Westport Fuel Systems", the "Company", "we", "us", "our") is intended to assist readers in analyzing our financial results and should be read in conjunction with the audited consolidated financial statements, including the accompanying notes, for the fiscal year ended December 31, 2016. Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). The Company's reporting currency is the U.S. dollar. This MD&A is dated as of March 31, 2017.

Additional information relating to Westport Fuel Systems, including our Annual Information Form ("AIF") and Form 40-F, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. All financial information is reported in U.S. dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the beliefs of management and reflects our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Act of 1934, as amended. Such statements include but are not limited to statements regarding the orders or demand for our products, our investments, cash and capital requirements, the intentions of partners and potential customers, the performance of our products, our future market opportunities, availability of funding and funding requirements, our estimates and assumptions used in our accounting policies, our accruals, including warranty accruals, our financial condition, timing of when we will adopt or meet certain accounting and regulatory standards and the alignment of our business segments. These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward looking statements. These risks include risks related to revenue growth, operating results, liquidity, industry and products, general economy, conditions of the capital and debt markets, government or accounting policies and regulations, technology innovations, as well as other factors discussed below and elsewhere in this report, including the risk factors contained in the Company's most recent AIF filed on SEDAR at www.sedar.com. The forward-looking statements contained in this MD&A are based upon a number of material factors and assumptions which include, without limitation, market acceptance of our products, product development delays in contractual commitments, the ability to attract and retain business partners, competition from other technologies, price differential between natural gas and liquefied petroleum gas, unforeseen claims, exposure to factors beyond our control as well as the additional factors referenced in our AIF. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date they were made. We disclaim any obligation to publicly update or revise such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based or that may affect the likelihood that actual results will differ from those set forth in the forward looking statements except as required by applicable legislation.

The forward looking statements contained in this document speak only as of the date of this MD&A. Except as required by applicable legislation, Westport does not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events or circumstances after this MD&A, including the occurrence of unanticipated events. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

BUSINESS OVERVIEW AND GENERAL DEVELOPMENTS

Fuel Systems Solutions, Inc. ("Fuel Systems") and Westport Innovations Inc. ("Westport"), two companies with a strong foundation of innovation and technology leadership in the alternative fuels space were both key players in the development of the global market for gaseous fueled engines and vehicles for transportation and industrial applications. The merger of these two leaders in June 2016 has created Westport Fuel Systems, a premier global company for the engineering, manufacturing, and supply of alternative fuel systems and components.

Our new corporate vision - **"Driving Innovation to Power a Cleaner Tomorrow"** - encompasses our mandate to deliver best-in-class alternative fuel engines, fuel systems, and components. Global trends in greenhouse gas emission reduction regulations and increasingly stringent urban air quality requirements further solidifies our strategy to develop technology solutions and commercialize products that original equipment manufacturers ("OEMs") will need to meet demanding regulatory frameworks. With a broad range of alternative fuel capabilities in liquefied petroleum gas ("LPG"), compressed natural gas ("CNG"), liquefied natural gas ("LNG"), renewable natural gas ("RNG"), and hydrogen and our innovative proprietary technologies, Westport Fuel Systems is well positioned in key on-road, industrial, and high horsepower market segments.

Our Automotive and Industrial businesses are the solid foundation of our market leadership position and source of competitive advantage. We have been able to realize synergies through a post-merger strategic assessment of our entire portfolio with emphasis on streamlining our operating lines as well as our product and brand portfolios. The outcome of this work has been a more focused portfolio with capital and resources targeted to the businesses that will drive long-term profitability.

In the Automotive segment, we are leveraging our increased scale, customer base, and global sales and distribution networks to continue growing market share; a strategy we believe will lead to a stronger financial position. In addition to our significant operational competency in well-established automotive and industrial markets, our investment in new technologies is expected to drive future growth. Westport Fuel Systems has a track record of innovation, specialized engineering capabilities, and a deep patent portfolio resulting in a strong intellectual property position. We are on track to ship the first commercial Westport High Pressure Direct Injection 2.0 (Westport™ HPDI 2.0) components to our European OEM launch partner in 2017. Our fully integrated Westport™ HPDI 2.0 system matches the "diesel-like" power, torque, and fuel economy benefits of a true compression ignition engine powered by natural gas, with reduced greenhouse gas emissions, and the capability to run entirely on renewable fuels.

Westport Fuel Systems has a compelling value proposition. We offer technology solutions for global environmental challenges, we occupy a premier technology leadership position, and we have a range of brands and products for diverse applications and markets. Our team has the specialized technical knowledge and engineering talent that can conceive, prototype, demonstrate, and commercialize the next generation of gaseous fueled technologies with our OEM partners. Our operationally focused leadership team has deep expertise in successful organizational restructuring, customer satisfaction, and financial discipline. We are building a sustainable, profitable company that delivers value to customers, shareholders, employees, and the environment.

During 2016, the end markets for our Automotive business continued to be challenging as a result of low oil prices. However, we did see encouraging signs of growth in the fourth quarter of 2016, with our revenue increased by 5% sequentially over the third quarter, and these continued into the early part of 2017. Overall we have seen some market consolidations among suppliers, and we have added market share in some markets as weaker players exit the industry. Importantly, our Automotive and Industrial divisions were profitable in both the third and fourth quarters of 2016.

LIQUIDITY AND GOING CONCERN

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. Under the new standard, management must evaluate whether there are conditions or events, considered in the 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. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists under this methodology, 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 entity'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. This standard was adopted by the Company at December 31, 2016.

The Company's financial statements have been prepared on the basis that the Company will continue as a going concern. At December 31, 2016, the Company's cash and cash equivalents were $60.1 million and its long-term debt was $79.0 million, of which $48.1 million matures in 2017. The Company incurred significant recurring losses and negative cash flows from operating activities during 2016, 2015 and 2014, and anticipates incurring additional losses and cash outflows through 2017, largely due to the start up of production and commercial distribution of HPDI in the fourth quarter of 2017.

Principal conditions or events that require management's consideration

The factors which raise substantial doubt as to the Company's ability to continue as a going concern are as follows:

(a) Forecast operating and capital investment requirements

After the merger with Fuel Systems and given the low oil price environment experienced in most of 2015 and 2016, the Company has been rationalizing its operations to achieve the necessary synergies required in order to become cash flow positive from operations. The Company expects to generate positive cash flows from operations throughout its business in 2017 and beyond except for its Technology Investments segment where the Company expects significant costs for final development, testing and capital expenditures on its HPDI program with a major OEM in fiscal 2017. Overall, the Company forecasts negative cash flows from operating activities in 2017.

(b) Maturing Debt

Significant debt maturing in 2017 is the CDN$55.0 million Debentures ("Debentures") maturing on September 15, 2017. This debt is classified as current liabilities on the consolidated balance sheet as at December 31, 2016. Details of this loan can be found in note 15(a) to the consolidated financial statements.

Management's plans

Management considered the following factors and management's plans to alleviate or mitigate substantial doubt:

(a) Asset sales

In conjunction with its rationalization and synergy program, the Company has a number of initiatives to simplify the number of businesses that the Company will focus on. As a result, the Company has identified a number of non-core assets that it has or would make available for sale, subject to appropriate terms and conditions in the circumstances. The Company has been active in discussions with interested parties and two of these initiatives are in the final stages of negotiation. The Company expects final binding agreements to be signed in April 2017 and closing to occur shortly thereafter. These two non-core assets sales are expected to contribute significant proceeds to the Company and would be used to fund the forecasted operating and capital investment requirements for HPDI commercialization.

The Company continues to examine other assets to determine whether it is in the best interest of the Company to monetize these assets in the next year or continue to hold and invest in these assets. The Company's decisions with respect to these assets may depend on its ability to raise additional financings as discussed below. The Company's Board of Directors has approved a sales process and timeline for the sale of certain assets in the event that the financing is not obtained when required.

(b) Maturing Debt

The holders of the CDN$55.0 million Debentures have the option to extend, a maximum of six times, the maturity date for an additional period of six months each time (i.e. if all extensions made, an additional three years) provided that greater than CDN$10.0 million of the aggregate principal amount of the Debentures remains outstanding. At the date of these financial statements, the Debenture holders have not elected to extend and have until August 1, 2017 to do so.

The Company has engaged financial advisors to assist with alternative sources of funding. As of the date of these financial statements, the Company has held discussions and received interest including draft term sheets from potential lenders that would allow the Company to refinance a portion of the Debentures. In addition, the Company has initiated discussions with a representative of the Debenture holders on extending or replacing the Debentures with new financing. While there can be no assurance that the Company will be able to borrow on terms that are acceptable to the Company, management believes that it is probable that new loan(s) to refinance a portion of the Debentures, either with the Debenture holders or new lenders, will be entered into on a timely basis.

