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, 2017

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, 2017, 131,279,709 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

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

Emerging growth company ☐

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

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

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;
- our ability to successfully launch new technology and market initiatives, and integrate our products in to existing original equipment manufacturers ("**OEM**") products;
- 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;
- potential disputes regarding the rights and obligations of the parties and which may in the future arise under our agreements with our strategic 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;
- our ability to attract and retain employees;
- demand for engines incorporating our technologies;
- the timing of commissioning of liquefied natural gas (" **LNG**") refueling stations;
- the ability of our products to adapt to the use of renewable natural gas (" **RNG**") and manufactured fuels, including hydrogen, as fuels;
- 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;
- our ability to predict if or when we will operate profitably or generate positive cash flows;
- 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 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, 2017 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.25.

ANNUAL INFORMATION FORM

The Company's AIF for the fiscal year ended December 31, 2017 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, 2017, 2016 and 2015, including the report of the independent registered public accounting firm with respect thereto, are filed as Exhibit 99.2 and incorporated by reference in this annual report on Form 40-F.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

TAX MATTERS

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

DISCLOSURE CONTROLS AND PROCEDURES

See Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2017, 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, 2017, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting".

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

See the audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2017, 2016 and 2015, 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, 2017, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting".

AUDIT COMMITTEE

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act and Nasdaq Rule 5605(c)(2). On December 31, 2017, the Company's Audit Committee consisted of Brenda J. Eprile, Colin S. Johnston, Tony Harris, Scott Mackie and Wade Nesmith. Michele Buchignani was appointed to the Audit Committee after the period covered by this annual report on Form 40-F, effective March 16, 2018. Each member of the Audit

Committee, in the opinion of the directors, is independent (as determined under Rule 10A-3 of the Exchange Act and Nasdaq Rule 5605(a)(2)) and financially literate. Please refer to the Company's AIF attached as Exhibit 99.1 to this annual report on Form 40-F for details in connection with each of these members and their qualifications.

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

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

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

Audit Committee Financial Expert

The Company's Board of Directors has determined that Brenda J. Eprile 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, 2017. 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, 2017, 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, 2017 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 24, 2015, 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, 2017
99.2	Audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2017, 2016 and 2015 together with the report of the independent registered public accounting firm thereon
99.3	Management's Discussion and Analysis for the year ended December 31, 2017
Certifications	
99.4	Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certificate of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certificate of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Consents	
99.8	Consent of KPMG LLP
Exhibits	
101.1	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 22, 2018

WESTPORT FUEL SYSTEMS
ANNUAL INFORMATION FORM

For the year ended December 31, 2017

1750 West 75th Avenue, Suite 101

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V6P 6G2, Canada

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Effective Date: March 22, 2018

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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 (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" and "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - CORPORATE AND TECHNOLOGY INVESTMENTS");

- Westport HPDI 2.0™ providing 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");

- our ability to successfully launch new technology and market initiatives and integrate our products into existing engine OEM 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");

- potential disputes regarding the rights and obligations of the parties and which may in the future arise under our agreements with our strategic partners (set out, for example, under the heading "RISK FACTORS", particularly under the subheading "We are dependent on relationships with strategic partners",

- our ability to continue to compete with our competitors and their technologies, and the capital and operating costs of vehicles using our technologies relative to competing technologies (set out, for example, under the headings "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");

Forward-Looking Information

- our estimates and assumptions used in our accounting policies, accruals, including warranty accruals, and financial condition, and our adoption, timing and ability to meet certain accounting standards (as set out, for example, "RISK FACTORS", particularly under "Warranty claims could diminish our margins" and inSchedule "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 ability to predict if or when we will operate profitably or generate positive cash flows as set out for example, under the heading "We have incurred and continue to incur losses".

- 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 OEM (as set out, for example, under the heading "GENERAL DEVELOPMENTS - STRATEGY");

- expansion of alternative fuel product offerings to develop and supply high pressure components to OEM partners (as set out, for example, under the heading BUSINESS OVERVIEW - OPERATING BUSINESS UNITS");

- 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");

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

- market acceptance of our products (as set out, for example, under "RISK FACTORS", particularly, under the subheadings "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 OEM 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 compressed natural gas (**"CNG")**, LNG and liquid petroleum gas (**"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", "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" 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**") including the ability of the Board to issue preferred shares at its discretion discussed in more detail in this AIF under the heading "Description of Capital Structure", 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 (**"PFIC"**) United States (**"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 of Westport Fuel Systems Inc. (formerly Westport Innovations Inc.) with Fuel Systems Solutions, Inc. with Fuel Systems Solutions, Inc. (**"Fuel Systems"**) on June 1, 2016 (the **"Merger"**) including, but not limited to: failure to realize the anticipated benefits of the Merger with Fuel Systems and to successfully integrate the two corporations and diversion of attention and additional demands on, our managerial resources, which may disrupt our current business operations, as discussed in more detail under the heading "RISK FACTORS", and in particular " We may not realize the anticipated benefit from the Merger with Fuel Systems" ; and
- risk of conflict related to directors and officers of Westport Fuel Systems who may currently, or in the future, also serve as directors and/or officers of other public companies that may be involved in the same industry as Westport Fuel Systems, as discussed in more detail in this AIF under the heading "Conflict of Interests"

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

Currency

All dollar amounts set forth in this AIF are in 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.

As a result of the Merger of Westport Fuel Systems Inc. with Fuel Systems, Westport 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, 2017 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
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.
MTM. S.r.l.	100%	Italy
OMVL S.p.A.	100%	Italy
TA Gas Technologies	100%	Argentina
Rohan BRC Gas	100%	India

Notes:

1. *The table shows the percentages of the votes attached to all voting securities, beneficially owned by us or over which control or direction is exercised by us, either directly or indirectly. Parent/subsidiary relationships are identified by indentations.*
2. *Entities not shown 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.*

General Developments

The World of Westport Fuel Systems

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

Westport Fuel Systems is the premier global company for the engineering, manufacturing, and supply of alternative fuel systems and components for transportation applications. Our diverse and complete product offering sold under established global brands addresses a broad range of alternative fuels which have environmental and economic advantages including LPG, CNG, LNG, RNG, and hydrogen. We supply our products and services through a global network of distributors and numerous OEM and delayed OEM ("**DOEM**") customers in more than 70 countries. Today our products and services are available for passenger car, light-, medium- and heavy-duty trucks, HHP, cryogenics, and CNG refueling markets.

Westport Fuel Systems has a compelling value proposition. We have a wide range of brands and products for diverse applications and markets; we offer market-ready solutions for global environmental challenges; and we occupy a premier technology leadership position. Our operationally focused leadership team has deep expertise in successful organizational structure, customer satisfaction, and financial discipline. We are building a sustainable, profitable company that delivers value to customers, shareholders, employees, and the environment.

Market Overview

Today, there are more than 50 million LPG and CNG vehicles globally, which accounts for approximately 4% market share of the total vehicle population. The market for alternative fuels is primarily driven by economic and energy security considerations. Concerns over oil supply availability, costs of oil production, price levels and price volatility have all contributed to the demand for cleaner, low-carbon technology solutions for the transport sector. The acceptance of alternative-fuelled engines depends in large part on the price differential between natural gas, LPG, 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.

Global trends in GHG emission reduction regulations and increasingly stringent urban air quality requirements are also driving the adoption of alternative fuel vehicles. The Paris Climate Agreement (the **"PC Agreement"**) signaled a strong call to action with 195 countries committing to GHG emissions reductions over the next 15 years. The PC Agreement 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.[1]

In response to documented health concerns arising from urban air pollution and the role of transportation, many jurisdictions have introduced new regulations that place certain restrictions on the use of high emission vehicles (both gasoline and diesel) and offer preferred access for next-generation low-emission vehicles. Currently these regulations cover passenger and delivery vehicles and while blanket bans on diesel vehicles have not been imposed, there are regions implementing aggressive policies to restrict their use.

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. Achieving deep reductions in GHG emissions and fossil fuel consumption remains a challenge, but this challenge also presents an opportunity for leadership.

Virtually all individuals and companies use vehicles, fleets, and other modes of transportation to get work done. With our current commercialized product portfolio, brand value, and geographic reach in key markets, Westport Fuel Systems is currently delivering a viable commercial and environmental solution.

Notes:

1. *http://unfccc.int/paris_agreement/items/9444.php*

Strategy

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

Westport Fuel Systems sells alternative fuel systems and components to more than 20 global OEMs and to aftermarket customers in more than 70 countries. Products designed by Westport Fuel Systems are sold through local distributors or directly to OEMs under 11 well-recognized and well-established brands. Our breadth of reach includes passenger car, light-, medium- and heavy-duty trucks, HHP, cryogenics, and CNG refueling markets.

We continue to pursue strategic investments which advance our products and capabilities to maintain our market leadership position. We are able to optimize our industry-leading portfolio by offering full systems and conversions rather than just stand-alone components. Our global footprint allows us to leverage capabilities to better serve customers from product localization to after-sales support. By partnering with OEMs, we can further leverage 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 focus our market development efforts in the regions of Europe, Asia-Pacific, the Middle East, and the Americas where market conditions provide natural gas and LPG vehicle sales attractive growth potential. These countries generally have attributes that serve to promote the shift to alternative fuel for transportation, including but not limited to: i) a favourable natural gas or LPG fuel price differential compared to petroleum-derived fuels; and ii) policies and regulations for either greenhouse gas (**"GHG"**) mitigation, urban air quality, or energy security purposes that either mandate alternative fuels or promote their use.

2) Provide Market-Ready Solutions for Global Environmental Challenges

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.

Our alternative fuel expertise has made us the go-to partner for customers needing solutions today to meet increasingly stringent regulatory frameworks in the future. Our network of aftermarket dealers and installers, taxi companies, transit and shuttle bus companies, conventional trucks and tractors, refuse collection trucks, delivery

fleets, and other specialty vehicles in Europe, Asia, and North America are among the most active customers for our transportation products.

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 carbon dioxide ("**CO_2**") and methane that occur naturally and without any end-use benefit. Natural gas vehicles can operate with 100% RNG or any percentage of blended renewable and geologic gas.

3) 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 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 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.

Westport Fuel Systems has established several strategic partner relationships with key automotive, engine and truck OEMs, and fueling infrastructure providers. These relationships provide strategic value to Westport Fuel Systems in our ability to leverage our partners' global market access and distribution channels to better service our customers and end users.

Notes:

1. *https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data*

Three Year History

Recent History of Announced Product News

2018

On March 8, 2018, the Company announced a critical technology advancement that allowed its natural gas high pressure direct injection ("**HPDI**") system to support the efficiency improvements anticipated from higher peak cylinder pressure ("**PCP**").

On January 4, 2018, CWI announced that it had received certifications from both the U.S. EPA and Air Resources Board ("**ARB**") in California for its 2018 ISX12N natural gas engine.

On January 2, 2018, the Company announced it had entered into a development and supply agreement with Tata Motors Limited ("**Tata Motors**") for their 4 cylinder and 6 cylinder natural gas spark-ignited commercial vehicle engine family to meet the Indian Government's new BS-VI emission standards, scheduled to take effect in April of 2020.

2017

On December 22, 2017, the Company announced it signed a non-binding Memorandum of Understanding with Weichai Power Co., Ltd. to finalize the development, marketing, and commercialization of Westport high pressure direct injection ("**Westport™ HPDI**") technology in China.

On December 13, 2017, CWI announced that it had received certifications from both the U.S. EPA and CARB for its 2018 L9N and B6.7N natural gas engines.

On October 31, 2017, the Company announced that BRC was awarded a competitive tender bid by Algeria's National Company for Petroleum Products Marketing and Distribution to supply 40,000 LPG sequential injection systems to be delivered into the growing Algerian market in 2018.

On June 9, 2017, the Company announced that Suzuki Italia S.p.A. chose the BRC LPG system to expand its bi-fuel vehicle offering.

On June 5, 2017, the Company announced the publication of a new study by NGVA Europe that quantified the GHG emission reduction benefits of natural gas for light duty and heavy duty transportation.

On May 1, 2017, CWI announced its model year 2018 dedicated natural gas engines for regional haul truck / tractor, vocational and transit, school bus, and refuse applications.

On April 12, 2017, Prins and BRC were awarded with the Inpro Innovation award at the International GasShow in Warsaw, Poland for their respective VSI Dual Injection technology and 'EMV' electronic LPG tank multivalve.

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. NZ NOx Emissions standards eight years in advance of the 2023 California NZ 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 would 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 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 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 NZ 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 NZ NOx Emissions standards for medium-duty truck, urban bus, school bus and refuse applications.

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 NZ NOx emissions well before the 2023 California NZ 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 CWI's proprietary spark-ignited, SEGR technology, first introduced with the 8.9 litre ISL G.

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 CNG Westport WiNG™ Power System vehicle. Westport received CARB certification in 2015.

Recent History of Announced Corporate Matters

2018

On March 19, 2018, the Company announced the appointment of Michele Buchignani to the Company's Board of Directors, effective March 16, 2018.

2017

On December 13, 2017, the Company announced that it signed a $20 million secured term loan agreement with Export Development Canada ("**EDC**") to support the commercial launch of the Westport HPDI 2.0™ program.

On December 1, 2017, CWI announced changes to its board of directors and management in accordance with the terms of the 50/50 Joint Venture Agreement between Cummins Inc. and Westport Fuel Systems.

On July 28, 2017, the Company announced the exercise of the underwriters' option from its previously announced offering (the "**Offering**") to purchase an additional 2,425,000 Common Shares at the Offering price of $1.50 per share. With the exercise of the option, Westport Fuel Systems issued a total of 19,125,000 Common Shares under the Offering for gross proceeds of $28,687,500.

On July 16, 2017, the Company announced the closing of the Offering of 16,700,000 Common Shares at a price of US$1.50 per share, for gross proceeds of $25,050,000.

On July 14, 2017, the Company announced the pricing of its offering of Common Shares in the United States.

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 Westport Fuel Systems. In connection with this appointment, Dr. Dezso J. Horvath, one of Westport Fuel Systems directors, stepped down from the Board.

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

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 $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 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.

Mergers, Acquisitions and Divestitures

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

2017

On June 1, 2017, the Company announced the closing of the sale of assets related to its IMPCO Industrial business for a total of $17.5 million. Net proceeds to the Company at closing were approximately $15 million, after adjusting for estimated net working capital, transaction costs, hold back amounts and other deal related expenses.

On May 1, 2017, the Company announced the sale of the assets of its IMPCO Industrial APU business. Net proceeds to the Company at closing were approximately US$60 million, after adjusting for estimated net working capital, transaction costs, hold back amounts and other deal related expenses.