Management's assessment and conclusion

Management is confident that the cash on hand at December 31, 2016 of $60.1 million, the estimated proceeds from the sales of non-core assets and the estimated proceeds from financing as discussed above will provide the cash flow necessary to fund operations over the next year to March 31, 2018 and as a result, Management has determined that substantial doubt has been alleviated by Management's plans at a probable level of assurance. Management cautions the readers that there is no absolute assurance that the Company will be able to conclude all of the non-core assets sales and raise the financing necessary, under satisfactory terms and conditions, to continue as a going concern. If the Company was not to continue as a going concern, significant adjustments may be required to the carrying value of its assets and liabilities in the accompanying consolidated financial statements and the adjustments could be material.

MERGER INTEGRATION

The process of the merger integration is underway, and significant achievements have been made to integrate the two businesses. Items to highlight are as follows:

- The executive team is in place with Nancy Gougarty, CEO, Ashoka Achuthan, CFO, Andrea Alghisi, COO of the Automotive and Industrial divisions, Thom Rippon, CTO and EVP, Innovation Group and Jack Keaton, EVP, Innovation Group.
- Facility integration and closures commenced and will continue as management assesses the various business lines and manufacturing facilities. Facilities in Argentina, China, the U.S. (New York, Plymouth, Sterling Heights and Union City) and Vancouver, Canada were either closed, sold, merged or in the case of Vancouver, a decision was made not to relocate into the new office space. An $11.8 million restructuring charge for these facility closures was recorded. The annual savings and costs avoided as a result of closed or vacant facilities are approximately $4.3 million annually (Note 14 "Restructuring" of our annual consolidated financial statements).
- The closure of the New York office and the merger of two public companies to one public company was completed by September 30, 2016. This will result in savings in Board of Director fees, audit fees, insurance fees, listing fees, and personnel expenses. The annual savings are forecasted to be $4.4 million per year, excluding $0.5 million of rent, which is captured above.
- The US Automotive business of Fuel Systems was merged into Westport Fuel Systems Dallas during the quarter ended September 30, 2016.
- Reductions in workforce in the Corporate and Technology Investments group in Vancouver are forecasted to be annual savings of $2.5 million. A $4.0 million restructuring charge resulted from this reduction in workforce.
- Our post merger integration task forces continue to review the business and operations to determine other synergies and efficiencies. Additionally, these task forces are capturing and consolidating restructuring actions of Westport and Fuel Systems that were underway at the time of the merger. Approximately $19 million in annual savings have been achieved to date. Total annual savings and merger synergies of $30 million are on track and expected to be achieved by 2018.
- Inventory and accounts receivable have been reduced by $32.1 million from the second quarter of 2016 (first consolidated quarter of Westport Fuel Systems) to the fourth quarter of 2016. Working capital management will continue to be a top priority of the Company.

HPDI

Westport's next generation of HPDI technology, Westport™ HPDI 2.0 will provide heavy duty vehicle and engine OEMs with a vertically integrated natural gas solution with competitive price and comparable performance, and fuel economy. Earlier generation natural gas engines for heavy duty trucks use spark ignition to initiate natural gas combustion, which reduces the high torque and fuel efficiency that is the hallmark of current diesel engines. Spark ignition uses a lower compression ratio and develops higher exhaust temperatures than the diesel engine upon which it is based, thereby requiring extensive changes of both internal and external engine components and, in most cases, changes to the vehicle's powertrain and cooling systems.

Like a diesel engine, Westport™ HPDI 2.0 system uses compression ignition to initiate combustion. Our fully integrated Westport™ HPDI 2.0 system matches the power, torque, and fuel economy and thermal characteristics of the base diesel engine, with minimal change to engine components. It is the only natural gas engine technology that can achieve thermal efficiency within 1% of current generation high efficiency heavy duty diesel engines, with inherently low methane emissions.

Westport™ HPDI 2.0 system components are designed to integrate easily with modern, highly efficient diesel base engines, and have been developed and validated to meet the quality and durability standards required for heavy duty long haul trucks.

A key component of the Westport™ HPDI 2.0 system is a new family of high pressure fuel injectors, co-developed with Delphi Automotive PLC, that is designed to provide better cost, smaller size and improved packaging compared to prior generation Westport™ HPDI injector designs. Westport's cryogenic technologies enable the use of LNG for fuel storage on the vehicle, which results in smaller and lighter fuel tanks compared to CNG fuel storage systems. The Westport™ HPDI 2.0 system includes new LNG fuel tanks and pumps that have been completely redesigned for reduced cost, improved quality and much higher durability than earlier generation LNG tank systems.

A critical issue facing heavy duty truck OEMs is increasing pressure to reduce greenhouse gas emissions from their vehicles. In the U.S., the Environmental Protection Agency ("EPA") and NHTSA jointly introduced new Greenhouse Gas and Fuel Efficiency Standards in August 2016. These new Standards require heavy duty truck OEMs to reduce the average greenhouse gas emissions from the trucks they sell by 25% from the current level by 2027. Similar standards are under consideration in other jurisdictions, including the European Union.

The Westport™ HPDI 2.0 system reduces greenhouse gas emissions compared to the equivalent diesel engine by approximately 20% on a tank-to-wheels basis when using geologic natural gas. The system is also capable of using 100% renewable fuels, such as methane from landfill sites or municipal wastewater treatment sources, as well as a renewable diesel pilot fuel. When using these fuels, greenhouse gas emissions can be reduced by 80% or more compared to the equivalent diesel engine.

OEMs have a choice from many technologies, including more efficient tires, intelligent transmissions, waste heat recovery and improved aerodynamics, all of which can contribute to the reduction of greenhouse gas emissions. But none of these technologies provides a 20%, or higher, reduction in greenhouse gases in a single step. The Company believes that our HPDI system will provide OEMs with an attractive option for their greenhouse gas reduction requirements.

High-horsepower applications (16 litre or greater) including locomotives, mine-haul trucks, and marine vessels face similar regulatory pressure to reduce greenhouse gas emissions. These demanding engine applications consume large amounts of fuel and often operate in jurisdictions where LNG offers a significant cost advantage over diesel, thereby also providing more favourable economics for the use of natural gas. Westport Fuel Systems' proprietary technologies for fuel storage and delivery such as the P200 cryogenic pump for high-volume applications like locomotive tenders and mine-haul trucks is an example of our innovation in natural gas fuel supply expertise.

Our first Westport™ HPDI 2.0 customer, a European heavy duty truck OEM, will launch the first application of this technology into their heavy duty truck line in late 2017, with series production to start in early 2018. Product development for this program is now essentially complete, and we are currently engaged in the final validation of manufacturing processes and field testing with selected truck fleets.

The principle focus of the operating business units are summarized below:

Operating Business Units

As a result of the merger with Fuel Systems, we analyzed our operating segments and the principal focus of the operating business units are summarized below:

Automotive Business Segment (previously branded as Westport Operations)

The Westport Fuel Systems Automotive segment designs, manufactures and sells CNG and LPG components and systems for passenger cars, light-duty trucks and medium-duty vehicles including OEM, delayed OEM ("DOEM") and Aftermarket segments. The portfolio of products includes pressure regulators, injectors, electronic control units, valves and filters, in addition to complete bi-fuel, mono-fuel and dual-fuel LPG and CNG conversion kits.

The Automotive segment also designs, manufactures, and sells a wide range of CNG compressors and refueling systems, from BRC FuelMaker home appliance for individuals or small fleets, to complete refueling stations branded CUBOGAS.

We serve more than 70 countries with a strong customer base in Europe, the Americas, Asia, and a growing presence in Africa. Products are either sold directly to the OEM or through a local distributor. We supply a large number of global OEMs including Volkswagen, Tata, GAZ, FCA, General Motors, Ford, Maruti Suzuki, Honda, Volvo Car, Hyundai, and Kia as well as Aftermarket distributors and customers.

Industrial Business Segment

The Westport Fuel Systems Industrial division designs and manufactures alternative fuel components and systems for off-road mobile and stationary equipment, and heavy-duty on-road vehicles as well as the development of complete emissions certified and non-certified engines for forklifts and other industrial equipment. In addition, our auxiliary power unit ("APU") products for Class 8 diesel trucks and locomotives offer significant environmental benefits and cost of operation savings by reducing or displacing diesel fuel usage while these engines idle. Fuel system components and systems are primarily sold under the IMPCO, Beam-Garretson, and GFI brands, engines under the Westport Power brand and APU's under the ComfortPro brand.

Engines in forklifts, aerial platforms, sweepers, turf equipment, power generators and other industrial equipment have long been workhorses of developed countries and comprise a significant portion of our global business. With key jurisdictions seeking a broader consensus on the regulation of emission sources in an attempt to further reduce air pollution, many countries have legislated, and we believe will continue to legislate, emission standards for this type of equipment.

Our industrial brands focus on serving the market with fuel systems, services and emission certified engine packages. With the imposition of new emissions regulations, OEMs will require advanced technologies that permit the use of gaseous fuels in order to satisfy not only new regulations but also their customers' requirements for durability, performance and reliability.

All of our products are designed, tested and validated in accordance with our own internal requirements, as well as tested and certified with major regulatory and safety agencies throughout the world, including Underwriters Laboratories in North America, TÜV in Europe, and the EPA and the California Air Resources Board ("CARB") in the U.S..

Corporate and Technology Investments Segment

The Corporate and Technology Investments segment is responsible for current and advanced research and development programs, corporate oversight, and general administrative duties. Examples of our leading technologies include fully integrated combustion solutions, fuel injectors, and fuel storage and delivery solutions including cryogenics. The corporate oversight and general administrative functions for the Company are grouped under this unit.

Westport's next generation of HPDI technology, Westport™ HPDI 2.0 will provide global vehicle and engine OEMs with a vertically integrated natural gas solution with attractive price, performance, and fuel economy. Developed to OEM quality standards, Westport™ HPDI 2.0 system components are manufactured in partner facilities, offer ready integration into OEM operations globally. A key component of the Westport™ HPDI 2.0 system is a brand new family of high pressure fuel injectors, co-developed with Delphi, designed to provide better cost, smaller size and improved packaging compared to prior generation Westport™ HPDI

injector designs. Westport and Delphi have entered into a joint development agreement which will combine our intellectual property and engineering strengths to co-develop and manufacture high-pressure natural gas fuel injectors designed for multiple engine OEMs. The family of injectors are developed with core components of Westport's HPDI 2.0 fuel system.

Cummins Westport Inc. Joint Venture

CWI, our 50:50 joint venture with Cummins, Inc. ("Cummins"), serves the medium and heavy-duty on highway engine markets. CWI engines are offered by many OEMs for use in transit, school and shuttle buses, conventional trucks and tractors, and refuse collection trucks, as well as specialty vehicles such as short-haul port drayage trucks and street sweepers. CWI is the leading supplier of natural gas engines to the North American medium- and heavy-duty truck and transit bus industries.

All CWI natural gas engines are dedicated 100% natural gas engines. The fuel for CWI engines can be carried in tanks on the vehicle as CNG or LNG. All engines are also capable of operating on up to 100% RNG.

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

The purpose of the joint venture is to engage in the business of selling, marketing and developing spark-ignited natural gas or propane engines for on-highway use. CWI utilizes Cummins' supply chain, back office systems and distribution and sales networks. The joint venture term is scheduled to end on December 31, 2021.

Weichai Westport Inc. Joint Venture

Weichai Westport inc. ("WWI") is a joint venture between Westport, Weichai Holding Group Co. Ltd. ("Weichai") and Hong Kong Peterson (CNG) Equipment Ltd. focusing on the Chinese market. WWI develops, manufactures and sells advanced, alternative fuel engines and parts that are widely used in city bus, coach, and heavy-duty truck applications in China or exported to other regions globally. On April 20, 2016, the Company sold a portion of its economic interest in WWI to Cartesian Capital Group ("Cartesian"), a related party, for an upfront payment of $6.3 million plus a potential future payment based on Cartesian's return on investment. A loss on sale of investment of $5.2 million was recognized in the quarter ended June 30, 2016. On August 20, 2016, the Company sold a portion of the investment to Weichai Power Co., Ltd and Weichai for $7.4 million and recognized a gain on sale of $2.7 million. In addition, the Company received a dividend of $3.2 million from WWI net of withholding taxes. Commencing April 20, 2016, the Company no longer has the ability to exercise significant influence over the joint venture and, therefore, with effect from that date accounts for its interest by the cost method.

Adjustment to Financial Information

The Company has adopted a change in accounting policy for warranties as adopted by the Company's joint venture, CWI. All comparative numbers have been adjusted to reflect the new policy. See Income from investments sections in this MD&A or note 8(a) in the consolidated financial statements for additional details.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth a summary of our financial results for 2016, 2015 and 2014. The 2016 results include seven months results from Fuel Systems as a result of the merger. As reflected in the consolidated financial statements note 8(a), the net losses in 2015 and 2014 have been adjusted for a change in accounting policy at CWI.

Selected Consolidated Statements of Operations Data

	Years ended December 31,		
	2016	**2015**	**2014**
		(Adjusted)	(Adjusted)
(expressed in millions of United States dollars, except for per share amounts and shares outstanding)			
Total revenue (1)	$ 224.9	$ 103.3	$ 130.6
Gross margin (2)	48.3	18.1	29.6
GM %	21.5%	17.5%	22.7%
Net loss (3)	(97.6)	(99.2)	(148.0)
Net loss per share – basic and diluted (3)	(1.07)	(1.55)	(2.34)
Weighted average shares outstanding	91,028,504	64,109,703	63,130,022

(1) 2016 revenue includes sales from Fuel Systems' business for the seven-month period since the June 1, 2016 merger.

(2) Gross margin is calculated as revenue less cost of product revenue. The Company has modified current and prior years' gross margin to include manufacturing depreciation in cost of sales, which is the presentation historically adopted by Fuel Systems, that the Company has elected to adopt for the entire group.

(3) Included in the year ended December 31, 2016 is a bargain purchase gain of $35.8 million related to the acquisition of Fuel Systems. The net losses for 2015 and 2014 have been adjusted to reflect the change in accounting policy adopted by CWI. See income from investments sections in this MD&A or note 8(a) in the consolidated financial statements for additional details on the change in accounting policy.

The following table sets forth a summary of our financial position as at December 31, 2016 and December 31, 2015:

Selected Balance Sheet Data

	December 31, 2016	**December 31, 2015 (Adjusted)**
(expressed in millions of United States dollars)		
Cash and short-term investments	$ 60.9	$ 27.8
Total assets	331.5	213.7
Long-term debt, including current portion	79.0	62.5
Long-term royalty payable, including current portion	21.6	—
Total liabilities	246.0	142.1
Shareholders' equity	85.4	71.6

SELECTED ANNUAL FINANCIAL INFORMATION (continued):

The following table sets forth a summary of the financial results of CWI for 2016, 2015 and 2014.

Selected CWI Statements of Operations Data

	Years ended December 31,		
	2016	**2015** (Adjusted)	**2014** (Adjusted)
(expressed in millions of United States dollars)			
Total revenue	$ 276.5	$ 331.9	$ 337.2
Gross margin	77.1	101.4	71.7
GM %	27.9%	30.6%	21.3%
Net income before income taxes	16.7	48.1	26.2
Net income attributable to the Company	5.6	16.3	9.8

RESULTS FROM OPERATIONS

The following tables summarize results by segment for 2016, 2015 and 2014.

Items Affecting Comparability of Results

The year ended December 31, 2016 includes seven months of Fuel Systems' results and this is reported in the "Automotive - Fuel Systems" and "Industrial" segments in the tables below. In addition, WWI results are only included in total segment revenue for the three months ended March 31, 2016, as WWI has no longer been considered an operating segment in subsequent periods due to the Company's reduced interest pursuant to a sale to the Cartesian Capital Group ("Cartesian").

The Company's 2015 income statement does not include any Fuel Systems results. However, where meaningful, information for Fuel Systems for the prior year has been provided for comparison purposes.

Revenue 2016/2015
Total consolidated revenues increased $121.6 million, or 118% from $103.3 million in 2015 to $224.9 million in 2016.

The following table summarizes revenues by segment for the year ended December 31, 2016 compared to the year ended December 31, 2015:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2016	**2015**	**$**	**%**
Automotive - Westport	$ 86.9	$ 100.1	$ (13.2)	(13)%
Automotive - Fuel Systems	78.2	N/A	78.2	N/A
Total Automotive	165.1	100.1	65.0	65 %
Industrial - Fuel Systems	54.7	N/A	54.7	N/A
Corporate and Technology Investments	5.1	3.2	1.9	59 %
CWI	276.5	331.9	(55.4)	(17)%
WWI	29.9	186.0	(156.1)	(84)%
Total segment revenues	$ 531.3	$ 621.2	$ (89.9)	(14)%
Less: Equity investees' revenues	306.4	517.9	(211.5)	(41)%
Total consolidated revenues	$ 224.9	$ 103.3	$ 121.6	118 %

Automotive revenue for the year ended December 31, 2016 was $165.1 million compared to $100.1 million for 2015. Total revenue includes sales from Fuel Systems' business for the seven-month period since the June 1, 2016 acquisition. Excluding the acquisition, Westport's automotive revenue declined 13% in 2016 compared to 2015. Approximately, 2% of this decrease is due to the decline in the Euro against the U.S. dollar. The remaining decrease is due to softness in the end markets of Europe, Argentina and the United States as a result of low oil prices and other factors impacting local economies.