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 $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 $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 June 1, 2016, the Company announced the completion of the Merger between Westport Innovations and Fuel Systems Solutions. 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. Westport filed a business acquisition report in respect of the Merger on August 12, 2016, which was revised by an amended business acquisition report filed on July 13, 2017.

On April 20, 2016, the Company sold a portion of its economic interest in Westport HK to Cartesian, a related party, for an upfront payment of $6.3 million plus a potential future payment based on Cartesian's return on investment.

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 of the Company Common Shares.

2015

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.

Business Overview

Westport Fuel Systems is the premier global organization for the engineering, manufacturing, and supply of alternative fuel systems and components for transportation applications. We believe gaseous fuels such as natural gas, propane, RNG, 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



Our breadth of reach spans from passenger vehicles to heavy-duty trucks to HHP and marine applications, electronics, 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 operated its business through three segments: Automotive, Corporate and Technology Investments and the CWI Joint Venture. The revenue for the two (2) most recent fiscal years and the principal focus of the operating units is summarized below.

OPERATING BUSINESS GROUPS		
(Expressed in thousands of dollars)	**12/31/2017**	**12/31/2016**
Automotive[1]	$ 239,393	$ 172,232
Corporate and Technology Investments	7,670	5,162
CWI	317,297	276,465
WWI[2]	—	29,931
Total segment revenues	**564,360**	**483,790**
Less: Equity investees revenues	317,297	306,396
Total consolidated revenues	**$ 247,063**	**$ 177,394**

Recent Developments

Effective January 2018, commensurate with the commercial launch of Westport HPDI 2.0™, the company restructured its business segments to allow for further integration of product offerings. The Westport HPDI 2.0™ product line and all other Technology related activities previously reported under the Corporate & Technology segment will be combined with the Automotive business segment and renamed Transportation.

Under the new organization structure, the Company will manage and report the results of its business through three segments: Transportation, the CWI Joint Venture, and Corporate.

- **Transportation**: consists of the previous Automotive segment with the addition of the Westport HPDI 2.0™ product line, technologies such as HESI and electronics, current and advanced research and development programs, supply chain, and product planning activities. This segment is accountable for driving strategy, creating business value, and delivering financial performance.
- **CWI Joint Venture**: represents Westport Fuel Systems 50% share in the CWI joint venture.
- **Corporate**: responsible for public company activities, corporate oversight and general administrative duties.

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 group designs, manufactures, tests, certifies, and sells alternative fuel (CNG and LPG) components and systems for light-duty passenger cars, commercial vehicles and medium-duty vehicles. We have a strong customer base in Europe, the Americas, Asia, and a growing presence in Africa. Products are either sold through a local distributor/dealer network and conversion centers (Independent Aftermarket), directly to the car maker (OEM), or to car maker's importers (DOEM). Through these channels, we supply a large number of systems and components to global OEMs including Volkswagen, Tata Motors, GAZ Group ("**GAZ**'), FCA, General Motors, Ford, Maruti Suzuki, Honda, Volvo Group (" **Volvo Car**"), Hyundai, Scania and Kia.

Our capabilities include the research and development of complete, in-house solutions for 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.

Our portfolio of products includes pressure regulators, injectors, electronic control units, valves and filters, complete bi-fuel, mono-fuel and dual-fuel LPG and CNG conversion kits and high pressure hydrogen components. The Automotive group also designs, manufactures, and sells a wide range of CNG compressors and refueling systems, from BRC FuelMaker home appliances for individuals or small fleets, to complete refueling stations branded CUBOGAS.

PRODUCTS

Independent Aftermarket

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

Our diverse and complete product offering, sold under various recognized brands including BRC, Prins, Zavoli, OMVL, TA Gas Technology and Valtek ranging from top-end to low end positioning, allow us to support the whole independent aftermarket spectrum. Our primary markets include Turkey, Italy, Russia, Poland, Argentina and Brazil.

OEM

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. Our OEM products are sold under the following established product brands: BRC and Emer. 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.

In the medium-duty segment, we serve clients such as YaMZ, the powertrain division of GAZ in Russia. YaMZ 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.

We have also recently expanded our alternative fuel product offering to develop and supply hydrogen components to our OEM partners. This is a fundamental milestone on the path to support the growing interest for fuel-cell powered vehicles. Our experience in this sector will allow Westport Fuel Systems to leverage our relationships with OEMs to

offer light, medium and heavy duty 350 bar and develop 700 bar hydrogen technology and other hydrogen fuel control components and solutions covering a complete spectrum of alternative fuel systems.

DOEM Vehicle Solutions

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

We offer a turnkey solution covering all process phases from development to prototype, calibration, validation, homologation, vehicles conversion and logistic services. Vehicle conversions are performed inside DOEM conversion centers (at 0km) directly operated by Westport Fuel Systems or in cooperation with local distributors or dealers.

- 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. BRC also provides this solution for Ford Europe and Honda Turkey. The conversion of the Honda Civic ECO is fully integrated inside the Honda Turkey factory, using BRC's Sequent Plug & Drive LPG system, a gaseous, fully sequential, port injection system.

- 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's main production center in Gothenburg, Sweden and vehicles are sold in Sweden, Belgium and Luxembourg.

- 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. The WiNG System undergoes the same rigorous testing for safety and durability required for all Ford OEM products.

- Prins Autogassystemen in the Netherlands is offering its bi-fuel VSI-2.0 LPG system to several customers including RAM in Belgium and LADA in Germany. Its Direct LiquiMax ("**DLM**") system is sold to Ford in Poland and Hyundai in Germany. The Prins DLM system is a bi-fuel LPG system using liquefied LPG for direct injection motor engines achieving highest efficiency in terms of fuel use and lowest emission exhaust including CO2 and particles. Its focus on innovation, quality and customer care leads to new and long lasting relationships.

DEVELOPMENT AND PRODUCTION

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

Westport Fuel Systems research and development centers include high quality infrastructure and test laboratories for components (flow and pressure test benches, climatic, thermal, low temperature and shock chambers, shackers, salt spray test machines for components endurance), as well as several modern and innovative chassis and engine dynos to develop and test engines and vehicle emissions.

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. In Sweden we perform the conversion activities for the Volvo V90 and V60 Bi-Fuel station wagon.

India

Minda Emer Technologies Limited, a 50/50 joint venture between Minda Group and Westport Fuel Systems, manufactures CNG tank valves for Maruti Suzuki in a modern plant, designed according to OEM standard to address the demand of the Indian and Asian markets.

Rohan BRC has been operating in the growing CNG Indian market for several years, offering a localized supply of CNG pressure regulators, injectors, engine control units and solenoid valves, as well as a DOEM CNG conversion program, making it a flexible and appreciated partner for the major customers of one of world's leading alternative fuel markets.

North America

Westport performs the conversion of Ford alternative fueled vehicles with bi-fuel and dedicated (mono-fuel) CNG and LPG systems at our Dallas, Texas facility. In Kitchener, Ontario, we produce light, medium and heavy duty 350 bar and develop 700 bar hydrogen technology and other hydrogen fuel control components and solutions covering a complete spectrum of alternative fuel systems

South America

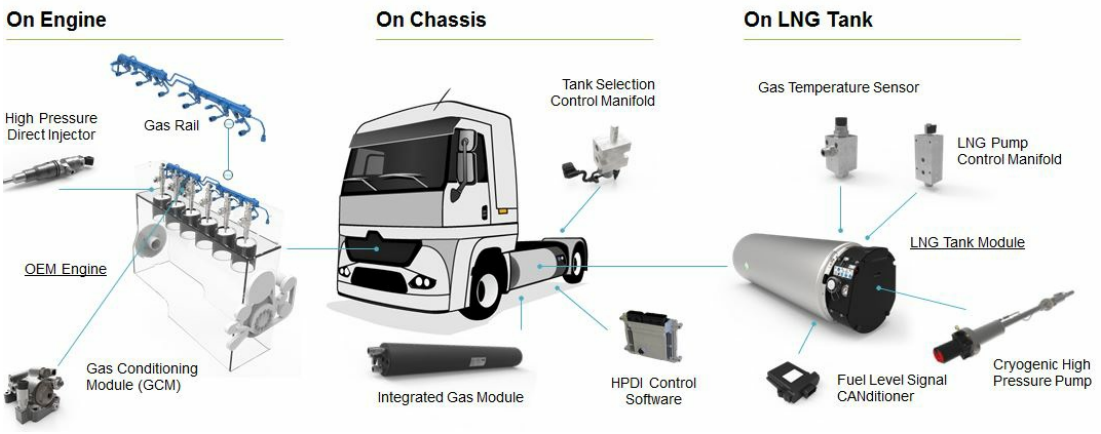
In Buenos Aires, CNG reducers, valves and injectors branded TA Gas Technology are manufactured and distributed in Argentina, Brazil, Perù, Colombia, Bolivia and Mexico.

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

Westport HPDI 2.0™



Westport HPDI 2.0™ is a complete fully-OEM-integrated system that enables heavy-duty trucks (with more than 400 horsepower engines) to operate on natural gas. As the only natural gas technology that delivers performance and efficiency equivalent to that of current high-performance diesel-fueled engines while significantly reducing GHG emissions, Westport HPDI 2.0™ provides global OEMs a vertically integrated solution with attractive price, performance, and fuel economy. Developed and validated to rigorous OEM standards, Westport HPDI 2.0™ can be integrated into any engine and truck manufacturer's offer globally.

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.

We have recently begun commercial order for Westport HPDI 2.0™ components to our OEM launch partner, a leading global vertically integrated heavy-duty truck manufacturer based in Europe. Westport HPDI 2.0™ will initially rollout in Europe in response to strong partner and customer demand and a rapidly expanding network of LNG stations.

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.

Cryogenic Tanks

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. Our 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 pumps enable all of these benefits.

Cryogenic Pumps

For 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 has completed the final development stage of our HHP P200 cryogenic pump to overcome these problems. We are engaged with OEM to handle both low pressure and high pressure applications and continue to communicate with a world renowned supplier of heavy duty HHP mining trucks. High Pressure with the P200 cryogenic pump has now met the required validation for structural and durability factors equivalent to over 10,000 hours of operation. The P200 cryogenic pump continues to be looked at for natural gas and hydrogen applications throughout the globe.

PRODUCTS UNDER DEVELOPMENT

Higher Pressure HPDI System

Westport has undertaken research and development in technology advancements to allow natural gas HPDI systems to take advantage of the efficiency and performance improvements anticipated from higher peak cylinder pressure expected to be introduced into next generations of diesel engine platforms. This development will allow us to support OEMs and the adoption of natural gas HPDI technology in the heavy-duty trucking sector, when these advanced engines are introduced.

Conformable CNG Storage

Large CNG cylinders can be a barrier to natural gas vehicle adoption when on-board space is at a premium and range requirements are high. Westport’s conformable CNG tank combats this by providing a shapeable CNG fuel storage solution that uses conventional composite materials to produce a space-efficient, tough, lightweight and low-cost storage solution for CNG vehicles. We are currently working with an OEM and a manufacturing partner to develop the concept for a light-duty truck platform.

DEVELOPMENT AND PRODUCTION

The development centre for products sold under the Corporate and Technology group is located in Canada and the United States with production performed in Italy alongside key partners across Europe and the United States. To ensure capacity, high level of service and quality, and intellectual property protection, we have invested capital into our facilities or our partner’s facilities. Our partners are certified in accordance with Automotive OEM standards such as ISO 9001 and ISO TS 16949. Certain facilities are also certified to ISO 14001, in accordance with OEM supply agreements, to meet specific customer and Automotive requirements and enable us to supply to the market for future OEMs.

All manufacturing planning activities and current customer management for Westport HPDI 2.0™ are coordinated from the Netherlands, allowing rapid response to customer demand including a 24 hour support system with the research and development centre in Canada. Our Emer facility located in Italy, which supports numerous Automotive OEM customers, also assembles LNG tanks on a build to order system to serve Westport HPDI 2.0™ customer requirements, as well as future tanks and cryogenic system needs.

CWI 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, concrete mixers and street sweepers. CWI is the leading supplier of natural gas engines to the North American medium- and heavy-duty commercial vehicle market. 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 (3) 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 ("**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 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

Through December 31, 2017, CWI had four (4) engines in commercial production for the North American market: the ISX12 G, ISL G NZ, ISL G, and the ISB6.7 G. In May 2017, CWI announced its model year 2018 dedicated natural gas engines for regional haul truck/tractor, vocational and transit, school bus, and refuse applications: the ISX12N, L9N, and B6.7N. This new lineup replaces the ISL G, ISL G NZ, ISX12 G, and ISB6.7 G engines. The change in names follows the Cummins tradition of using B, L, and X series letters, followed by engine displacement. The letter "N" denotes engines that are fueled by natural gas.

The ISX12N, L9N, and B6.7N engines started production in January and February of 2018. These engines are certified to the U.S. EPA and the California ARB optional low NOx standards, and meet the 2017 EPA GHG emission requirements.

In addition to low emissions, the 2018 engines feature a new ECM with improved durability, on-board diagnostic capability, an enhanced maintenance-free Three-Way Catalyst, and a closed crankcase ventilation system.

ISX12N

The ISX12N meets California ARB optional Low NOx standard of 0.02 g/bhp-hr, a 90% reduction from engines operating at the current EPA NOx limit of 0.2 g/bhp-hr. Based on the ISX12 G, first introduced in 2013, the ISX12N natural gas engine is available with ratings from 320 to 400 hp and up to 1,450 lb-ft. of peak torque. The ISX12N is designed for line haul, regional haul, refuse, and vocational trucks, as well as motorcoach and commuter buses.

L9N

The L9N is certified to California ARB optional low NOx standard of 0.02 g/bhp-hr, a 90% reduction from engines operating at the current EPA NOx limit of 0.2 g/bhp-hr. The L9N offers ratings from 250 - 320 hp and 1,000 lb-ft peak torque, making it ideal for transit, shuttle and school bus, as well as medium-duty truck and refuse applications.

B6.7N

The B6.7N is certified to California ARB optional low NOx standard of 0.1 g/bhp-hr - a 50% reduction from current EPA levels. Available with ratings from 200 - 240 hp and 560 lb-ft peak torque, the B6.7N is a great fit for school bus, shuttle, and medium-duty truck applications.

CWI 2018 International Products

CWI also has a number of engines available outside of North America meeting the emissions regulations of the markets they are sold in including the L9N, ISL G, ISC8.3 G, C Gas Plus and B Gas Plus.

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 OEM 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.