Fuel Systems' Automotive revenue for the seven months period since the acquisition through to December 31, 2016 was $78.2 million compared to $100.1 million for the same seven months period from 2015. Sales in Europe and Argentina have been impacted by lower exchange rates and softer end markets resulting from the decline in oil prices. Sales in the final quarter of 2016 were the strongest of the year as some stability returned to oil prices in the latter half of the year.

Industrial revenue for the year ended December 31, 2016 was $54.7 million. This revenue is entirely from the Fuel Systems' business for the period since the June 1, 2016 acquisition and compares to $54.9 million for the seven months from the prior year.

Corporate and Technology Investments revenue for the year ended December 31, 2016 increased $1.9 million, or 59% from $3.2 million to $5.1 million**.** The increase is primarily driven by revenue generated through new OEM partnerships related to the Company's HPDI technology. The Company met several key milestones in relation to HPDI during 2016 with OEM partners.

CWI revenue for the year ended December 31, 2016 decreased $55.4 million, or 17% from $331.9 million to $276.5 million. CWI product revenue for the year ended December 31, 2016 decreased $68.8 million, or 25%, to $205.2 million on sales of 7,232 units compared to $274.0 million and 9,940 units for the year ended December 31, 2015, which was primarily attributed to weak market demand caused by sustained lower oil prices and competition with higher efficiency diesel engines. CWI parts revenue for the year ended December 31, 2016 was $71.2 million compared with $57.8 million for the year ended December 31, 2015 which was primarily attributed to a higher engine population in service.

Revenues 2015/2014
Total segment revenues decreased $465.1 million, or 43% from $1,086.3 million in 2014 to $621.2 million in 2015.

The following table summarizes total revenue by segment for the years ended December 31, 2015 compared to the year ended December 31, 2014:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2015	2014	$	%
Automotive - Westport	$ 100.1	$ 127.0	$ (26.9)	(21)%
Corporate and Technology Investments	3.2	3.6	(0.4)	(11)%
CWI	331.9	337.2	(5.3)	(2)%
WWI	186.0	618.5	(432.5)	(70)%
Total segment revenues	$ 621.2	$ 1,086.3	$ (465.1)	(43)%
Less: Equity investees' revenues	517.9	955.7	(437.8)	(46)%
Total consolidated revenues	$ 103.3	$ 130.6	$ (27.3)	(21)%

Automotive - Westport revenue for the year ended December 31, 2015 decreased $26.9 million, or 21% from $127.0 million to $100.1 million. Automotive - Westport was impacted significantly by the decline in the price of oil and the strengthening of the US dollar. Revenue from European operations for the year ended December 31, 2015, including the Prins Autogassystemen Holding B.V. ("Prins") acquisition increased by €6.2 million, while revenue from North American operations decreased by approximately $17.1 million. The decrease in revenue from North American operations was driven by decreases in Westport's Ford qualified vehicle modifier ("QVM") business, decreased sales of Westport iCEPACK, and a decrease in engineering service contracts. A further decrease of approximately $12.0 million in revenue was driven by unfavourable impacts of foreign currency translation from the Euro to the US dollar equivalent.

Corporate and Technology Investments revenue for the year ended December 31, 2015 decreased $0.4 million or 11% from $3.6 million to $3.2 million**.** The decrease is primarily driven by unfavourable impacts of foreign currency translation from the Canadian to the US dollar equivalent.

CWI revenue for the year ended December 31, 2015 decreased $5.3 million, or 2% from $337.2 million to $331.9 million **.** CWI product revenue for the year ended December 31, 2015 decreased $9.6 million, or 3%, to $274.0 million on sales of 9,940 units compared to $283.6 million and 10,512 units for the year ended December 31, 2014, which was primarily attributed to the decline of the price of oil and other macroeconomic conditions. CWI parts revenue for the year ended December 31, 2015 was $57.8 million compared with $53.7 million for the year ended December 31, 2014 which was primarily attributed to the increase of natural gas engine population in service.

WWI revenue for the year ended December 31, 2015 decreased $432.5 million, or 70%, from $618.5 million to $186.0 million. WWI shipped 15,956 units in 2015 compared with 51,006 units for the year ended December 31, 2014. Westport's WWI results were in-line with general market conditions in China and in-line with diesel truck sales. Truck demand remains subdued, as demonstrated by the decrease of recent monthly commercial vehicle sales in China year-over-year, according to China Association of Automotive Manufacturers ("CAAM").

Gross Margin 2016/2015
Total consolidated gross margin increased $30.2 million, or 167% from $18.1 million in 2015 to $48.3 million in 2016.

The following table presents gross margin by segment for 2016 compared to 2015:

(expressed in millions of U.S. dollars)

	Year ended December 31, 2016	% of Revenue	Year ended December 31, 2015 (Adjusted) (1)	% of Revenue	Change $	Change %
Automotive - Westport	$ 14.5	16.7%	$ 14.9	14.9%	$ (0.4)	(3)%
Automotive - Fuel Systems	15.3	19.6%	N/A	N/A	15.3	N/A
Total Automotive	29.8	18.0%	14.9	14.9%	14.9	100 %
Industrial	14.4	26.3%	N/A	N/A	14.4	N/A
Corporate and Technology Investments	4.1	80.4%	3.2	100.0%	0.9	28 %
CWI	77.1	27.9%	101.4	30.6%	(24.3)	(24)%
WWI	3.0	10.0%	21.4	11.5%	(18.4)	(86)%
Total segment gross margin	$ 128.4	24.2%	$ 140.9	22.7%	$ (12.5)	(9)%
Less: equity investees' gross margin	80.1	26.1%	122.8	23.7%	(42.7)	(35)%
Total consolidated gross margin	$ 48.3	21.5%	$ 18.1	17.5%	$ 30.2	167 %

(1) The net losses for 2015 have been adjusted to reflect the change in accounting policy adopted by CWI. See income from investments sections in this MD&A or note 8(a) in the consolidated financial statements for additional details on the change in accounting policy.

Automotive - gross margin increased $14.9 million to $29.8 million,or 18.0% of revenue, for the year ended December 31, 2016 compared to $14.9 million or 14.9% of revenue for the year ended December 31, 2015. The increase in gross margin was a result of the merger with Fuel Systems. Excluding the merger and the decrease in 2016 inventory obsolescence provision compared to 2015, Automotive gross margin would have decreased by $3.6 million. The decrease is due to a 13% decrease in revenue and changes in product mix in our European businesses.

Fuel Systems' gross margin includes $1.4 million for amortization of the inventory fair value adjustment recorded on acquisition. Excluding this adjustment, the gross margin and gross margin percentage would have been $16.7 million and 21%, respectively compared to $19.5 million and 19.5% for the seven months from the prior year. The increase in the gross margin percentage was the result of direct material cost reduction activities, restructuring of the US automotive business and lower warranty charges.

Industrial gross margin is entirely from the Fuel Systems' business for the period since the June 1, 2016 acquisition and includes $1.2 million for amortization of the inventory fair value adjustment recorded on acquisition. Excluding this adjustment, the gross margin and gross margin percentage would have been $15.6 million and 29%, respectively, compared to $15.1 million and 28% for the seven months from the prior year.

CWI gross margin decreased $24.3 million to $77.1 million, or 27.9% of revenue for the year ended December 31, 2016, compared to $101.4 million or 30.6% of revenue, for the year ended December 31, 2015 as a result of a 27% decrease in engines sold during the period.

Gross Margin 2015/2014
Total consolidated gross margin decreased $11.5 million or 39% from $29.6 million in 2014 to $18.1 million in 2015.

The following table presents gross margin by segment for 2015 compared to 2014:

(expressed in millions of U.S. dollars)

	Year Ended December 31, 2015 (Adjusted) (1)	% of Revenue (Adjusted) (1)	Year Ended December 31, 2014 (Adjusted) (1)	% of Revenue (Adjusted)	Change $ (Adjusted) (1)	Change % (Adjusted)
Automotive - Westport	$ 14.9	14.9%	$ 26.0	20.5%	$ (11.1)	(43)%
Corporate and Technology Investments	3.2	100.0%	3.6	100.0%	(0.4)	(11)%
CWI	101.4	30.6%	71.7	21.3%	29.7	41 %
WWI	21.4	11.5%	52.5	8.5%	(31.1)	(59)%
Total segment gross margin	$ 140.9	22.7%	$ 153.8	14.2%	$ (12.9)	(8)%
Less: equity investees' gross margin	122.8	23.7%	124.2	13.0%	(1.4)	(1)%
Total consolidated gross margin	$ 18.1	17.5%	$ 29.6	22.7%	$ (11.5)	(39)%

(1) The net losses for 2015 and 2014 have been adjusted to reflect the change in accounting policy adopted by CWI. See Income from investments sections in this MD&A or note 8(a) in the consolidated financial statements for additional details on the change in accounting policy.