Operations

OFFICE AND FACILITY LOCATIONS

The number of cities where our development, manufacturing and commercial offices and facilities are located are collectively as follows:

OPERATIONS LOCATIONS	
Geographic Region	Locations
North America	5
Europe	6
Asia	2
South America	1

RAW MATERIALS AND INPUTS

Westport Fuel Systems organizes Operational planning which drives the procurement activities into different models to adapt to our diverse customer base and expectations. We operate as a virtual factory in which we optimize our inventories based on customer deliveries, or in a traditional manufacturing planning techniques that starts operational procurement activities. Our procurement is divided into three general categories depending on the type of goods: raw materials, commercial off-the-shelf parts, and custom made-to-order parts. Raw material parts are typically sourced from large-scale trading partners and are purchased at the fair market value when benefit can be gained. When practical, the Company will 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 and to leverage our purchasing power. Custom made-to-order parts are sourced from strategic suppliers, or jointly developed with partners, to ensure the best combination of price, quality and delivery. Our supply base is subject to our general terms and conditions or unique long term supply agreements and is subject to review against key performance indicators to ensure we are getting optimal performance and value.

Discontinued Operations

Industrial Business Segment

Westport Fuel Systems Industrial division designed and manufactured alternative fuel components and systems for off-road mobile and stationary equipment, and heavy-duty on-road vehicles, developed complete emissions certified and non-certified engines for forklifts and other industrial equipment, and developed APU products for Class 8 diesel trucks and locomotives. On May 1, 2017, the Company completed the sale of the APU business, and on June 1, 2017, the Company completed the sale of assets from its IMPCO business.

Effective Q1 2017, the Industrial Business Segment was no longer considered an operating segment and was reclassified to discontinued operations. The divestiture was consistent with Westport Fuel Systems' strategy to streamline its business and product lines and focus on alternative fuel solutions for the transportation and automotive industries. Fuel system components and systems primarily sold under the IMPCO Industrial, Westport and GFI brands that were not included in the divesture were transitioned to the Automotive business segment.

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, 2017, we had filed over 1,350 patent applications worldwide relating to almost 300 inventions, and we held more than 475 issued patents worldwide, including more than 120 issued U.S. patents. We also have more than 270 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, as well as collaborates, with other alternative powered vehicle technologies such as those powered by electric or hybrid-electric, hydrogen fuel cell 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. 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; however, lower oil price levels in recent years and changing macroeconomic factors have also reduced the number of competitors, 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 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.

Human Resources and Related Policies

Westport Fuel Systems employs a highly educated and experienced team of professionals focused on the development and commercialization of a portfolio of products and technologies. 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.

As at December 31, 2017 our headcount worldwide was 1,341 employees. Our employee base consists of a mix 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 on 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, 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. A global sustainability report covering key environmental metrics for all of our worldwide locations will be published in Q1 2019.

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.

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, 2017, our issued share capital consisted of 131,279,709 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 as well as Westport Fuel Systems outstanding performance share units ("**PSUs**"), and restricted share units ("**RSUs**").

OUTSTANDING COMMON SHARES, PSUs, & RSUs	
	Share Units
Shares Outstanding	131,279,709
PSUs	
Outstanding[1]	1,460,000
Exercisable	—
RSUs	
Outstanding	4,509,990
Exercisable	636,073

Notes:

1. *The PSUs have payout levels expected at 50% based on achieving the required performance criteria over the measurement period.*

Market for Securities

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

TSX (WPRT) in Canadian Dollars				
Period	High (C$)	Low (C$)	Close (C$)	Volume
January 2017	1.82	1.52	1.66	1,234,200
February 2017	1.67	1.40	1.41	946,200
March 2017	1.45	1.10	1.30	1,490,600
April 2017	1.93	1.30	1.85	1,322,800
May 2017	2.27	1.75	2.14	894,900
June 2017	3.48	2.00	3.08	2,655,100
July 2017	3.08	1.88	2.15	1,611,400
August 2017	3.47	1.93	3.34	2,570,600
September 2017	4.26	3.19	4.07	3,083,500
October 2017	5.11	3.89	4.45	6,623,500
November 2017	4.92	3.43	3.65	5,077,300
December 2017	4.85	3.21	4.73	3,100,100
January 2018	5.44	3.48	3.56	2,216,000
February 2018	4.12	3.35	3.42	1,587,700
March 1–21, 2018	4.00	3.26	3.87	1,055,000

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 2017	1.39	1.14	1.26	8,640,800
February 2017	1.28	1.05	1.05	9,135,200
March 2017	1.08	0.82	0.96	13,747,100
April 2017	1.42	0.94	1.36	17,193,000
May 2017	1.68	1.26	1.58	12,691,300
June 2017	2.65	1.48	2.35	20,432,300
July 2017	2.49	1.48	1.73	21,762,000
August 2017	2.76	1.53	2.68	27,146,900
September 2017	3.42	2.61	3.27	20,894,900
October 2017	4.09	3.11	3.46	33,962,400
November 2017	3.82	2.66	2.82	26,391,400
December 2017	3.87	2.53	3.76	21,493,400
January 2018	4.33	2.83	2.85	18,904,600
February 2018	3.30	2.61	2.67	14,563,300
March 1–21, 2018	3.09	2.52	3.00	7,860,500

In the twelve-month period ended December 31, 2017, Westport Fuel Systems granted the following restricted 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, 2017	676,784	$ 2.26
June 9, 2017	7,500	$ 2.17
July 20, 2017	309,375	$ 1.99

Prior Securities Issued

No securities of Westport Fuel Systems not listed or quoted on any exchange were issued during the year ended December 31, 2017, other than RSUs and PSUs. On July 19, 2017, the Company completed the Offering and issued 16,700,000 Common Shares to subscribers. An additional 2,425,000 Common Shares were issued on July 28, 2017 pursuant to the exercise of the underwriters' option granted in connection with the Offering. 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 2018 Annual and Special Meeting of Shareholders to be held on May 7, 2018, 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 well as the positions and offices held by such persons, their principal occupations, and number of Common Shares held as of March 22, 2018. Each of such directors and officers held such positions as at December 31, 2017 and continued to hold such position as at the date hereof with the exception of Michele Buchignani, who was appointed to the board of directors in March of 2018.

Director Biographies

Brenda J. Eprile — CHAIR



Citizenship: Canada

Resides in: Toronto, ON, Canada

Director since: October 2013

Common Shares: 82,000

Share Units: 53,125

Principal Occupation for Last 5 years:

Corporate Director.

Committee Membership:

Audit Committee, Human Resources and Compensation Committee (Chair).

Brenda J. Eprile (63), was appointed as Chair of Westport's Board of Directors in February of 2017. Ms. Eprile joined the Board in October of 2013. Ms. Eprile is an experienced corporate director and her deep understanding of public companies is valuable to Westport as it continues to grow and business evolves. From 2000 to 2012, Ms. Eprile was a Senior Partner at PricewaterhouseCoopers and led the Risk Advisory Services practice. From 1997-2000 Ms. Eprile was a partner at Deloitte Canada and developed a Regulatory Services Practice for the firm. 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 served on many IOSCO (International Organization of Securities Commissions) and CSA (Canadian Securities Administrators) committees during her tenure as a securities regulator. Ms. Eprile is a Fellow Certified Professional Accountant (FCPA), and holds the ICD.D designation. She has an MBA from Schulich School of Business, York University. She chairs the board of Home Capital Group, a TSX listed company and led the board through a severe liquidity crisis in April 2017. She also serves on the board of a privately owned software company providing technical drawing software to the aerospace and defense sector. 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.

Michele J. Buchignani — DIRECTOR



Citizenship: Canada

Resides in: Vancouver, BC, Canada

Director since: March 2018

Common Shares: -

Share Units: -

Principal Occupation for Last 5 years:

Chief Executive Officer of McLean Drive Consulting Ltd since 2010; Managing Partner of McLane Drive Holdings LP since 2012.

Committee Membership:

Audit Committee.

Michele J. Buchignani (54) was appointed a member of the Westport Fuel Systems Board in March of 2018. Ms. Buchignani brings experience as a strategic business leader with extensive senior level experience in law, finance, private equity, strategy, governance and compensation. Ms. Buchignani is currently Chief Executive Officer of McLean Drive Consulting Ltd., a consulting firm to private equity owned and growth companies; and Managing Partner of McLane Drive Holdings LP., a U.S. real estate holding company. Previously, Ms. Buchignani held executive positions including as a Director with Teachers' Private Capital, the private equity arm of the Ontario Teachers' Pension Plan in Toronto from 2005 to 2009; Managing Director and Head of the Private Equity Funds Group at CIBC Capital Partners in Toronto and New York from 1999 to 2003; and Managing Director and Canadian General Counsel for CIBC World Markets from 1996 to 1999. From 1989 to 1996, she practiced corporate law in Toronto and London at Stikeman Elliott and was elected as a partner in 1995. Ms. Buchignani holds the ICD.D designation from the Institute of Corporate Directors. She serves in board and advisory positions with several corporate and not-for-profit organizations including Firethorn Capital Partners, L.P., White House Design Company Inc., The Fraser Institute, and the Alzheimer Society of B.C. Ms. Buchignani holds a Bachelor of Arts degree with Honours in English from the University of British Columbia and a JD from the University of Toronto. She also completed the Stanford Executive Program at the Graduate School of Business at Stanford University.

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: 324,124

Share Units: 1,700,000

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 (62), 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 Holdings Corp. ("**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 Asia Pacific Braking, Steering, Occupant Safety and Electronics. 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 General Motors 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 AB SKF.

Daniel M. Hancock — DIRECTOR



Citizenship: U.S.

Resides in: Indianapolis, IN, U.S.A.

Director since: July 2017

Common Shares: -

Share Units: -

Principal Occupation for Last 5 years:

President of DMH Strategic Consulting since 2011.

Committee Membership:

Human Resources and Compensation Committee, Nominating and Corporate Governance Committee.

Daniel M. Hancock (67) was appointed to the Board in July 2017, having previously joined the Company's Advisory Board in March of 2017. Mr. Hancock is currently President of DMH Strategic Consulting LLC. Mr. Hancock retired from General Motors ("**GM**") in 2011, after 43 years of service in GM's powertrain engineering and general management functions. His last position with GM was Vice President, Global Strategic Product Alliances. During this period he served as Chairman of GM's DMAX and VM Motori diesel engine joint ventures with Isuzu and Fiat, respectively. Mr. Hancock's previous appointments at GM included: Vice President, Global Powertrain Engineering; CEO, Fiat-GM Powertrain; and President, Allison Transmission Division. He now serves in board and advisory positions with several organizations focusing on new powertrain technologies and STEM (Science, Technology, Engineering, and Mathematics) education. He was President of SAE International in 2014 and is a member of the National Academy of Engineering. He received a master's degree in mechanical engineering from Massachusetts Institute of Technology and a bachelor's degree also in mechanical engineering from General Motors Institute (now Kettering University), Michigan.

Anthony (Tony) Harris — DIRECTOR



Citizenship: U.S.

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

Director since: June 2016

Common Shares: 30,190

Share Units: 20,312

Principal Occupation for Last 5 years:

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

Committee Membership:

Audit Committee, Nominating and Corporate Governance Committee (Chair).

Anthony ("Tony") Harris (64), was appointed to the Board in June of 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 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: 102,648
Share Units: 20,312

Principal Occupation for Last 5 years:

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

Committee Membership:

Audit Committee (Chair), Human Resources and Compensation Committee.

Colin S. Johnston (63), was appointed director in June of 2016. Mr. Johnston served as a director of Fuel Systems from May 2014 to May 2016. Since 2013 Mr. Johnston also has also been 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: September 2016
Common Shares: 16,366
Share Units: 40,625

Principal Occupation for Last 5 years:

Member and Principal, SRM Solutions, LLC since 2013. President of Qualitor Inc. from April 2016 to March 2017. Vice President of Business Development and Mergers and Acquisitions for Navistar Inc. from January 2015 to March 2016. Consultant to Navistar Inc. from October 2013 to December 2014. President of Weld Racing LLC from September 2010 to September 2013.

Committee Membership:

Audit Committee, Nominating and Corporate Governance Committee.

Scott Mackie (56) was appointed to Westport Fuel Systems Board of Directors in September 2016. Mr. Mackie is a Member and Principal of SRM Solutions, LLC, a consulting practice focused on acquisition support and strategic planning. Mr. Mackie previously was President of Qualitor Inc.'s International Brakes Industries division-a leading diversified supplier of safety and wear parts for the automotive aftermarket. Prior to International Brake, Mr. Mackie 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 held a number of 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.

Wade Nesmith — DIRECTOR



Citizenship: Canada

Resides in: Vancouver, BC, Canada

Director since: June 2017

Common Shares: 1,450

Share Units: 40,625

Principal Occupation for Last 5 years:

Chairman of Primero Mining Corp since 2012.

Committee Membership:

Audit Committee, Nominating and Corporate Governance Committee.

Wade Nesmith (66) joined the Board of Directors in June 2017. Mr. Nesmith founded Primero Mining Corp. in 2007 and currently acts as its Chairman. In addition, he served as a director of Silver Wheaton Corp. from 2004 to 2016. Mr. Nesmith joined Westport Innovations (now Westport Fuel Systems) as a founding director in 1996 and served as director to 2000 while also holding various positions with the company until 2003, including President, Western Europe and VP of Strategic Development. He was responsible for capital markets as well as all operations in Europe including OEM relationships. From 2004 to 2010, Mr. Nesmith was an associate counsel at Lang Michener LLP (now McMillan LLP), where he had also previously been counsel and partner. Mr. Nesmith has also been a director of Polymer Group, Inc., Broadpoint Securities and Oxford Automotive. He served as the Superintendent of Brokers for the Province of British Columbia from 1989 to 1992, and obtained his Bachelor of Law degree from York University's Osgoode Hall Law School in 1977.

Rodney (Rod) Nunn — DIRECTOR



Citizenship: Canada

Resides in: Chatham, ON, Canada

Director since: March 2016

Common Shares: -

Share Units: 40,625

Principal Occupation for Last 5 years:

President and Chief Executive Officer of KSR International Co.

Committee Membership:

Human Resources and Compensation Committee, Nominating and Corporate Governance Committee.

Rodney Nunn (74), 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. 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.A.

Westport Fuel Systems since: November 2013

Common Shares: 164,558

Share Units: 500,000

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.

Ashoka Achuthan (62) 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



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 (50) 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. and currently serves as Chief Operating Officer of the Automotive business segment. 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 a 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 OEM 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: 60,737

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 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 (59) 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.

Thomas G. Rippon	CHIEF TECHNOLOGY OFFICER AND EXECUTIVE VICE PRESIDENT



Citizenship: Dual Canada/U.S.

Resides in: White Rock, BC, Canada

Westport Fuel Systems since: September 2013

Common Shares: 1,372

Share units: 250,000

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 (64) is Chief Technology Officer and Executive Vice President 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 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 22, 2018, our Board members and executive officers as a group beneficially owned, directly or indirectly, 783,445 of our Common Shares, representing approximately 0.6% of the 131,279,709 Common Shares outstanding on such date.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as described below, none of the directors or executive fficers is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, CEO 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, CEO 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, CEO or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, CEO 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 or chief financial 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.

In December of 2004, Oxford Automotive,a Michigan based automotive parts maker, filed a U.S. Chapter 11 bankruptcy reorganization plan, from which is successfully emerged in 2005. Mr. Wade Nesmith was a Director of Oxford Automotive from December 2003 to December 2005.

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.

February 9, 2017, Home Capital Group Inc. ("**Home Capital"**) received an enforcement notice from Staff of the Ontario Securities Commission ("**OSC**") relating to its disclosure in 2015. Ms. Eprile currently chairs the board of Home Capital Group, having joined as a director in May of 2016. On April 19, 2017, the OSC issued a Statement of Allegations and Notice of Hearing against Home Capital. On June 14, 2017, the Company announced that it had reached two settlement agreements which together comprised a global settlement with the OSC and with respect to the Class Action. The settlements were subject to the approval of the OSC and the court.

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. He had also served as the Chairman since January 1, 2015 and has now stepped down from that position effective January 1, 2018 while remaining on the board of directors.

Thomas Rippon, an officer of Westport Fuel Systems, had been serving on the board of directors of CWI since January 1, 2014 and has now stepped down from that position effective January 1, 2018.

Certain directors and officers of Westport Fuel Systems 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 communicate such conflict to the Board and abstain from voting for or against the approval of such items of which they are conflicted. In appropriate cases, Westport Fuel Systems will establish a special committee of Independent Directors to review a matter in which directors, or Management, may have a conflict. In accordance with the 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 alternative fuel systems represent an emerging market, and we do not know whether end-users will ultimately want to use them or to pay for their initial incremental purchase price. The development of a mass market for our fuel systems may be affected by many factors, some of which are beyond our control, including: the emergence of newer, more competitive technologies and products; the future cost of natural gas and other fuels used by our systems; the future cost of diesel, gasoline and other alternative fuels that may be used by competitive technologies; the ability to successfully build the refuelling infrastructure necessary for our systems; 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 HHP 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 HHP 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.

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.

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.

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.

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.

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, energy infrastructure 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.

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.

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, our first generation of Westport™ HPDI systems and Westport HPDI 2.0™ from which to make our warranty accrual estimates.

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.

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.

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 and aftermarket kit providers. As the

market for natural gas engine products continues to grow this competition may increase. New developments in technology may negatively affect the development or sale of some or all of our products or make our products 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 (such as fuel cells and electric), including other fuel systems and in particular increased competition with respect to SI natural gas engine OEMs, natural gas tanks and aftermarket kit providers. Each of our target markets is currently serviced by existing manufacturers with existing customers and suppliers using proven and widely accepted technologies. Many existing manufacturers have or had natural gas engine programs and could develop new engines without our help or components, using more conventional technologies or technologies from competitive companies. Additionally, there are competitors working on developing technologies such as cleaner diesel engines, bio-diesel, fuel cells, advanced batteries and hybrid battery/internal combustion engines, and new fuels in each of our targeted markets. Each of these competitors has the potential to capture market share in various markets, which could have a material adverse effect on our position in the industry and our financial results. For our products to be successful against competing technologies, especially diesel engines, they must offer advantages in one or more of these areas: regulated or 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 HHP 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 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. 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. One such investigation by the SEC is currently ongoing. See "LEGAL AND REGULATORY PROCEEDINGS ". The investigation being conducted by the SEC has required and will continue to require significant resources to be expended by the directors, officers and employees of the Corporation. The diversion of such resources could materially affect the ability of the Corporation to conduct its operations in the normal course of 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.

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 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, including potentially for claims due to the release of methane and other GHG. Our business is subject to numerous laws and regulations that govern environmental protection and human health and safety. These laws and regulations have changed frequently in the past and it is reasonable to expect additional and more stringent changes in the future. Our operations may not comply with future laws and regulations, 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 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 full benefit 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 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.

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 has been 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 Amended JVA ("**CWI Products**"), as of February 2017, Cummins has been 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.

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

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.

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 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 2017, the U.S. dollar depreciated against the Canadian dollar and the Euro.

We are at risk of cyber based attacks.

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

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 and investigations or reviews by regulatory bodies. On an ongoing basis, we attempt to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty. Except as disclosed from time to time in our financial statements, we do not believe that any of the proceedings or claims to which we are party will have a material adverse effect on our financial position; however, we cannot provide any assurance to this effect.

We do not currently pay and may never pay any cash dividends on our Common Shares in the foreseeable future; therefore, our shareholders may not be able to receive a return on their Common Shares until they sell them.

We have never paid or declared any cash dividends on our Common Shares. We do not anticipate paying any cash dividends on our Common Shares in the foreseeable future because, among other reasons, our current credit facilities restrict our ability to pay dividends, and we currently intend to retain any future earnings to finance our business. The future payment of dividends will be dependent on factors such as cash on hand and achieving profitability, the financial requirements to fund growth, our general financial condition and other factors our Board 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 PFIC, U.S. holders may be subject to adverse U.S. federal income tax consequences.

Based in part on current operations and financial projections, we do not expect to be a PFIC for U.S. federal income tax purposes for our current taxable year or in the foreseeable future. However, we must make an annual determination

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

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

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

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

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

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

The enforcement by investors of civil liabilities under the U.S. federal or state securities laws may be affected adversely by the fact that we are governed by the *Business Corporations Act* (Alberta), a statute of the Province of Alberta, Canada, that the majority of our officers and directors and some of the experts named in this AIF, are residents of

Canada or otherwise reside outside the U.S., and that all, or a substantial portion of their assets and a substantial portion of our assets, are located outside the U.S. It may not be possible for investors to effect service of process within the U.S. on certain of our directors and officers or the experts named in this AIF or enforce judgments obtained in the U.S. courts against us, certain of our directors and officers or the experts named in this AIF based upon the civil liability provisions of U.S. federal securities laws or the securities laws of any state of the U.S.

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

Audit Committee Member	Independent
Michele Buchignani	Yes
Brenda Eprile	Yes
Tony Harris	Yes
Colin Johnston	Yes
Scott Mackie	Yes
Wade Nesmith	Yes

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.

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 KPMG LLP, in its capacity the Company's independent registered public accounting firm. The following tables are shown in Canadian dollars.

PRINCIPAL ACCOUNTANT FEES & SERVICES in Canadian Dollars		
	12/31/2017	**12/31/2016**
Audit Fees	$ 1,733,536	$ 2,004,571
Tax fees	6,895	48,000
All Other Fees	Nil	85,150
Total	**$ 1,740,431**	**$ 2,137,721**

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.

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 KPMG LLP. Fees disclosed under this category are for professional services rendered for tax compliance, tax advice.

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 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.

Legal and Regulatory Proceedings

On June 15, 2017, the Enforcement Division of the SEC issued a subpoena to Westport Fuel Systems for information concerning its Weichai Westport Inc. joint venture and compliance with the FCPA in connection with the Westport Fuel Systems operations in China. The SEC Enforcement Division issued a follow up subpoena on February 14, 2018. Westport Fuel Systems is cooperating with these requests and cannot predict the duration, scope or outcome of the SEC's investigation. The investigation being conducted by the SEC has required and will continue to require significant resources. Other than as stated above, 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, directly or indirectly, more than ten percent (10%) of any class or series of the Company's outstanding voting securities, nor any associate or affiliate of such persons or companies, has had any material interest, direct or indirect, in any transaction within our three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Westport Fuel Systems.

Transfer Agent and Registrar

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

Material Contracts

EDC Loan Agreement

Export Development Canada is Canada's export credit agency, providing financing, insurance, bonding, trade knowledge and connections to support Canadian companies. In order to bolster liquidity and support the Westport HPDI 2.0™ program launch and commercialization, Westport Fuel Systems entered into a $20 million secured term loan agreement on December 20, 2017 with Export Development Canada. The secured term loan matures on December 31, 2021 with quarterly principal repayments which increase annually. There is an initial interest rate of 9% plus fees, with the rate reducing to 6% upon achieving certain milestones. The loan is initially secured by the pledge of shares in certain Westport Fuel Systems subsidiaries which will be released when Westport Fuel Systems is able to pledge the assets related to the program to EDC. The facility limits Westport Fuel Systems ability to incur additional indebtedness, encumber assets and pay dividends. Westport Fuel Systems has agreed to use certain amounts received pursuant to the CWI joint venture to prepay the EDC facility.

APU Assets Sale

After a thorough portfolio review, and careful assessment of the APU product line and its fit with the other Westport Fuel Systems businesses, Westport Fuel Systems determined in 2017 that pursuing a sale of its APU product line made sense for its shareholders. On April 13, 2017, Westport Fuel Systems entered into an Asset Purchase Agreement with Carrier Corporation for the sale of certain assets utilized in the development, manufacture, sales, marketing and aftermarket support of diesel, petroleum and electric (including battery) powered auxiliary power systems (including comfort systems) for truck and rail applications from a facility located in Kitchener, Ontario. This divestiture was made in accordance with Westport Fuel Systems strategy to streamline its business and product lines and to focus on alternative fuel solutions for the transportation and automotive industries. Net proceeds to Westport Fuel Systems at closing were approximately US$60 million, after adjusting for estimated net working capital, transaction costs, hold back amounts and other deal related expenses. As part of the arrangement, Westport Fuel Systems also supplied APU systems and parts to Carrier Corporation for approximately 5 months.

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

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.

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 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, 2017. 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, 2017, 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

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 and compliance with legal and regulatory requirements;
- 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 independent counsel and other professional advisors at Westport Fuel Systems expense. The Committee shall set the compensation, and oversee the work, of any such outside counsel and other advisors retained by the Committee.

The Committee shall have sole authority to recommend to the Board the appointment, termination and compensation of the external auditors who shall report directly to the Committee. The Committee is entitled to appropriate funding, with respect to compensation set and determined solely by the Committee, for the payment of compensation to independent external auditors, for the payment of compensation to any external advisors retained by the Committee and for any expenses necessary for the Committee to carry out its duties.

Limitations of the Audit Committee's Role

While the Committee has the responsibilities and powers set forth in this Audit Committee Charter (this "Charter"), it is not the duty of the Committee to plan or conduct audits or to determine that Westport Fuel Systems 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, at least ¼ of which are resident Canadians. Unless approved by the Board Chair, no Director may serve on the Committee if, including the membership on the Committee, they sit on more than three public company audit committees. No member of the Committee shall have participated in the preparation of Westport Fuel Systems or any of its subsidiaries' financial statements at any point during the last three years. Each of the Directors on the Committee shall possess a basic level of "financial literacy", and at least one member should qualify as 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 at such times and places as it deems necessary to fulfill its responsibilities. The meetings will be scheduled to permit timely review of the interim and annual financial statements, as well as Westport Fuel Systems other financial disclosures and related compliance matters. Additional meetings may be called as often as the Committee deems necessary. A quorum of two members of the Committee, one of whom must be the Committee Chair, unless he or she has designated another member to act as Committee Chair, is required for each meeting. If a quorum is present at a meeting, a majority of the members of the Committee in attendance at such meeting is required to approve any matter decided by the Committee at such meeting. Matters may be decided outside of a meeting by the unanimous written consent of all members of the Committee. The Committee is governed by all other procedural rules regarding meetings, actions without meetings, notice and waiver of notice as are applicable to the Board.

The Committee Chair shall, in consultation with the Board Chair 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 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 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 available 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 selection of an independent, registered, external auditor for the purpose of auditing Westport Fuel Systems annual financial statements, books, records, accounts and internal controls over financial reporting;
- the retention of such external auditor;
- the compensation of the external auditor; and
- the selection, retention, compensation and oversight of any other registered public accounting firm engaged for the purpose of preparing or issuing audit reports or performing any other audit, review, or attest services for Westport Fuel Systems.

The Committee shall evaluate, at least on annual basis, the qualifications, performance and independence of the external auditors. 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 and Westport Fuel Systems subsidiaries, consistent with the standards described in Section 5605(c)(1)(B) of the NASDAQ Manual, and is responsible for actively engaging in a dialogue with the external 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 external auditors, the Committee is responsible for the following activities:

- approving the audit scope and engagement fees;
- reviewing the results of their work;
- pre-approving any non-audit services or delegating such authority to the Committee Chair;
- establishing policies and procedures for the Committee's pre-approval of permitted services on an on-going basis;
- evaluating their performance; and
- resolving any disagreements between Management and external auditors regarding financial reporting.

Westport Fuel Systems external auditors shall report directly to the Committee. The Committee shall review with the external auditors, on at least an annual basis, (a) the external auditors' internal quality-control procedures, (b) any material issues raised by the most recent internal quality control review, peer review, the Canadian Public Accountability Board or the Public Company Accounting Oversight Board, or any publicly available report by any governmental or professional authorities within the preceding five years respecting one or more audits carried out by the firm, (c) any steps taken to deal with any such issues and (d) all relationships between the external auditors and Westport Fuel Systems or any of Westport Fuel Systems subsidiaries. The Committee shall evaluate the qualifications, performance and independence of the external auditors, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of Management and internal auditors. The Committee shall present its conclusions with respect to the 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 the external auditors and Management (a) all critical accounting policies and practices to be used in an audit; (b) any issues and disclosure requirements regarding (1) the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies, (2) any off-balance sheet arrangements and (3) significant business risks or exposures and Management's assessment of the steps taken to monitor, control and minimize such risk; (c) other material written communications between the auditors and Management; and (d) any other matters required to be discussed by Public Company Accounting Oversight Board Auditing Standards No. 1301, Communications with Audit Committees.

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 review and monitor 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 Westport Fuel Systems 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 any subsidiaries controlled by Westport Fuel Systems.