Automotive - Westport gross margin decreased $11.1 million to $14.9 million, or 14.9% of revenue, for the year ended December 31, 2015 compared to $26.0 million, or 20.5% of revenue for the year ended December 31, 2014. The decrease in gross margin percentage is due to inventory obsolescence charges of $8.7 million in 2015 compared to $2.1 million in the prior year. Adjusted gross margin would have been 23.6% of revenue without the obsolescence, compared to 22.1% in the prior year. Gross margin also decreased due to lower revenue and changes in product mix.

CWI gross margin increased $29.7 million to $101.4 million, or 30.6% of revenue from $71.7 million or 21.3% of revenue for the year ended December 31, 2015. The increase in CWI gross margin percentage was due primarily to a favourable decrease in net warranty adjustments and net extended coverage claims compared to the year ended December 31, 2014. Reliability of the ISL G engine has continued to improve as a result of hardware and calibration changes. See Income from investments sections in this MD&A or note 8(a) in the consolidated financial statements for additional details on the change in accounting policy.

WWI gross margin decreased $31.1 million to $21.4 million, from $52.5 million. The decrease in gross margin relates to a decrease in the number of engines sold. Gross margin as a percentage of revenue increased from 8.5% to 11.5% as a result of changes in product mix and product pricing.

Research and Development Expenses 2016/2015
The following table presents details of research and development ("R&D") expense by segment for 2016 compared to 2015:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2016	2015	$	%
Automotive - Westport	$ 9.7	$ 13.6	$ (3.9)	(29)%
Automotive - Fuel Systems	5.7	N/A	5.7	N/A
Total Automotive	15.4	13.6	1.8	13 %
Industrial - Fuel Systems	4.1	N/A	4.1	N/A
Corporate and Technology Investments	39.9	39.2	0.7	2 %
Total research and development	$ 59.4	$ 52.8	$ 6.6	13 %

Automotive Total Automotive R&D expenses for the year ended December 31, 2016 increased by $1.8 million primarily due to the R&D costs associated with Fuel Systems, offset by lower R&D costs of Westport. The Westport R&D expense decreased $3.9 million as a result of closing the Australia research facility in June 2016, reductions in program expenses, decreased headcount, and favorable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent. Automotive Fuel Systems R&D expenses decreased $1.3 million. Fuel Systems' Automotive R&D expense for the seven months ended December 31, 2016 was $5.7 million, compared to $7.0 million for the seven months from the prior year, a decrease of $1.3 million, due to restructuring and reduction in workforce at the US Automotive business.

Industrial R&D expenses for the seven months since the Fuel Systems' acquisition during the year ended December 31, 2016 were $4.1 million compared to $4.0 million for the seven months from the prior year.

Corporate and Technology Investments research and development expenses increased $0.7 million from $39.2 million to $39.9 million as the Company prepares for the 2017 commercial launch of HPDI.

Research and Development Expenses 2015/2014
The following table presents details of R&D expense by segment for the year ended December 31, 2015 compared to year ended December 31, 2014:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2015	2014	$	%
Automotive - Westport	$ 13.6	$ 21.3	$ (7.7)	(36)%
Corporate and Technology Investments	39.2	55.3	(16.1)	(29)%
Total research and development	$ 52.8	$ 76.6	$ (23.8)	(31)%

Automotive R&D expenses decreased $7.7 million due to reduction in program expenses, decreased headcount, and favorable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent.

Corporate and Technology Investments R&D expenses decreased $16.1 million from $55.3 million to $39.2 million due to reduction in program expenses, prioritizing of investment programs, decreased headcount and favorable impacts of foreign currency translation from the Canadian to the US dollar equivalent.

Selling, General and Administrative Expenses 2016/2015
The following table presents details of Selling, General and Administrative ("SG&A") expense by segment for 2016 compared to 2015:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2016	2015	$	%
Automotive - Westport	$ 16.3	$ 18.3	$ (2.0)	(11)%
Automotive - Fuel Systems	11.8	N/A	11.8	N/A
Total Automotive	$ 28.1	$ 18.3	$ 9.8	54 %
Industrial - Fuel Systems	6.0	N/A	6.0	N/A
Corporate and Technology Investments	35.1	34.4	0.7	2 %
Total selling, general and administrative	$ 69.2	$ 52.7	$ 16.5	31 %

Automotive SG&A expenses for the year ended December 31, 2016 increased by $9.8 million primarily due to the SG&A expenses from Fuel Systems offset by lower SG&A expense of Westport. Westport SG&A expenses decreased $2.0 million due to a reduction in workforce. Fuel Systems' Automotive SG&A expenses for the seven months ended December 31, 2016 was $11.8 million compared to $19.1 million for the seven months from the prior year, a decrease of $7.3 million due to restructuring and reduction in workforce of the US Automotive and Argentina businesses.

Industrial SG&A expenses for the seven months ended December 31, 2016 were $6.0 million compared to $6.5 million for the seven months from the prior year.

Corporate and Technology Investments SG&A expenses increased $0.7 million due to an increase of $2.5 million relating to merger transaction costs compared to 2015, offset by lower salary expenses from our restructuring activities.

Selling, General and Administrative Expenses 2015/2014
The following table presents details of SG&A expense by segment for the year ended December 31, 2015 compared to the year ended December 31, 2014:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2015	2014	$	%
Automotive - Westport	$ 18.3	$ 30.5	$ (12.2)	(40)%
Corporate and Technology Investments	34.4	35.3	(0.9)	(3)%
Total selling, general and administrative	$ 52.7	$ 65.8	$ (13.1)	(20)%

Automotive SG&A expenses decreased $12.2 million due to decreased headcount and favorable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent.

Corporate and Technology Investments SG&A expenses decreased $0.9 million due to decreased headcount and favorable impacts of foreign currency translation from the Canadian to the US dollar equivalent. Within 2015 SG&A are costs of $4.5 million related to the merger between the Company and Fuel Systems. Without these merger costs, SG&A would have decreased 15.3% year over year.

Restructuring expenses recognized for the year ended December 31, 2016 were $19.0 million. Beginning in the third quarter of 2016, the Company initiated a series of restructuring activities which include the consolidation of facilities in Argentina, Canada, China and the United States. This resulted in an implementation of a reduction in workforce resulting in employee severance, one-time termination benefits and contract termination costs. Refer to the consolidated financial statements note 14 for additional details.

Foreign exchange gains and losses reflected net realized gains and losses on foreign currency transactions and the net unrealized gains and losses on our net U.S. dollar denominated monetary assets and liabilities in our Canadian operations that were mainly composed of cash and cash equivalents, short-term investments, accounts receivable and accounts payable. In addition, the Company has foreign exchange exposure on Euro denominated monetary assets and liabilities where the functional currency of the subsidiary is not the Euro. For the year ended December 31, 2016, we recognized a net foreign exchange loss of $6.4 million with the decline in the Canadian dollar and Euro relative to the U.S. dollar. A majority of the foreign exchange loss for the year ended December 31, 2016 is unrealized.

For the year ended December 31, 2015, we recognized a net foreign exchange gain of $11.6 million with the movement in the Canadian dollar relative to the U.S. dollar. This compares to a net foreign exchange gain of $3.4 million for the year ended December 31, 2014.

Depreciation and amortization for the year ended December 31, 2016 was $16.0 million compared to $13.7 million for the year ended December 31, 2015 and $18.7 million for the year ended December 31, 2014. The amount included in cost of sales was $4.7 million for the year ended December 31, 2016, $1.9 million for the year ended December 31, 2015 and $3.1 million for the year ended December 31, 2014. The increase in 2016 is due to the acquisition of Fuel Systems and consolidation of property, plant and equipment.

Income from investments primarily relates to our 50% interest in CWI, accounted for by the equity method. Up until the end of the first quarter of 2016, the Company also recorded its 35% interest in WWI using the equity method; however, due to our sale of a portion of our economic interest in WWI on April 20, 2016, we no longer have the ability to exercise significant influence and, therefore, with effect from that date we account for our interest using the cost method. The decrease in income from investments results primarily from lower revenues and gross margins for CWI in the current year compared to the prior year and due to the change in accounting policy described below.

During the fourth quarter of 2016, CWI changed its method for determining its warranty liability to exclude, from the estimated cost to settle claims, the parts margin it expects to earn on parts sold and used to service warranty claims. This change was accounted for as a change in accounting policy and the comparative balances were adjusted on a retrospective basis. The Company's income from investments, accumulated deficit and long-term investments have been adjusted to reflect this change in accounting policy. The effect of the change was to increase the income from investments in 2014 by $1.6 million, decrease the income from investments in 2015 by $0.8 million and decrease the income from investments in 2016 by $4.0 million. Opening accumulated deficit at January 1, 2014 was decreased by $3.2 million.