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 Westport Fuel Systems 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. In this regard, the Committee shall have responsibility for the implementation and periodic review and amendment of Westport Fuel Systems whistleblower policy. This process and the referenced whistleblower policy 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 joint venture. 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. Related Party Transactions

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

7. Internal Audit Oversight and Responsibilities

The Committee shall:

- review and approve Westport Fuel Systems internal audit department's annual audit plan and all major changes in the plan;
- review and discuss with the internal auditors the scope, progress and results of executing the internal audit plan;
- receive reports on the status of significant findings, recommendations and Management's responses;
- review the reporting relationship, activities, staffing, organizational structure and credentials of the Internal Audit Department;

- review and concur in the appointment, replacement, reassignment, or dismissal of the Internal Audit Director who shall have direct access to the Committee; and
- review the annual performance of the internal audit function.

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

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

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

The Committee is also authorized to approve non-audit services that may be provided by a party that is not the external auditors. Examples may be a quarterly review or consulting advice relating to the quarterly financial statements (which the Committee may approve without committing Westport Fuel Systems to have a quarterly review of the financial statements on an ongoing basis), tax advice and tax consulting services, or any other consulting services that the Committee determines that it will obtain from any party that is not the external auditors.

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

9. 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, 2017, 2016 and 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Westport Fuel Systems Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, the consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017 and December 31, 2016, and its consolidated results of operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2017 in accordance with U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 22, 2018 expressed an unqualified (unmodified) opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

A - Management's Responsibility for the Consolidated Financial Statements

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

B - Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding 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 and principles 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 reasonable basis for our audit opinion.

/**s**/ **KPMG LLP**

Chartered Professional Accountants

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

Vancouver, Canada
March 22, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control Over Financial Reporting

We have audited Westport Fuel Systems Inc.'s (the "Company") internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on the Consolidated Financial Statements

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, the consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements"), and our report dated March 22, 2018 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, under the heading Management's Report on Internal Control over Financial Reporting, in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB and in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 22, 2018

WESTPORT FUEL SYSTEMS INC.

Consolidated Balance Sheets

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

December 31, 2017 and 2016

	December 31, 2017	December 31, 2016 (Adjusted, note 6)
Assets		
Current assets:		
Cash and cash equivalents	$ 71,842	$ 60,905
Accounts receivable (note 7)	67,160	66,660
Inventories (note 8)	50,743	53,300
Prepaid expenses	4,726	4,572
Current assets held for sale (note 6)	6,164	28,325
Total current assets	200,635	213,762
Long-term investments (note 9)	9,302	13,422
Property, plant and equipment (note 10)	70,366	54,576
Intangible assets (note 11)	20,943	21,832
Deferred income tax assets (note 19(b))	1,848	1,640
Goodwill (note 12)	3,324	2,923
Other long-term assets	7,204	14,532
Long-term assets held for sale (note 6)	—	8,773
Total assets	$ 313,622	$ 331,460
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 13)	$ 87,150	$ 79,943
Restructuring obligations (note 14)	2,969	5,408
Deferred revenue	2,164	3,544
Current portion of long-term debt (note 15)	8,993	48,097
Current portion of long-term royalty payable (note 16)	2,390	1,500
Warranty liability (note 17)	3,956	6,032
Liabilities held for sale (note 6)	12,500	15,216
Total current liabilities	120,122	159,740
Restructuring obligation (note 14)	—	8,715
Deferred revenue	50	590
Long-term debt (note 15)	45,429	30,935
Long-term royalty payable (note 16)	16,641	20,062
Warranty liability (note 17)	2,830	6,207
Deferred income tax liabilities (note 19(b))	4,616	5,909
Other long-term liabilities	5,902	5,657
Long-term liabilities held for sale (note 6)	—	8,207
Total long-term liabilities	195,590	246,022
Shareholders' equity:		
Share capital (note 18):		
Authorized: Unlimited common shares and preferred shares in series, no par value		
131,279,709 (2016 - 110,109,092) common shares issued	1,078,280	1,042,410
Other equity instruments	16,247	20,926
Additional paid in capital	10,079	10,079
Accumulated deficit	(966,869)	(956,890)
Accumulated other comprehensive income	(19,705)	(31,087)
Total shareholders' equity	118,032	85,438
Total liabilities and shareholders' equity	$ 313,622	$ 331,460
Commitments and contingencies (note 21)		

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, 2017, 2016 and 2015

	Years ended December 31,		
	2017	2016 (Adjusted, note 6)	2015
Product revenue	$ 240,320	$ 172,987	$ 97,844
Service and other revenue	6,743	4,407	5,460
	247,063	177,394	103,304
Cost of revenue and expenses:			
Cost of product revenue	182,916	141,030	85,232
Research and development	51,057	55,938	52,777
General and administrative	47,628	44,880	35,201
Sales and marketing	16,776	18,556	17,496
Restructuring costs (note 14)	1,682	19,000	—
Foreign exchange (gain) loss	562	6,565	(11,601)
Depreciation and amortization (notes 10 and 11)	9,826	11,244	11,736
Impairments on long lived assets, net (note 10)	1,550	4,843	22,722
	311,997	302,056	213,563
Loss from operations	(64,934)	(124,662)	(110,259)
Income from investments accounted for by the equity method	12,514	5,838	17,551
Interest on long-term debt and amortization of discount	(14,487)	(10,773)	(5,529)
Bargain purchase gain from acquisition (note 5)	—	35,808	—
Interest and other income (expense), net of bank charges	1,377	(1,656)	(186)
Loss before income taxes	(65,530)	(95,445)	(98,423)
Income tax expense (recovery) (note 19):			
Current	(2,780)	1,610	1,245
Deferred	(1,644)	2,340	(514)
	(4,424)	3,950	731
Net loss from continuing operations	(61,106)	(99,395)	(99,154)
Net income from discontinued operations (note 6)	51,127	1,822	—
Net loss for the year	(9,979)	(97,573)	(99,154)
Other comprehensive income (loss):			
Cumulative translation adjustment	11,382	1,295	(16,889)
Comprehensive (gain) loss	$ 1,403	$ (96,278)	$ (116,043)
Income (loss) per share:			
From continuing operations - basic and diluted	$ (0.51)	$ (1.09)	$ (1.55)
From discontinued operations - basic and diluted	$ 0.43	$ 0.02	$ —
Net loss per share	$ (0.08)	$ (1.07)	$ (1.55)
Weighted average common shares outstanding:			
Basic and diluted	119,558,566	91,028,504	64,109,703

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.

Consolidated Statements of Shareholders' Equity

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

December 31, 2017, 2016 and 2015

	Common shares outstanding	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
January 1, 2015	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	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 loss	—	—	—	—	—	1,295	1,295
December 31, 2016	110,109,092	1,042,410	20,926	10,079	(956,890)	(31,087)	85,438
Issuance of common shares on exercise of share units	2,045,617	9,917	(9,917)	—	—	—	—
Issuance of common shares on public offering, net of costs incurred	19,125,000	25,953	—	—	—	—	25,953
Stock-based compensation	—	—	5,238	—	—	—	5,238
Net loss for the year	—	—	—	—	(9,979)	—	(9,979)
Other comprehensive income	—	—	—	—	—	11,382	11,382
December 31, 2017	131,279,709	$ 1,078,280	$ 16,247	$ 10,079	$ (966,869)	$ (19,705)	$ 118,032

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, 2017, 2016 and 2015

	Years ended December 31,		
	2017	2016 (Adjusted, note 6)	2015
Cash flows from (used in) operating activities:			
Net loss for the year from continuing operations	$ (61,106)	$ (99,395)	$ (99,154)
Items not involving cash:			
Depreciation and amortization	14,983	15,363	13,654
Stock-based compensation expense	6,961	10,450	14,871
Unrealized foreign exchange (gain) loss	562	6,565	(11,601)
Deferred income tax (recovery) expense	(1,644)	2,340	(514)
Income from investments accounted for by the equity method	(12,514)	(5,838)	(17,551)
Accretion of long-term debt and long-term royalty payable	10,071	4,945	876
Impairments on long lived assets, net	1,550	4,843	22,722
Inventory write-downs to net realizable value	1,111	6,591	8,743
Bargain purchase gain from acquisition	—	(35,808)	—
Change in fair value of derivative liability and bad debt expense	1,397	1,670	587
Restructuring obligations	(14,187)	14,123	—
Changes in non-cash operating working capital:			
Accounts receivable	2,605	(4,930)	975
Inventories	4,565	31,352	(5,997)
Prepaid expenses	(93)	952	661
Accounts payable and accrued liabilities	6,755	(22,836)	9,526
Deferred revenue	(2,143)	(4,974)	(1,507)
Warranty liability	(6,330)	(5,855)	(5,359)
Net cash from (used in) operating activities of continuing operations	(47,457)	(80,442)	(69,068)
Net cash from operating activities of discontinued operations	5,924	1,121	—
Cash flows from (used in) investing activities:			
Purchase of property, plant and equipment	(25,288)	(8,654)	(4,845)
Acquisitions, net of acquired cash (note 5)	—	45,344	787
Proceeds on sale of assets and investments	(85)	26,334	(27)
Dividends received from joint ventures	16,633	13,398	20,464
Net cash from (used in) investing activities of continuing operations	(8,740)	76,422	16,379
Net cash from investing activities of discontinued operations	77,148	—	—
Cash flows from (used in) financing activities:			
Drawings on operating lines of credit and long-term facilities	42,641	9,184	5,432
Repayment of operating lines of credit and long-term facilities	(71,387)	(12,789)	(8,308)
Proceeds from share issuance, net	25,953	—	—
Repayment of royalty payable	(11,467)	—	—
Issuance of convertible debt and royalty payable	—	35,000	—
Net cash from (used in) financing activities of continuing operations	(14,260)	31,395	(2,876)
Effect of foreign exchange on cash and cash equivalents	4,246	4,570	(10,601)
Increase (decrease) in cash and cash equivalents	16,861	33,066	(66,166)
Cash and cash equivalents, beginning of year	60,905	27,839	94,005
Cash and cash equivalents, end of year	$ 77,766	$ 60,905	$ 27,839
Less: cash and cash equivalents from discontinued operations, end of year	5,924	—	—
Cash and cash equivalents from continuing operations, end of year	$ 71,842	$ 60,905	$ 27,839

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.

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

December 31, 2017, 2016 and 2015

	Years ended December 31,		
	2017	2016	2015
Supplementary information:			
Interest paid	$ 4,416	$ 4,339	$ 4,551
Taxes paid, net of refunds	722	2,479	1,238
Non-cash transactions:			
Shares issued for acquisitions	—	98,742	1,162

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. As discussed in note 6, the Company's Industrial business segment (excluding the electronics and high pressure product lines) was sold in 2017. The Company reclassified the comparative figures in the balance sheet as assets held for sale and reported the results of the operations of the Industrial businesses sold as discontinued operations in the consolidated statements of operations and comprehensive income (loss).

2. Liquidity and going concern:

In connection with preparing financial statements for each annual and interim reporting period Management is required to 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 that the financial statements are issued. When substantial doubt exists, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company’s ability to continue as a going concern. The mitigating effect of management’s plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the 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.

At this time Management's evaluation has concluded that there are no known or foreseeable conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these financial statements were issued. These financial statements have therefore been prepared on the basis that the Company will continue as a going concern.

At December 31, 2017, the Company's net working capital was $80,513 (2016 - $54,022) including cash and cash equivalents of $71,842 (2016 - $60,905), and its long-term debt was $54,422, of which $8,993 matures in 2018. The Company incurred a significant loss from continuing operations of $61,106 (2016 - $99,395) and negative cash flows from continuing operating activities during 2017 of $47,457 (2016 - $80,442) and has accumulated a deficit of $966,869 since inception. In the course of 2017, the Company completed significant non-core asset sales and a capital increase, which allowed repayment of long-term debt otherwise coming due in 2017, and increased the Company’s cash available to fund future operations. The Company continues to work towards its goals of increasing revenues and reducing expenditures, which Management expects will improve results from operations and operating cash flows in 2018. In particular, with the HPDI 2.0 product now in production, management expects that the engineering and development spend and the associated capital expenditures on this product will decrease significantly in 2018 and this reduction will, itself, improve cash flows. In addition, the Company continues to examine non-core 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 or invest in these assets.

Management is confident that the cash on hand at December 31, 2017 and the improvements to the operations expected for 2018 will provide the cash flow necessary to fund operations over the next year to March 31, 2019. The ability of the Company to continue as a going concern beyond one year will be dependent on the Company’s ability to generate positive results from operations and cash flows or on its ability to raise additional financings to fund future operations. If, as a result of future events, the Company was to determine it was no longer able to continue as a going concern, significant adjustments would be required to the carrying value of its assets and liabilities in the accompanying financial statements and the adjustments could be material.

3. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

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

(b) Foreign currency translation:

The Company's functional currency is in the Canadian dollar 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 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, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2015
Canadian dollar	0.80	0.74	0.77	0.76	0.78
Australian dollar	0.78	0.72	0.77	0.74	0.75
Euro	1.20	1.06	1.13	1.11	1.11
Argentina Peso	0.06	0.06	0.06	0.07	0.11
RMB	0.15	0.14	0.15	0.15	1.16
Swedish Krona	0.12	0.11	0.12	0.12	0.12
Japanese Yen	0.01	0.01	0.01	0.01	0.01
Indian Rupee	0.0157	0.0147	0.0154	0.0150	0.0200

(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 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 records inventory write-downs based on an analysis of excess and obsolete inventories determined primarily by future demand forecasts. In addition, the Company records a liability for firm, 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 variable interest entities ("VIEs") for which the Company is not the primary beneficiary, using the equity method of accounting. Under the equity method, the Company recognizes its share of income from equity accounted investees in the statement of operations with a corresponding increase in long-term investments. Any dividends paid or payable are credited against long-term investments. 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:

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.

(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 from the date the products are put into service by customers. Warranty liability represents the Company's best estimate of warranty costs expected to be incurred during the warranty period. Furthermore, the current portion of warranty liability represents the Company's best estimate of the costs to be incurred in the next twelve-month period. The Company uses historical failure rates and costs to repair defective products to estimate the warranty liability. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. The Company records warranty expense for new products using historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. The amount payable by the Company and the timing will depend on actual failure rates and cost to repair failures of its products.

3. Significant accounting policies (continued):

(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 to be adopted in the future:

Revenue:

In May 2014, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates ("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 previously existing industry-specific guidance throughout the Industry Topics of the Accounting Standards Codification. Topic 606 is effective for public entities with reporting periods beginning after December 15, 2017.

ASU 2014-09 and related ASUs may be adopted using either the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. We will adopt ASU 2014-09 and related ASUs on January 1, 2018, using the modified retrospective method. The Company completed its assessment at December 31, 2017, and has concluded that there is no material impact to its financial statements on adoption. The Company has implemented the necessary changes to its business processes and controls to support revenue recognition and disclosures under the new standard in the fourth quarter of 2017.

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 application of this guidance.