(expressed in millions of U.S. dollars)

	Years ended December 31,		
	2016	**2015 (Adjusted)**	**2014 (Adjusted)**
CWI - 50% interest income (loss)	$ 5.6	$ 16.4	$ 9.8
WWI	0.2	1.0	6.0
Other	—	0.2	0.1
Income from investments accounted for by the equity method	$ 5.8	$ 17.6	$ 15.9

Interest on long-term debt and amortization of discount expense primarily relates to our interest expense on Canadian dollar and Euro denominated debentures.

(expressed in millions of U.S. dollars)

	Years ended December 31,		
	2016	2015	2014
Canadian debentures - 9% per annum	$ 3.7	$ 3.9	$ 3.7
Senior financing facilities	0.7	0.9	1.6
Convertible note - 9% per annum	0.9	—	—
Amortization of discount and non-cash interest expense	5.5	0.7	0.5
Total interest on long-term debt	$ 10.8	$ 5.5	$ 5.8

Interest on long-term debt for the year ended December 31, 2016 of $10.8 million is higher compared to the year ended December 31, 2015 due to additional interest accrued on the convertible debt and the Cartesian royalty payable.

Interest on long-term debt for the year ended December 31, 2015 of $5.5 million was lower compared to the year ended December 31, 2014 due to favorable impacts of foreign currency translation from the Euro and the Canadian to the US dollar equivalent.

Bargain purchase gain from acquisition of Fuel Systems was $35.8 million as the fair value of assets acquired and liabilities assumed exceeded the total of the transaction date fair value of consideration paid.

Income tax expense for the year ended December 31, 2016 was $5.0 million compared to an income tax expense of $0.7 million for the year ended December 31, 2015 and an income tax recovery of $0.6 million for year ended December 31, 2014.

The increase for the year ended December 31, 2016 primarily relates to higher distributable earnings from our investment in CWI. The increase in income tax expense for the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily relates to lower distributable earnings from our investment in CWI and a recovery of the deferred income tax liability relating to the intangible and goodwill impairment charges.

CAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITY

This “Capital Requirements, Resources and Liquidity” section contains certain forward looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. Readers are encouraged to read the “Forward Looking Statements” and “Basis of Presentation” sections of this MD&A, which discusses forward-looking statements and the “Business Risks and Uncertainties” section of this MD&A and of our AIF.

Key elements to our continuing liquidity are refinancing our debt when it comes due and the sale of non-core assets. While our Automotive and Industrial divisions generate positive cash flows, these cash flows are not sufficient to offset the significant capital investment and research and development expenditures required to support our HPDI production start-up during 2017. The majority of the HPDI investment, both in terms of R&D and capital spend completes in 2017.

At December 31, 2016, the Company's cash and cash equivalents and short term investments were $60.9 million and our long-term debt was $79.0 million, of which $48.1 million matures in 2017. The Company incurred significant recurring losses from operations as well as negative cash flows from operating activities during 2016, 2015 and 2014, and anticipates incurring additional losses and negative cash flows through 2017. See the Business Overview and General Developments section in this MD&A for further discussion on liquidity and going concern.

Asset Sales

During 2016, the Company completed the following significant asset sales:

(i) The Company sold a portion of its economic interest in WWI to Cartesian and to Weichai related companies for $13.7 million. (See note 8(b) "Weichai Westport Inc." of our consolidated financial statements).

(ii) On July 29, 2016, the Company sold its test cell and other assets in Plymouth, Michigan for $12.2 million. A gain of $1.4 million was recorded on the sale.

Further asset sales are expected as we continue to integrate Fuel Systems and align the two businesses.

As at December 31, 2016, our cash, cash equivalents and short-term investment position was $60.9 million, an increase of $33.1 million from $27.8 million at December 31, 2015. Cash and cash equivalents consist of guaranteed investment certificates, term deposits and bankers acceptances with maturities of 90 days or less when acquired. Short-term investments consist of investment grade bankers' acceptances, term deposits and commercial paper. We invest primarily in short-term paper issued by Schedule 1 Canadian banks, R1 high rated corporations and governments.

The Company has sustained net losses since inception and as at December 31, 2016 has an accumulated deficit of $956.9 million. The Company's ability to continue as a going concern is dependent on its available cash, its ability to find new sources of financing or raise cash through the sale of assets while in pursuit of operating profitability. There can be no assurance that the Company will be successful in achieving its objectives. Management believes that the cash balances available as of December 31, 2016, proceeds from asset sales, cost cutting measures and its ability to find new sources of financing, provide sufficient funds for the Company to meet its obligations beyond the next 12 months. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Cash Flow from Operating Activities. We prepare our statement of cash flows using the indirect method. Under this method, we reconcile net loss to cash flows from operating activities by adjusting net loss for those items that impact net loss but may not result in actual cash receipts or payments during the period. These reconciling items include but are not limited to depreciation and amortization, stock-based compensation expense, unrealized foreign exchange gain, income from investments accounted for by the equity method, provisions for inventory reserves and doubtful accounts, and changes in the consolidated balance sheet for working capital from the beginning to the end of the period.

2016 compared to 2015. In 2016, our net cash flow used in operating activities was $79.6 million, an increase of $10.5 million from the net cash flow used in operating activities in the year ended December 31, 2015. The increase was primarily driven by our increased loss from operations.

Cash Flow from Investing Activities. Our net cash from investing activities consisted primarily of cash acquired from the acquisition of Fuel systems, dividends received from joint ventures and the sale of assets and investments, offset by purchases of property, plant and equipment property ("PP&E").

2016 compared to 2015. In 2016, our net cash flow received from investing activities was $76.6 million, an increase of $60.2 million. The acquisition of Fuel Systems during the period included $45.3 million of acquired cash which resulted in positive cash flows from investing activities. The sales of the Weichai investment and Plymouth plant asset also returned positive investment cash flows of $13.0 million and $11.7 million, respectively. Dividends received from joint ventures decreased by $7.1 million to $13.4 million, primarily as a result of lower revenue and profits at CWI.

Cash Flow from Financing Activities. 2016 compared to 2015. In 2016, Our net cash flow from financing activities increased compared to 2015 by $34.3 million, due to proceeds from the Cartesian financing: issuance of $17.5 million in the form of convertible debt and $17.5 million in royalties payable. In 2015, our net cash used for financing activities was $2.9 million, because our repayment of operating lines of credit and long term facilities was greater than our infusion of cash from drawing on operating lines of credit.

	Carrying amount	Contractual cash flows	< 1 year	1 - 3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 93.2	$ 93.2	$ 93.2	$ —	$ —	$ —
Long-term debt, principal (1)	79.0	79.7	48.8	4.4	22.2	4.3
Long-term debt, interest (1)	—	11.7	4.9	3.9	2.7	0.2
Long-term royalty payable (2)	21.6	46.0	1.5	9.6	16.8	18.1
Operating lease commitments	10.8	57.0	9.3	16.8	10.8	20.0
Royalty payments (3)	2.6	3.8	0.1	3.8	—	—
	$ 207.2	$ 291.4	$ 157.8	$ 38.5	$ 52.5	$ 42.6

(1) For details of our long-term debt, principal and interest, see note 15 of the consolidated financial statements.

(2) On January 11, 2016, The Company entered into a financing agreement with Cartesian to support the Company's global growth initiatives. The financing agreement immediately provided $17.5 million in cash (the “Tranche 1 Financing”). In consideration for the funds provided to the Company, Cartesian is entitled to royalty payments in respect of the Tranche 1 Financing based on the greater of (i) a percentage of amounts received by the Company on select high pressure direct injection systems and joint venture products in excess of agreed thresholds through 2025 and (ii) stated fixed amounts per annum (referred to as the long-term royalty payable). The carrying value is being accreted to the expected redemption value using the effective interest method, which is approximately 23% per annum.

Throughout the entire term of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of December 31, 2016, the Company is in compliance with all covenants under the financing arrangements.

(3) The Company is obligated to repay funding received from Industrial Technologies Office ("ITO") in the form of royalties equal to the greater of $1.0 million (CDN $1.4 million) or 0.33% of the Company's gross annual revenue from all sources, including CWI, provided that gross revenue exceeds $10.1 million (CDN$13.5 million) in any aforementioned fiscal year, until the earlier of March 31, 2018 or until cumulative royalties total of $21.0 million (CDN$28.2 million) has been repaid. As at December 31, 2016, $2.6 million remains accrued in accounts payable and accrued liabilities (December 31, 2015 - $2.4 million). As at December 31, 2016, cumulative royalties of CDN $13.0 million have been paid.