Income Taxes (Topic 740): Accounting for Income Taxes on Intercompany Transfers:

In October 2016, the FASB issued ASU 2016-16, which requires entities to recognize the income tax consequences of intercompany asset transfers in the period in which the transfer occurs, with the exception of inventory transfer. ASU 2016-16 is effective for interim and annual periods beginning after December 15, 2017. 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 annual and interim periods beginning after December 15, 2018, and interim periods with early adoption permitted. The Company's future minimum lease payments at December 31, 2017 under operating leases are disclosed in note 21(a). The Company has not yet evaluated the impact of the adoption of this new standard.

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. 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. The Company incurred total acquisition related costs of $9,890 in 2015 and 2016, 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.

Consideration allocated to:		Final Purchase Price Allocation as of December 31, 2016
Cash and cash equivalents	$	45,344
Accounts receivable		42,954
Inventory		73,560
Property, plant and equipment		37,792
Intangible assets		4,240
Deferred income taxes, net		(2,053)
Other assets		12,962
Accounts payable and accrued liabilities		(63,706)
Other liabilities		(15,888)
Total net identifiable assets		135,205
Bargain purchase gain		(35,808)
Total consideration	$	99,397

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.

5. Business combinations (continued):

	Years ended December 31,	
	2016 (Adjusted, Note 6)	2015
Revenue		
Revenue for the year	$ 177,394	$ 103,304
Fuel Systems (prior to merger)	96,833	263,397
Proforma revenue for the year	$ 274,227	$ 366,701
Net loss		
Net loss for the year	$ (99,395)	$ (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	$ (134,595)	$ (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. Sale of assets:

Consistent with the Company's strategy to simplify the number of businesses to focus on, in the second quarter of 2017 the Company sold substantially all of the Industrial business segment (excluding the electronics and high pressure product lines) as described below. These assets and liabilities were accounted for as held for sale at March 31, 2017. The comparative balances of the discontinued Industrial business segment were also reclassified as at December 31, 2016, with impact to the following balance sheets accounts: accounts receivable, inventories, property, plant and equipment, intangible assets, accounts payable and accrued liabilities, warranty liability and segment information. The notes for these comparative account balances have been adjusted for these reclassifications in these financial statements.

On April 28, 2017, the Company sold the Industrial segment's Auxiliary Power Unit ("APU") business for total consideration of $70,000, and recorded a net gain of $60,151 during the year ended December 31, 2017. The Company received proceeds of $62,864, net of a $7,000 holdback and $136 working capital adjustment. The Company will be entitled to receive payment from the purchaser in the event that the contingent items are settled for less than $7,000, with interim settlement reviews and payments occurring at nine, eighteen and twenty four months after the closing date. Subsequent to year end, $3,000 of the holdback was received.

On May 30, 2017, the Company sold additional assets held for sale for total consideration of $17,500. The Company received proceeds of $16,250, net of $1,250 holdback. This transaction resulted in a net loss of $1,841 during the year ended December 31, 2017.

As discussed in note 16, 15% of the net consideration received on these asset sales was paid to Cartesian against the royalty payable, as will 15% of any future payments received related to the holdbacks.

The carrying amount of the major classes of assets and liabilities for the held-for-sale Industrial business segment at December 31, 2017 and December 31, 2016 are shown below:

	December 31, 2017	December 31, 2016
Cash	$ 5,924	$ —
Accounts receivable	7	10,518
Inventories	—	17,324
Other current assets	—	483
	5,931	28,325
Property, plant, and equipment	233	5,106
Intangible assets	—	1,026
Deferred income tax assets	—	2,127
Other non-current assets	—	514
	233	8,773
Total assets classified as held for sale	$ 6,164	$ 37,098
Accounts payable and accrued liabilities	$ 7,305	$ 13,302
Income taxes payable	3,448	—
Other current liabilities	269	1,914
	11,022	15,216
Other non-current liabilities	1,478	8,207
Total liabilities classified as held for sale	$ 12,500	$ 23,423

6. Sale of assets (continued):

The Industrial business was acquired on June 1, 2016 as a result of the acquisition of Fuel Systems and thus, there was only seven months of discontinued operations disclosed for the year ended December 31, 2016. The following table presents financial results of the Industrial business segment which are included in net income from discontinued operations for the years ended December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Product and service revenue	$ 29,038	$ 47,501
Cost of product revenue	21,284	35,520
Research and development	2,048	3,475
General and administrative	4,797	3,324
Sales and marketing	1,754	2,393
	29,883	44,712
Operating income (loss) from discontinued operations	(845)	2,789
Net gain on sale of assets	(58,310)	—
Other expenses (recovery)	220	(93)
Income from discontinued operations before income tax	57,245	2,882
Income tax expense	6,118	1,060
Net income from discontinued operations	$ 51,127	$ 1,822

7. Accounts receivable:

	December 31, 2017	December 31, 2016
Customer trade receivables	$ 58,490	$ 62,763
Due from related parties (note 20)	156	488
Holdback receivables (note 6)	6,750	—
Other receivables	4,337	4,982
Income tax receivable	1,232	1,638
Allowance for doubtful accounts	(3,805)	(3,211)
	$ 67,160	$ 66,660

8. Inventories:

	December 31, 2017	December 31, 2016
Purchased parts and materials	$ 36,054	$ 37,894
Work-in-process	2,409	3,794
Finished goods	11,587	11,095
Inventory on consignment	693	517
	$ 50,743	$ 53,300

During the year ended December 31, 2017, the Company recorded write-downs to net realizable value of approximately $1,111 (year ended December 31, 2016 - $6,591; year ended December 31, 2015 - $8,743).

9. Long-term investments:

	December 31, 2017	December 31, 2016
Cummins Westport Inc. (a)	$ 6,799	$ 10,950
Weichai Westport Inc.	1,824	1,824
Other equity accounted investees	679	648
	$ 9,302	$ 13,422

(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 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 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,		
	2017	2016	2015
Investment income under the equity method	$ 12,482	$ 5,606	$ 16,339
Dividends received	16,633	10,198	20,464

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 CWI were as follows:

	Balance at December 31, 2017		Balance at December 31, 2016	
	Carrying amount	Maximum exposure to loss	Carrying amount	Maximum exposure to loss
Equity method investment in CWI	$ 6,799	$ 6,799	$ 10,950	$ 10,950
Accounts receivable in CWI	150	150	236	236

9. Long-term investments (continued):

(a) Cummins Westport Inc. (continued):

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

	December 31, 2017	December 31, 2016
Current assets:		
Cash and short-term investments	$ 91,720	$ 95,623
Accounts receivable	10,925	5,018
Other current assets	—	209
Long-term assets:		
Property, plant and equipment	1,245	1,074
Deferred income tax assets	28,096	45,321
Total assets	$ 131,986	$ 147,245
Current liabilities:		
Current portion of warranty liability	$ 25,866	$ 26,206
Current portion of deferred revenue	22,157	20,070
Accounts payable and accrued liabilities	12,603	7,125
	60,626	53,401
Long-term liabilities:		
Warranty liability	16,253	27,282
Deferred revenue	38,321	41,788
Other long-term liabilities	3,175	2,863
	57,749	71,933
Total liabilities	$ 118,375	$ 125,334

	Years ended December 31,		
	2017	2016	2015
Product revenue	$ 235,220	$ 205,235	$ 274,033
Parts revenue	82,077	71,230	57,849
	317,297	276,465	331,882
Cost of revenue and expenses:			
Cost of product and parts revenue	207,840	199,317	230,508
Research and development	30,733	36,066	30,165
General and administrative	1,113	1,136	1,414
Sales and marketing	19,675	23,047	21,236
Foreign exchange (gain) loss	51	8	28
Bank charges, interest and other	609	695	817
	260,021	260,269	284,168
Income from operations	57,276	16,196	47,714
Interest and investment income	982	552	367
Income before income taxes	58,258	16,748	48,081
Income tax expense (recovery):			
Current	16,068	4,680	19,785
Deferred (1)	17,226	856	(1,565)
	33,294	5,536	18,220
Income for the year	$ 24,964	$ 11,212	$ 29,861

(1) As a result of the U.S. tax reform substantially enacted in the fourth quarter of 2017, CWI recorded a deferred tax expense of $13,423 in 2017 arising from related adjustments to deferred income tax assets.

10. Property, plant and equipment:

December 31, 2017	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 4,947	$ 1,412	$ 3,535
Computer equipment and software	7,742	7,438	304
Furniture and fixtures	5,844	4,085	1,759
Machinery and equipment	91,995	33,543	58,452
Leasehold improvements	14,079	7,763	6,316
	$ 124,607	$ 54,241	$ 70,366

December 31, 2016	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 4,471	$ 1,127	$ 3,344
Computer equipment and software	8,682	6,970	1,712
Furniture and fixtures	6,004	2,544	3,460
Machinery and equipment	72,992	33,893	39,099
Leasehold improvements	13,597	6,636	6,961
	$ 105,746	$ 51,170	$ 54,576

During the year ended December 31, 2017, the Company recorded an impairment charge of $1,550 (December 31, 2016 - $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.

Total depreciation expense for the year ended December 31, 2017 was $11,531 (year ended December 31, 2016 - $12,305; year ended December 31, 2015 - $10,703). The amount of depreciation expense included in cost of sales for the year ended December 31, 2017 was $5,146 (year ended December 31, 2016 - $4,266; year ended December 31, 2015 - $1,918).

11. Intangible assets:

December 31, 2017	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 22,031	$ 6,995	$ 15,036
Technology	5,400	4,059	1,341
Customer contracts	12,964	8,404	4,560
Other intangibles	351	345	6
Total	$ 40,746	$ 19,803	$ 20,943

December 31, 2016	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 19,679	$ 5,028	$ 14,651
Technology	4,735	3,068	1,667
Customer contracts	11,419	6,053	5,366
Other intangibles	319	171	148
Total	$ 36,152	$ 14,320	$ 21,832

Based on declining revenue and operating results in one business unit, the Company concluded there were impairment indicators as of November 30, 2017 requiring the performance of a long-lived assets impairment test for trademarks, customer contracts, and technology for this business unit. The Company completed its assessment at November 30, 2017, and concluded that intangible assets were not impaired.

During the year ended December 31, 2017, amortization of $3,452 (December 31, 2016 - $3,059; year ended December 31, 2015 - $2,951) was recognized in the statement of operations.

12. Goodwill:

A continuity of goodwill is as follows:

	December 31, 2017	December 31, 2016
Balance, beginning of year	$ 2,923	$ 3,008
Impact of foreign exchange changes	401	(85)
Balance, end of year	$ 3,324	$ 2,923

The Company completed its annual assessment at November 30, 2017 and concluded that the remaining goodwill of $3,324 related to the Netherlands reporting unit under the Automotive business segment was not impaired.

13. Accounts payable and accrued liabilities:

	December 31, 2017	December 31, 2016
Trade accounts payable	$ 60,705	$ 59,096
Accrued payroll	17,188	11,617
Accrued interest	1,567	1,977
Due to related parties (note 20)	—	1,191
Taxes payable	511	695
Other payables	7,179	5,367
	$ 87,150	$ 79,943

14. Restructuring, termination and other exit obligations:

	Years ended December 31,					
	2017			2016		
	Termination	Lease-exit	Total	Termination	Lease-exit	Total
Balance, beginning of year	$ 3,278	$ 10,845	$ 14,123	$ —	$ —	$ —
Additions	5,785	69	5,854	7,198	11,802	19,000
Additions: Interest and other	—	698	698	—	509	509
Payments	(8,085)	(6,102)	(14,187)	(3,876)	(1,196)	(5,072)
Impact of foreign exchange	222	431	653	(44)	(270)	(314)
Change in estimate	(24)	(4,148)	(4,172)	—	—	—
Balance, end of year	1,176	1,793	2,969	3,278	10,845	14,123
Less: current portion	(1,176)	(1,793)	(2,969)	(2,903)	(2,505)	(5,408)
Long-term portion	$ —	$ —	$ —	$ 375	$ 8,340	$ 8,715

During 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.

During 2017, the Company continued its restructuring activities and further implemented reductions in workforce, resulting in employee severance and termination benefits in Canada, Italy, China and Argentina.

The remaining balance of the lease-exit obligations as at December 31, 2017 is related to a 10-year lease commitment for 116,000 square feet of office space located in Vancouver, Canada, which the Company exited as part of the restructuring activities. The lease commitment was renegotiated and a final settlement agreement was signed in July 2017 at which time the Company reversed $4,148 of its lease-exit estimate. The remaining liability as at December 31, 2017 of $1,793 was paid in the first quarter of 2018.

15. Long-term debt:

	December 31, 2017	December 31, 2016
Term loan facility, net of debt issuance costs (a)	18,987	—
Senior financing (b)	10,901	10,553
Convertible debt (c)	17,335	17,286
Other bank financing (d)	6,562	9,949
Capital lease obligations (e)	637	781
Subordinated debenture notes (f)	—	40,463
Balance, end of period	$ 54,422	$ 79,032
Current portion	(8,993)	(48,097)
Long-term portion	$ 45,429	$ 30,935

(a) On December 20, 2017, the Company entered into a loan agreement with Export Development Canada ("EDC") for a $20,000 non-revolving term facility (the "Term Facility"). The loan bears interest at 9% plus monitoring fees, payable quarterly, as well as quarterly principal repayments. The Company incurred debt issuance costs of $1,013 related to the Term Facility, which reduced the carrying value to $18,987 at December 31, 2017. These costs will be amortized over the term of the Term Facility using the effective interest rate method.

The loan is secured by share pledges over Westport Power, Inc., Fuel Systems Solutions, Inc., and MTM S.r.L. and 85% of the proceeds received from the holdback related the sale of APU business (as discussed in note 6). On reaching certain milestones, the Company has the opportunity to reduce the interest rate to 6%.

15. Long-term debt (continued):

(b) The €10,000 senior financing facility was renewed on March 24, 2017. The loan bears 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. The repayments are summarized in the table below, where the last repayment is on December 31, 2022.

(c) On January 11, 2016, the Company entered into a financing agreement ("Tranche 2 Financing") with Cartesian. As part of the agreement, on June 1, 2016, convertible debt was issued in exchange for 9.0% convertible unsecured notes due June 1, 2021, which are convertible into common shares of the Company in whole or in part, at Cartesian's option, at any time following the twelve month anniversary of the closing at a conversion price of $2.17 per share. Interest is payable annually in arrears on December 31 of each year during the term. 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. Cartesian is secured by an interest in the Company's HPDI 2.0 intellectual property and a priority interest in the Company's CWI joint venture interest.

(d) Other bank financing consists of various secured and unsecured bank financing arrangements that carry rates of interest ranging from 0.75% to 3.8% and have various maturities out to 2022. Security includes a building owned by the Company in the Netherlands and certain accounts receivable in one of our Italian subsidiaries.

(e) The Company has capital lease obligations that have terms of three to five years at interest rates ranging from 3.1% to 12.0% (2015 - 2.3% to 11.0%).

(f) The subordinated debenture notes were unsecured and, bore interest at 9% per annum which was paid semi-annually. The Company repaid these notes in full on their maturity in September 2017.

Throughout the entire term of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of December 31, 2017, the Company is in compliance with all covenants under the financing arrangements.

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

	Term loan facility	Senior financing	Convertible debt	Other bank financing	Capital lease obligations	Total
2018	$ 1,747	$ 1,838	$ —	$ 5,122	$ 286	$ 8,993
2019	3,747	1,971	—	360	139	6,217
2020	5,747	2,106	—	360	100	8,313
2021	7,746	2,363	17,335	360	80	27,884
2022 and thereafter	—	2,623	—	360	32	3,015
	$ 18,987	$ 10,901	$ 17,335	$ 6,562	$ 637	$ 54,422

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 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. Cartesian is secured by an interest in the Company's HPDI intellectual property and a priority interest in the Company's CWI joint venture interest.

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

The sale of the APU business and the sale of additional Industrial assets (as described in note 6) resulted in royalty prepayments to Cartesian of $10,935. The Company recorded an additional finance charge of $5,236 in the second quarter of 2017 on this early extinguishment of a portion of the long-term royalty payable on the completion of these transactions.

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

	December 31, 2017	December 31, 2016
Balance, beginning of year	$ 21,562	$ —
Issuance of debentures	—	17,500
Accretion expense	3,168	4,062
Repayment	(10,935)	—
Additional finance charge from prepayment	5,236	—
Balance, end of year	19,031	21,562
Current portion	(2,390)	(1,500)
Long-term portion	$ 16,641	$ 20,062

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

2018	$ 2,390
2019	4,682
2020	6,240
2021	7,572
2022	6,240
2023 and thereafter	7,920
	$ 35,044

17. Warranty liability:

A continuity of the warranty liability is as follows:

	Years ended December 31,		
	2017	2016	2015
Balance, beginning of year	$ 12,239	$ 13,991	$ 23,109
Warranty assumed on acquisition	—	3,173	—
Warranty claims	(3,022)	(8,002)	(9,438)
Warranty accruals	1,446	1,719	427
Change in estimate	(2,963)	—	—
Impact of foreign exchange changes	(914)	1,358	(107)
Balance, end of year	6,786	12,239	13,991
Less: Current portion	(3,956)	(6,032)	(5,554)
Long-term portion	$ 2,830	$ 6,207	$ 8,437

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.

On July 19, 2017, the Company issued 16,700,000 common shares at a price of $1.50 per share, for gross proceeds of $25,050. On July 28, 2017, the Company issued an additional 2,425,000 common shares at $1.50 for gross proceeds of $3,638, when the underwriters exercised their over-allotment option. Transaction costs of $2,735 were incurred resulting in net proceeds from the equity issuance of $25,953.

During the year ended December 31, 2017, the Company issued 2,045,617 common shares, net of cancellations, upon exercises of share units and in connection with earn out payments, (year ended December 31, 2016 – 845,491 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, 2017, the Company recognized $6,961 (year ended December 31, 2016 - $10,450; year ended December 31, 2015 – $14,871) of stock-based compensation associated with the Westport Omnibus Plan and the former Amended and Restated Unit Plan.

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

A continuity of the Units issued under the Westport Omnibus Plan and the former Amended and Restated Unit Plan as of December 31, 2017, December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2017		December 31, 2016		December 31, 2015	
	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	6,664,591	$ 6.75	9,657,921	$ 7.62	5,337,873	$ 10.27
Granted	993,659	2.18	684,402	2.90	5,556,630	6.74
Exercised/vested	(2,045,617)	6.31	(845,491)	10.26	(575,024)	11.49
Forfeited/expired	(1,102,643)	6.51	(2,832,241)	6.60	(661,558)	10.34
Outstanding, end of year	4,509,990	$ 6.00	6,664,591	$ 6.75	9,657,921	$ 7.62
Units outstanding and exercisable, end of year	636,073	$ 5.38	1,891,008	$ 7.77	1,150,294	$ 9.58

During 2017, 993,659 (2016 - 684,402) restricted share units were granted to directors, executives and employees. 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. Subsequent to year end, there was a sufficient number of shares available in the Westport Omnibus Plan to complete the awarding of the 1,460,000 remaining PSU's from the 2015 grant. Through December 31, 2017 these PSU's were being treated as a liability until this condition was met.

As at December 31, 2017, $1,736 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 5 months.

(b) Aggregate intrinsic values:

The aggregate intrinsic value of the Company's share units at December 31, 2017 and 2016 are as follows:

	December 31, 2017 CDN$	December 31, 2016 CDN$
Share units:		
Outstanding	$ 21,332	$ 10,130
Exercisable	3,009	2,874

(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,		
	2017	2016	2015
Research and development	$ 1,182	$ 6,010	$ 9,915
General and administrative	5,450	2,334	2,224
Sales and marketing	329	2,106	2,732
	$ 6,961	$ 10,450	$ 14,871

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, 2017 (year ended December 31, 2016 – 26%; year ended December 31, 2015 – 26%) as follows:

	2017	2016 (Adjusted, Note 6)	2015
Loss before income taxes	$ (65,530)	$ (95,445)	$ (98,423)
Expected income tax recovery	(17,055)	(24,816)	(25,580)
Increase (reduction) in income taxes resulting from:			
Non-deductible stock-based compensation	786	2,176	3,553
Other permanent differences	3,185	5,543	(76)
Withholding taxes	444	1,109	1,429
Change in enacted tax rates	22,960	—	—
Foreign tax rate differences, foreign exchange and other adjustments	138	(4,560)	(138)
Non-taxable income from equity investment	(3,245)	925	(4,313)
Change in valuation allowance	(11,637)	32,583	21,036
Goodwill impairment	—	—	4,820
Change in uncertain tax position	—	301	—
Bargain purchase gain	—	(9,311)	—
Income tax expense (recovery)	$ (4,424)	$ 3,950	$ 731

19. Income taxes (continued):

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

	December 31, 2017	December 31, 2016
Deferred income tax assets:		
Net loss carry forwards	$ 189,627	$ 190,885
Intangible assets	6,502	10,319
Property, plant and equipment	13,046	11,879
Warranty liability	3,290	4,056
Foreign tax credits	5,241	5,233
Inventory	4,668	3,806
Research and development	5,795	4,710
Other	13,190	15,288
Total gross deferred income tax assets	241,359	246,176
Valuation allowance	(239,511)	(244,536)
Total deferred income tax assets	1,848	1,640
Deferred income tax liabilities:		
Intangible assets	(4,062)	(4,517)
Property, plant and equipment	(231)	(596)
Other	(323)	(796)
Total deferred income tax liabilities	(4,616)	(5,909)
Total net deferred income tax liabilities	$ (2,768)	$ (4,269)
Allocated as follows:		
Deferred income tax assets	1,848	1,640
Deferred income tax liabilities	(4,616)	(5,909)
Total net deferred income tax liabilities	$ (2,768)	$ (4,269)

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, 2017				
Canada	$ (61,458)	(3,737)	(17)	$ (3,754)
United States	3,023	17	—	17
Italy	2,433	493	(1,470)	(977)
Other	(9,528)	447	(157)	290
	$ (65,530)	$ (2,780)	$ (1,644)	$ (4,424)
Years ended December 31, 2016 (Adjusted, note 6)				
Canada	$ (104,060)	$ 56	$ 120	$ 176
United States	14,926	7	—	7
Italy	(4,324)	192	1,440	1,632
Other	(1,987)	1,355	780	2,135
	$ (95,445)	$ 1,610	$ 2,340	$ 3,950
Years ended December 31, 2015				
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

19. Income taxes (continued):

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

	2018	2019	2020	2021 and later	Total
Canada	$ —	$ —	$ —	$ 482,755	$ 482,755
Italy	—	—	—	17,354	17,354
United States	—	—	—	105,325	105,325
Sweden	—	—	—	21,118	21,118
Other	1,036	6,417	4,934	15,605	27,992
Total	$ 1,036	$ 6,417	$ 4,934	$ 642,157	$ 654,544

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, 2017, the total amount of the Company's uncertain tax benefits was $4,345 (year ended December 31, 2016 - $2,745). 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 2014 to 2017 taxation years remain open to examination by the Internal Revenue Service and the 2012 to 2017 taxation years remain open to examination by the Italian Revenue Agency, and various years remain open in the other foreign jurisdictions.

20. Related party transactions:

The Company's related parties are CWI, Cartesian, directors, officers and shareholders which own greater than 10% of the Company's shares. During 2017, Mr. Costamagna, the former Chief Executive Officer ("CEO") of Fuel Systems, left the Company's Board of Directors and was no longer considered a related party. Mr. Costamagna and his associated companies continue to supply facilities, products and services to the Company.

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, 2017	December 31, 2016
Receivables:		
Entities related to Mariano Costamagna (a)	$ N/A	$ 237
Cummins Westport Inc. (b)	150	236
Ideas & Motion S.r.L. (c)	6	15
	$ 156	$ 488
Payables:		
Entities related to Mariano Costamagna (a)	$ N/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 9). 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.

20. Related party transactions (continued):

(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,			
	2017		2016	
	Purchases	Sales	Purchases	Sales
Related party company:				
Entities related to Mariano Costamagna	$ N/A	$ N/A	$ 2,592	$ 412
Cummins Westport Inc.	—	2,721	—	2,744
Ideas & Motion S.r.L.	—	69	—	43
	$ —	$ 2,790	$ 2,592	$ 3,199

(d) Other transactions with related parties:

Peter Yu, founder and managing partner of Cartesian, was elected as a Director of the Company in January 2016 in connection with the convertible debt (note 15(c)) and royalty payable (note 16), which are related party balances. The Company made an interest payment on the convertible debt of $919 in 2017 to Cartesian. In addition, the Company made a payment of $10,935 to Cartesian relating to the royalty payable during the year ended December 31, 2017 and has continued to accrue interest in accordance with the terms of the agreements. In addition, fees of $250 were paid to Cartesian during the year ended December 31, 2017.

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:

2018	$	7,165
2019		4,518
2020		3,129
2021		1,319
2022		1,129
Thereafter		555
	$	17,815

For the year ended December 31, 2017, the Company incurred operating lease expense of $4,782 (year ended December 31, 2016 - $5,675; year ended December 31, 2015 - $3,763).

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

(b) Contingencies

On June 15, 2017, the Enforcement Division of the SEC issued a subpoena to Westport Fuel Systems for information concerning its Weichai Westport Inc. joint venture and compliance with the U.S. Foreign Corrupt Practices Act ("FCPA") in connection with the Westport Fuel Systems operations in China. The SEC Enforcement Division issued a follow up subpoena on February 14, 2018. Westport Fuel Systems is cooperating with these requests and cannot predict the duration, scope or outcome of the SEC's investigation. The investigation being conducted by the SEC has required and will continue to require significant resources.

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.

(c) 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.

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.

Automotive Business Segment

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 Company serves 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 under 11 well-recognized and well-established brands. The Company supplies 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.

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.

With effect from the first quarter of 2017, the high pressure components and electronics product lines, formerly classified under the Industrial Business segment, were consolidated into the Automotive business and the comparative balances were reclassified accordingly.

Industrial Business Segment

On April 28, 2017, the Company reached an agreement to sell its APU business and on May 30, 2017, the Company sold additional assets of the Industrial business. The Industrial Business segment is no longer considered an operating segment and is reclassified to discontinued operations in the first quarter of 2017 (see note 6).

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 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 primarily 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.

22. Segment information (continued):

Corporate and Technology Investments Segment (continued)

Westport's proprietary High Efficiency Spark ignited ("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.

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. In April 2016, the Company sold a portion of its economic interest in WWI 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 subsequent to the first quarter of 2016.

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.

Financial information by business segment as follows:

	Years ended December 31,		
	2017	2016	2015
Revenue:			
Automotive	$ 239,393	$ 172,232	$ 100,108
Corporate and Technology Investments	7,670	5,162	3,196
CWI	317,297	276,465	331,882
WWI	—	29,931	185,967
Total segment revenues	564,360	483,790	621,153
Less: equity investees' revenue	(317,297)	(306,396)	(517,849)
Consolidated revenue from continuing operations	$ 247,063	$ 177,394	$ 103,304
Consolidated revenue from discontinuing operations	$ 29,038	$ 47,501	$ —

22. Segment information (continued):

	Years ended December 31,		
	2017	2016	2015
Operating income (loss):			
Automotive	$ (808)	$ (18,136)	$ (21,855)
Corporate and Technology Investments	(60,332)	(76,118)	(77,283)
Restructuring	(1,682)	(19,000)	—
Foreign exchange gain (loss)	(562)	(6,565)	11,601
Impairment of long lived assets, net	(1,550)	(4,843)	(22,722)
CWI	57,276	29,782	51,011
WWI	—	718	3,784
Total segment operating loss	(7,658)	(94,162)	(55,464)
Less: equity investees' operating income	(57,276)	(30,500)	(54,795)
Consolidated loss from continuing operations	$ (64,934)	$ (124,662)	$ (110,259)
Consolidated income (loss) from discontinued operations	$ (845)	$ 2,789	$ —

	Years ended December 31,		
	2017	2016	2015
Total additions to long-lived assets, excluding business combinations:			
Automotive	$ 3,388	$ 3,364	$ 1,350
Corporate and Technology Investments	21,900	5,290	3,495
	$ 25,288	$ 8,654	$ 4,845

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,		
	2017	2016	2015
Europe	60%	63%	48%
Americas	20%	23%	40%
Asia	12%	12%	12%
Others	8%	2%	—%

As at December 31, 2017, total goodwill of $ 3,324 (December 31, 2016 - $2,923) was allocated to the Automotive segment.

As at December 31, 2017, total long-term investments of $8,756 (December 31, 2016 - $12,996) was allocated to the Corporate and Technology Investments segment and $546 (December 31, 2016 - $426) to the Automotive segment.