SHARES OUTSTANDING

For the year ended December 31, 2016, the weighted average number of shares used in calculating the loss per share was 91,028,504 . During the year ended December 31, 2016, we granted 684,402 RSUs and PSUs (together the “Share Units”). The Common Shares, share options and Share Units outstanding and exercisable as at the following dates are shown below:

	December 31, 2016		March 30, 2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Common Shares outstanding	110,109,092		110,213,277	
Share Units				
Outstanding (1)(2)	6,664,591	N/A	6,453,457	N/A
Exercisable	1,891,008	N/A	2,288,156	N/A

(weighted average exercise prices are presented in Canadian dollars)

(1) As at December 31, 2016, excludes 6,740 (March 30, 2017 - 0) of phantom share units, respectively, which when vested, are exercisable in exchange for a cash payment and do not result in the issuance of common shares.

(2) As at December 31, 2016, includes 1,695,000 (March 30, 2017 - 1,670,000) PSUs with payout levels ranging between 0% and 150% upon achieving the required performance criteria over the measurement period. None of these PSUs are currently known

to be issuable based on the prior achievement of the required 150% conversion ratio as at the date hereof, however such awards have not yet vested.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. We have identified several policies as critical to our business operations and in understanding our results of operations. These policies, which require the use of judgment, estimates and assumptions in determining their reported amounts, include our accounting of CWI as variable interest entity, warranty liability, revenue recognition, inventories, and property, equipment, furniture and leasehold improvements. The application of these and other accounting policies are described in Note 3 of our calendar year 2016 annual consolidated financial statements. Actual amounts may vary significantly from estimates used.

Variable Interest Entities
A variable interest entity ("VIE") is any type of legal structure not controlled by voting equity but rather by contractual and/or other financial arrangements. Interests in VIEs are consolidated by the company that is the primary beneficiary. The Company's interest in CWI is a VIE but it is determined that there is no primary beneficiary.

Warranty Liability
Estimated warranty costs are recognized at the time we sell our products and included in cost of revenue. We use historical failure rates and costs to repair product defects during the warranty period, together with information on known products to estimate the warranty liability. The ultimate amount payable and the timing will depend on actual failure rates and the actual cost to repair. We review our warranty provision quarterly and record adjustments to our assumptions based on the latest information available at that time. Since a number of our products are new in the market, historical data may not necessarily reflect actual costs to be incurred, and this exposes the Company to potentially significant fluctuations in liabilities and our statement of operations. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. We generally record warranty expense for new products upon shipment using a factor based upon historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. Adjustments to and estimated future direct warranty costs are accrued and charged to cost of revenue in the period when the related revenues are recognized while indirect warranty overhead salaries and related costs are charged to cost of revenue in the period incurred.

Revenue Recognition
The Company recognizes revenue upon transfer of title and risk of loss, generally when products are shipped provided there is (1) persuasive evidence of an arrangement, (2) there are no uncertainties regarding customer acceptance, (3) the sales price is fixed or determinable and (4) management believes collectibility is reasonably assured.

The Company recognizes service revenue from research and development arrangements based on the contracts and the ability of the Company to measure its performance. Depending on the contract, revenues may be recognized using the milestone, percentage of completion, or completed contract methods of accounting. All costs incurred related to revenue earned from research and development contracts are recorded as research and development expense as incurred.

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

Property, Plant and Equipment and Intangible Assets
We consider whether or not there has been an impairment in our long-lived assets, such as equipment, furniture and leasehold improvements and intangible assets, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such assets are not recoverable, we are required to write down the assets to fair value. When quoted market values are not available, we use the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value to determine whether or not a write down is required.

Impairment of property, plant and equipment

During the year ended December 31, 2016, the Company recorded an impairment charge of $2.7 million. The impairment resulted primarily from the write-down of engineering test equipment. The method used to determine the fair value of the equipment was based on utilization of assets and was recorded in the Corporate and Technology segment.

Intangible assets

Based on the revenue and operating results and decline in the oil price, the Company concluded there were impairment indicators as of November 30, 2016 and November 30, 2015 requiring the performance of a long-lived assets impairment test for customer contracts, technology and other intangibles. The Company completed its assessments at November 30, 2016 and November 30, 2015 respectively and concluded that intangible assets were not impaired.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

(a) New accounting pronouncements adopted in 2016:

Going Concern:

In August 2014, the FASB issued ASU 2014-15. *Presentation of Financial Statements - Going Concern* provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern, along with the required disclosures.

(b) Change in accounting policy:

As previously noted, CWI changed its method for determining its warranty liability to exclude, from the estimated cost to settle claims, the parts margin it expects to earn on parts sold and used to service warranty claims. These changes were accounted for as change in accounting policy and the comparative balances were restated on a retrospective basis. The Company's income from investments, accumulated deficit and long-term investments balances have been adjusted to reflect this change in accounting policy.

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

Revenue:

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

Simplifying the Measurement of Inventory (Topic 330): Inventory

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

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those years for public business entities with early adoption permitted. The Company has not yet evaluated the impact of the adoption of this new standard.

Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued ASU 2016-15, which provides cash flow classification guidance on eight specific cash flow issues to reduce diversity in practice for which authoritative guidance did not previously exist. ASU 2016-15 is effective for public entities in annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Company does not anticipate a material impact to the Company's financial statements as a result of this change.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis such that appropriate decisions can be made regarding public disclosures. As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of management, including the CEO and CFO, the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act").

The CEO and CFO have concluded that as of December 31, 2016, our disclosure controls and procedures were effective to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified therein and accumulated and reported to management to allow timely discussions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act. Our internal control over financial reporting is designed under our supervision, and affected by the Company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. GAAP and the requirements of the SEC, as applicable. There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances.

All internal control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under potential future conditions, regardless of how remote. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management, including the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, in relation to criteria described in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has determined that our internal control over financial reporting was effective as of December 31, 2016.

KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of our internal control over financial reporting as of December 31, 2016. KPMG's audit report on effectiveness of internal control over financial reporting is included in the consolidated financial statements of this filing.

SUMMARY OF QUARTERLY RESULTS AND DISCUSSION OF THE QUARTER ENDED DECEMBER 31, 2016

Our revenues and operating results can vary significantly from quarter to quarter depending on the timing of product deliveries, product mix, acquisitions, product launch dates, research and development project cycles, timing of related government funding, impairment charges, stock-based compensation awards and foreign exchange impacts. Net loss has and can vary significantly from one quarter to another depending on operating results, gains and losses from investing activities, recognition of tax benefits and other similar events.

The following table provides summary unaudited consolidated financial data for our last eight quarters:

Selected Consolidated Quarterly Operations Data (unaudited and adjusted note (5))

Three months ended	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16
(expressed in millions of United States dollars except for per share amounts)						(1)		
Product revenue	$ 27.0	$ 24.6	$ 21.3	$ 24.9	$ 23.5	$ 44.0	$ 73.5	$ 79.5
Service and other revenue	1.0	3.2	1.0	0.2	0.5	0.4	2.6	0.9
Total revenue	28.0	27.8	22.3	25.1	24.0	44.4	76.1	80.4
Cost of product and parts revenue (2)	23.1	18.6	21.5	22.1	17.6	34.4	62.8	61.8
Gross margin	$ 4.9	$ 9.2	$ 0.8	$ 3.0	$ 6.4	$ 10.0	$ 13.3	$ 18.6
Gross margin percentage	*17.5%*	*33.1%*	*3.6%*	*12.0%*	*26.7%*	*22.5%*	*17.5%*	*23.1%*
Net income (loss) for the period (5)	$ (17.4)	$ (20.1)	$ (37.2)	$ (24.5)	$ (24.6)	$ 3.7	$ (33.5)	$ (43.2)
EBITDA (3)	$ (11.9)	$ (14.4)	$ (32.3)	$ (20.5)	$ (19.3)	$ 10.6	$ (24.0)	$ (31.6)
Adjusted EBITDA (4)	$ (9.4)	$ (7.3)	$ (9.6)	$ (13.5)	$ (11.9)	$ (10.3)	$ (7.8)	$ (9.1)
Earnings (loss) per share								
Basic	$ (0.27)	$ (0.31)	$ (0.58)	$ (0.38)	$ (0.38)	$ 0.05	$ (0.31)	$ (0.43)
Diluted	$ (0.27)	$ (0.31)	$ (0.58)	$ (0.38)	$ (0.38)	$ 0.04	$ (0.31)	$ (0.43)
Income from unconsolidated joint ventures:								
CWI net income attributable to the Company (5)	$ 5.7	$ 3.8	$ 3.7	$ 3.1	$ 0.5	$ 1.5	$ 2.8	$ 0.8
WWI net income attributable to the Company	$ 0.3	$ 0.1	$ 0.1	$ 0.5	$ 0.2	$ —	$ —	$ —

(1) Includes the one month period of results from the merger with Fuel Systems and a bargain purchase gain of $42.9 million for the three months ended June 30, 2016, and further reduced by $7.1 million to $35.8 million for the three months ended December 31, 2016.

(2) The Company has modified current and prior quarters' gross margin to include manufacturing depreciation in cost of sales, which is the presentation historically applied by Fuel Systems that the Company has elected to adopt for the entire group.

(3) The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have a standardized meaning according to U.S. GAAP. See non-GAAP measures for more information.

(4) The term Adjusted EBITDA is not defined under U.S. GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Westport Fuel Systems defines Adjusted EBITDA as EBITDA adjusted for amortization of stock-based compensation, unrealized foreign exchange gain or loss, and non-cash and other adjustments. See non-GAAP measures for more information.

(5) The Company's income from investments, retained earnings and long-term investments have also been adjusted to reflect a change in accounting policy in its joint venture, CWI. See consolidated financial statements note 8(a).

THREE MONTHS ENDED DECEMBER 31, 2016 AND 2015

Our consolidated revenue for the three months ended December 31, 2016 was $80.4 million, a increase of $55.3 million, or 220.3%, from $25.1 million for the three months ended December 31, 2015. The increase in revenue was primarily a result of the merger with Fuel Systems.

Our consolidated net loss for the three months ended December 31, 2016 was $43.2 million, or a loss of $0.43 per share compared to a net loss of $24.5 million, or a loss of $0.38 per share, for the three months ended December 31, 2015. The increase in net loss primarily relates to higher operating costs in 2016 as a result of the merger, an adjustment to the bargain purchase gain recorded in the fourth quarter of 2016 and lower income from investments.

Non-GAAP Measures:

We use certain non-GAAP measures to assist in assessing our financial performance. Non-GAAP measures do not have any standardized meaning prescribed in U.S. GAAP and are therefore unlikely to be comparable to similar measures presented by other companies.

EBITDA

The term EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-GAAP financial measure. The Company defines EBITDA as loss before income taxes adjusted for interest expense (net) and depreciation and amortization.

Management believes that EBITDA is an important indicator commonly reported and widely used by investors and analysts as an indicator of the Company's operating performance and ability. The intent is to provide additional useful information to investors and analysts and such measures do not have any standardized meaning under U.S. GAAP. These measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP. Other issuers may define EBITDA differently.

Three months ended	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16
Loss before income taxes	$ (16.9)	$ (19.5)	$ (37.0)	$ (25.1)	$ (24.7)	$ 4.2	$ (32.3)	$ (39.8)
Interest Expense, net (1)	1.4	1.6	1.4	1.3	2.3	2.7	3.1	4.3
Depreciation	3.6	3.5	3.3	3.3	3.1	3.7	5.2	3.9
EBITDA	$ (11.9)	$ (14.4)	$ (32.3)	$ (20.5)	$ (19.3)	$ 10.6	$ (24.0)	$ (31.6)

(1) Interest expense, net is defined as the aggregate of bank charges, interest, and other, interest on long term-debt and amortization of discount.

EBITDA decreased by $6.6 million from a loss of $24.0 million for the three months ended September 30, 2016 to a loss of $31.6 million in the three months ended December 31, 2016 primarily as a result of an adjustment to the bargain purchase gain recorded in the fourth quarter of 2016 and lower income from investments.

Non-GAAP Measures continued:

Adjusted EBITDA

The terms EBITDA and Adjusted EBITDA are not defined under U.S. GAAP and are not measures of operating income, operating performance or liquidity presented in accordance with U.S. GAAP.

Adjusted EBITDA is used by management to review operational progress of its business units and investment programs over successive periods and as a long-term indicator of operational performance since it ties closely to the unit's ability to generate sustained cash flows.

The Company defines Adjusted EBITDA as EBITDA adjusted for stock-based compensation, unrealized foreign exchange gain or loss, and non-cash and other unusual adjustments. Adjusted EBITDA has limitations as an analytical tool, and when assessing the Company's operating performance, investors should not consider Adjusted EBITDA in isolation, or as a substitute for net loss or other consolidated statement of operations data prepared in accordance with U.S. GAAP. Among other things, Adjusted EBITDA does not reflect the Company's actual cash expenditures. Other companies may calculate similar measures differently than Westport Fuel Systems, limiting their usefulness as comparative tools. The Company compensates for these limitations by relying primarily on its U.S. GAAP results.

Three months ended	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16
EBITDA	$ (11.9)	$ (14.4)	$ (32.3)	$ (20.5)	(19.3)	10.6	(24.0)	(31.6)
Stock based compensation	3.4	4.7	3.3	3.5	4.0	2.3	2.9	1.2
Unrealized foreign exchange (gain) loss	(2.9)	(1.2)	(8.0)	0.5	1.3	4.1	(7.1)	8.1
Goodwill impairment	—	—	18.7	—	—	—	—	—
Asset impairment	—	3.3	—	—	—	—	—	2.7
Inventory impairment from product line closure	—	—	5.5	—	—	—	4.3	1.3
Bargain purchase gain	—	—	—	—	—	(42.9)	—	7.1
Merger and financing costs	—	—	3.2	1.3	2.1	4.5	0.4	—
Amortization fair value inventory adjustment recorded on acquisition	—	—	—	—	—	0.7	1.9	—
(Gain) loss on sale of investments	—	—	—	—	—	6.3	(3.9)	(0.3)
Loss on disposal of assets	—	—	—	0.8	—	—	—	—
Restructuring, termination and other exit costs	—	—	—	—	—	—	17.5	1.5
Other	2.0	0.3	—	1.0	—	4.1	0.2	0.9
Adjusted EBITDA	$ (9.4)	$ (7.3)	$ (9.6)	$ (13.5)	(11.9)	(10.3)	(7.8)	(9.1)

(1) The Company's income from investments, retained earnings and long-term investments have also been adjusted to reflect a change in accounting policy in its joint venture, CWI. See consolidated financial statements note 8(a).

RELATED PARTY TRANSACTIONS

Related party balances and transactions have increased due to the Cartesian financing and acquisition of Fuel Systems. See Note 20 of the Consolidated financial statements as at December 31, 2016 for details of related party transactions.

SUBSEQUENT EVENTS

On March 24, 2017, the Company renegotiated its €10.0 million senior revolving financing facility with annual payments on the principal ranging from €0.7 million to €2.2 million until the loan is paid off in full on December 31, 2022. See note 15(b) of the consolidated financial statements for details.

BUSINESS RISKS AND UNCERTAINTIES

An investment in our business involves risk and readers should carefully consider the risks described in our AIF and other filings on www.sedar.com and www.sec.gov. Our ability to generate revenue and profit from our technologies is dependent on a number of factors, and the risks discussed in our AIF, if they were to occur, could have a material impact on our business, financial condition, liquidity, results of operation or prospects. While we have attempted to identify the primary known risks that are material to our business, the risks and uncertainties discussed in our AIF may not be the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operation or prospects. A full discussion of the risks impacting our business is contained in the AIF for the year ended December 31, 2016 under the heading "Risk Factors" and is available on SEDAR at www.sedar.com.

Exhibit 99.4

CERTIFICATION

I, Nancy Gougarty, 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-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

By: /s/ Nancy Gougarty

Name: Nancy Gougarty
Title: Chief Executive Officer, Westport Fuel Systems Inc.

Exhibit 99.5

CERTIFICATION

I, Ashoka Achuthan, 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-5(f) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2017

By: /s/ Ashoka Achuthan

Name: Ashoka Achuthan
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, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nancy Gougarty, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

March 31, 2017 /s/ Nancy Gougarty

Nancy Gougarty
Chief Executive Officer

This certification accompanies this annual report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 99.7

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Westport Fuel Systems Inc. (the "Company") on Form 40-F for the year ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ashoka Achuthan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

March 31, 2017 /s/ Ashoka Achuthan

Ashoka Achuthan
Chief Financial Officer

This certification accompanies this annual report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of Westport Fuel Systems Inc.

We consent to the use of our reports, each dated March 31, 2017, with respect to the consolidated financial statements of Westport Fuel Systems Inc. (the "Company") as at and for the years ended December 31, 2016 and December 31, 2015, and the effectiveness of internal control over financial reporting as of December 31, 2016, which reports are included in this annual report on Form 40-F.

We also consent to the incorporation by reference of such reports in the Registration Statements (Nos. 333-165812, 333-168847 and 333-211726) on Form S-8, (No. 333-205869) on Form F-10/A and (No. 333-207523) on Form F-4/A of the Company.

/s/ KPMG LLP

Chartered Professional Accountants

March 31, 2017
Vancouver, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-165812, 333-168847 and 333-211726 on Form S-8, Registration Statement No. 333-205869 on Form F-10/A and Registration Statement No. 333-207523 on Form F-4/A of our report dated March 9, 2015 (October 15, 2015 as to Note 22), relating to the 2014 consolidated financial statements (before retrospective adjustments to the consolidated financial statements and financial statement disclosures) of Westport Fuel Systems Inc. (formerly Westport Innovations Inc). and subsidiaries (not presented herein), appearing in this Annual Report on Form 40-F of Westport Fuel Systems Inc. for the year ended December 31, 2016.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 31, 2017