22. Segment information (continued):

Total assets are allocated as follows :

	Total assets by operating segment	
	Years ended December 31	
	2017	2016
Automotive	$ 257,374	$ 270,594
Industrial	—	—
Corporate and Technology Investments and unallocated assets	50,084	23,768
CWI	131,986	147,245
	$ 439,444	$ 441,607
Add: assets held for sale	6,164	37,098
Less: equity investees' total assets	(131,986)	(147,245)
Total consolidated assets	$ 313,622	$ 331,460

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, 2017	Fixed assets	Intangible assets and goodwill	Total
Italy	$ 25,221	$ 19,476	$ 44,697
Canada	39,732	317	40,049
United States	1,587	—	1,587
Rest of Europe	2,860	4,474	7,334
Asia Pacific	2,211	—	2,211
	71,611	24,267	95,878
Less: equity investees' long lived assets	(1,245)	—	(1,245)
Total consolidated long-lived assets	$ 70,366	$ 24,267	$ 94,633

December 31, 2016 (Adjusted, note 6)	Fixed assets	Intangible assets and goodwill	Total
Italy	$ 26,713	$ 19,942	$ 46,655
Canada	19,429	351	19,780
United States	3,699	—	3,699
Rest of Europe	2,712	4,462	7,174
Asia Pacific	3,097	—	3,097
	55,650	24,755	80,405
Less: equity investees' long lived assets	(1,074)	—	(1,074)
Total consolidated long-lived assets	$ 54,576	$ 24,755	$ 79,331

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, 2017, the Company has $71,842 of cash, cash equivalents and short-term investments.

The following are the contractual maturities of financial obligations as at December 31, 2017:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	>5 years
Accounts payable and accrued liabilities	$ 87,150	$ 87,150	$ 87,150	$ —	$ —	$ —
Restructuring obligation (note 14)	2,969	2,969	2,969	—	—	—
Term loan facility (note 15 (a))	18,987	26,868	5,362	13,116	8,390	—
Senior revolving financing (note 15 (b))	10,901	11,742	2,195	4,475	5,072	—
Convertible debt (note 15 (c))	17,335	22,711	1,575	3,150	17,986	—
Other bank financing (note 15 (d))	6,562	6,645	5,191	732	722	—
Capital lease obligations (note 15 (e))	637	675	309	253	113	—
Long-term royalty payable (note 16)	19,031	35,044	2,011	11,056	14,057	7,920
Operating lease commitments	—	17,815	9,032	6,458	2,186	139
	$ 163,572	$ 211,619	$ 115,794	$ 39,240	$ 48,526	$ 8,059

(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 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, 2017, 81% (December 31, 2016 - 89%) of accounts receivable relates to customer receivables, and 19% (December 31, 2016 - 11%) relates to amounts due from related parties and income tax authorities for value added taxes and other tax related refunds. In order to minimize the risk of loss for customer receivables, the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. Most sales are invoiced with payment terms in the range of 30 days to 90 days. 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.

23. Financial Instruments (continued):

(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.

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, 2017 is as follows:

	US Dollars
Cash and cash equivalents	$ 30,859
Accounts receivable	10,624
Accounts payable	3,594
Long-term debt, including current portion	36,322
Long-term royalty payable, including current portion	19,031

(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, 2017 had increased or decreased by 50 basis points, with all other variables held constant, net loss for the year ended December 31, 2017 would have increased or decreased by $60.

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 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 value of the Term Facility included in the long-term debt (note 15(a)) approximates its fair values as the loan was executed shortly before the 2017 year end. The carrying value reported in the balance sheet for the senior financing (note 15(b)) approximates its fair value as at December 31, 2017, as the interest rates on the debt is floating and therefore approximates the market rates of interest.

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, 2017, cash and cash equivalents and short-term investments are measured at fair value on a recurring basis and are included in Level 1.

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") for Westport Fuel Systems Inc. (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, 2017. 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 22, 2018.

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

Westport Fuel Systems is the premier global company for the engineering, manufacturing, and supply of alternative fuel systems and components. Our diverse and complete product offering sold under established global brands address a broad range of alternative fuels including liquid petroleum gas (“LPG”) , compressed natural gas (“CNG”) , liquid natural gas (“LNG”), renewable natural gas (“RNG”) , and hydrogen which have environmental and economic advantages. We supply our products and services through a global network of distributors and numerous Original Engine Manufacture (“OEM”) and delayed OEM (“DOEM”) customers in more than 70 countries. Today our products and services are available for the passenger car and light-, medium- and heavy-duty, HHP, cryogenics, and CNG refueling markets.

We are leveraging our 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 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 reached a significant milestone during 2017 with the shipment of the first commercial Westport High Pressure Direct Injection 2.0 ("Westport™ HPDI 2.0") components to our European OEM launch partner. 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 have a wide range of brands and products for diverse applications and markets; we offer market-ready solutions for global environmental challenges; and we occupy a premier technology leadership position. Our operationally focused leadership team has deep expertise in successful organizational structure, customer satisfaction, and financial discipline. We are building a sustainable, profitable company that delivers value to customers, shareholders, employees, and the environment.

CWI, our 50:50 joint venture with Cummins, Inc. ("Cummins"), had record income before income taxes of $58.3 million in 2017. The tax reform in the United States will significantly benefit CWI for 2018 and future years due to the lower corporate tax rate, despite resulting in a $13.4 million tax charge in 2017.

The Company recorded revenues of $247.1 million in 2017, an increase of 39% over 2016, primarily as a result of consolidating a full year of Fuel Systems Solutions, Inc ("Fuel Systems") results since the merger on June 1, 2016. Our Adjusted EBITDA (see non-GAAP measures in this MD&A) decreased from a loss of $43.4 million in 2016 to a loss of $17.9 million in 2017, a 59% improvement. The decreased loss is a result of strong operating performance, merger synergies, record results from CWI and lower spending on research and development,

During 2017 and through March 22, 2018, the Company completed a number of significant undertakings to improve its liquidity position, strengthen its balance sheet and simplify the number of businesses that the Company will focus on.

- On April 28, 2017, the Company closed the transaction to sell the Industrial segment's Auxiliary Power Unit ("APU") business for total consideration of $70.0 million.
- On May 30, 2017, the Company sold additional Industrial assets for total consideration of $17.5 million.
- In July 2017, the Company completed an equity offering where it issued 19,125,000 common shares for gross proceeds of $28.7 million.
- In September 2017, the Company repaid $CDN 55.0 million of maturing debt. This debt was unsecured and carried a 9% interest rate. Approximately $CDN 5.0 million of this debt was tendered to the Company in August 2017 and a 1% premium was paid.
- In December 2017, the Company received $20.0 million as part of a loan agreement with Export Development Canada.

LIQUIDITY AND GOING CONCERN

In connection with preparing financial statements for each annual and interim reporting period Management is required to 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 that the financial statements are issued. When substantial doubt exists, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that the financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the 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.

At this time Management's evaluation has concluded that there are no known or foreseeable conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements were issued. The Company's financial statements have therefore been prepared on the basis that the Company will continue as a going concern.

At December 31, 2017, the Company's net working capital was $80.5 million (2016 - $54.0 million) including cash and cash equivalents of $71.8 million (2016 - $60.9 million), and its long-term debt was $54.4 million of which $9.0 million matures in 2018. The Company incurred a significant loss from continuing operations of $61.1 million (2016 - $99.4 million) and negative cash flows from continuing operating activities during 2017 of $47.5 million (2016 - $80.4 million) and has accumulated a deficit of $966.9 million since inception. In the course of 2017, the Company completed significant non-core asset sales and a capital increase which allowed repayment of long-term debt otherwise coming due in 2017, and increased the Company's cash available to fund future operations. The Company continues to work towards its goals of increasing revenues and reducing expenditures, which Management expects will improve results from operations and operating cash flows in 2018. In particular, with the HPDI 2.0 product now in production, management expects that the engineering and development spend and the associated capital expenditures on this product will decrease significantly in 2018 and this reduction will, itself, improve cash flows. In addition, the Company continues to examine non-core 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 or invest in these assets.

Management is confident that the cash on hand at December 31, 2017 and the improvements to the operations expected for 2018 will provide the cash flow necessary to fund operations over the next year to March 31, 2019. The ability of the Company to continue as a going concern beyond one year will be dependent on the Company's ability to generate positive results from operations and cash flows or on its ability to raise additional financings to fund future operations. If, as a result of future events, the Company was to determine it was no longer able to continue as a going concern, significant adjustments would be required to the carrying value of its assets and liabilities in the accompanying financial statements and the adjustments could be material.

Operating Business Units

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

Automotive Business Segment

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.

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 under 11 well-recognized and well-established brands. 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.

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.

With effect from Q1 2017, the high pressure components and electronics product lines, formerly classified under the Industrial Business Segment, were consolidated into the Automotive business and the comparative balances reclassified accordingly.

Industrial Business Segment

On April 28, 2017, the Company completed the sale of the Auxiliary Power Unit ("APU") business, and on May 30, 2017, the Company sold additional assets of the Industrial business. Effective from Q1 2017, the Industrial Business Segment is no longer considered an operating segment and has been reclassified to discontinued operations retrospectively.

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 primarily manufactured in partner 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 are developed with core components of Westport's HPDI™ 2.0 fuel system.

Westport’s proprietary High Efficiency Spark ignited ("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.

Cummins Westport Inc. ("CWI") 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

WWI is a joint venture between the Company, Weichai Holding Group Co. Ltd. and Hong Kong Peterson (CNG) Equipment Ltd. focusing on the Chinese market. In April 2016, the Company sold a portion of its economic interest in WWI and the Company discontinued reporting of WWI on an equity basis since the Company no longer had significant influence in the joint venture from that date. Accordingly, the Company has not considered WWI a business segment subsequent to the first quarter of 2016.

Change to Operating Segments in Q1 2018

Effective January 2018, commensurate with the commercial launch of Westport HPDI 2.0™, the company restructured its business segments to allow for further integration of product offerings. The Westport HPDI 2.0™ product line and all other Technology related activities previously reported under the Corporate & Technology segment will be combined with the Automotive business segment and renamed Transportation.

Under the new organization structure, the Company will manage and report the results of its business through three segments: Transportation, the CWI Joint Venture, and Corporate:

- Transportation: consists of the previous Automotive segment with the addition of the Westport HPDI 2.0™ product line, technologies such as HESI and electronics, current and advanced research and development programs, supply chain, and product planning activities. This segment is accountable for driving strategy, creating business value, and delivering financial performance.
- CWI Joint Venture: represents Westport Fuel Systems 50% share in the CWI joint venture.
- Corporate: responsible for public company activities, corporate oversight and general administrative duties.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth a summary of our financial results for 2017, 2016 and 2015. The 2016 results include seven months results from Fuel Systems as a result of the merger effective June 1, 2016.

Selected Consolidated Statements of Operations Data

	Years ended December 31,		
	2017	**2016** (Adjusted, Note 2)	**2015**
(expressed in millions of United States dollars, except for per share amounts and shares outstanding)			
Revenue	$ 247.1	$ 177.4	$ 103.3
Gross margin	64.2	36.3	18.1
GM %	26.0%	20.5%	17.5%
Net loss from continuing operations (1)	(61.1)	(99.4)	(99.2)
Net income from discontinued operations (2)	51.1	1.8	—
Net loss	(10.0)	(97.6)	(99.2)
Net loss per share from continuing operations - basic and diluted	(0.51)	(1.09)	(1.55)
Net loss per share	(0.08)	(1.07)	(1.55)
Weighted average basic shares outstanding	119,558,566	91,028,504	64,109,703
Weighted average diluted shares outstanding	132,133,072	99,757,611	64,109,703

(1) **Significant items in comparative period:** the comparative 2016 period data include revenue from Fuel Systems' business for the seven-month period since the June 1, 2016 acquisition, a bargain purchase gain of $35.8 million, and a $19.0 million restructuring provision recorded for severance and facility closures.

(2) **Sales of Industrial business:** with effect from the first quarter of 2017, the Industrial business segment was reclassified retrospectively as discontinued operations and in the second quarter of the same year, the majority of its assets were sold generating a net gain of $58.3 million that is included in net income from discontinued operations and net income fo r2017. See note 6 in the consolidated financial statements.

The following table sets forth a summary of our financial position as at December 31, 2017 and December 31, 2016:

Selected Balance Sheet Data

	December 31, 2017	**December 31, 2016**
(expressed in millions of United States dollars)		
Cash and cash equivalents	$ 71.8	$ 60.9
Total assets	313.6	331.5
Debt, including current portion (1)	54.4	79.0
Royalty payable, including current portion	19.0	21.6
Total liabilities	195.6	246.0
Shareholder's equity	118.0	85.4

(1) During the year, the Company repaid $CDN 55.0 million of maturing debt. A new loan for $20.0 million was established with EDC with this principal being repaid over four years. As a result of these transactions, our current ratio has improved significantly.

The following table sets forth a summary of the financial results of the CWI Joint Venture for 2017, 2016 and 2015.

Selected CWI Statements of Operations Data

	Years ended December 31,		
	2017	**2016**	**2015**
(expressed in millions of United States dollars)			
Total revenue	$ 317.3	$ 276.5	$ 331.9
Gross margin	109.5	77.1	101.4
GM %	34.5%	27.9%	30.6%
Net income before income taxes	58.3	16.7	48.1
Net income attributable to the Company (1)	12.5	5.6	14.9

(1) As a result of the U.S. tax reform substantially enacted in the fourth quarter of 2017, CWI recorded a deferred tax expense of $13.4 million in 2017.

RESULTS FROM OPERATIONS

The following tables summarize results by segment for 2017, 2016 and 2015.

Items Affecting Comparability of Results from 2016 to 2017

(1) The year ended December 31, 2016 includes only seven months of Fuel Systems' results and this is reported in the "Automotive" segment in the tables below.
(2) 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").

Revenue 2017/2016

Total consolidated revenues increased $69.7 million, or 39% from $177.4 million in 2016 to $247.1 million in 2017 largely due to 2016 only including seven months of Fuel Systems' results.

The following table summarizes revenues by segment for the year ended December 31, 2017 compared to the year ended December 31, 2016:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2017	2016	$	%
Automotive	$ 239.4	$ 172.3	$ 67.1	39 %
Corporate and Technology Investments	7.7	5.1	2.6	51 %
CWI	317.3	276.5	40.8	15 %
WWI	—	29.9	(29.9)	(100)%
Total segment revenues	$ 564.4	$ 483.8	$ 80.6	17 %
Less: Equity investees' revenues	317.3	306.4	10.9	4 %
Total consolidated revenues	$ 247.1	$ 177.4	$ 69.7	39 %

Automotive revenue for the year ended December 31, 2017 was $239.4 million compared with $172.3 million for the year ended December 31, 2016. The increase in revenue was primarily due to the consolidation of Fuel Systems for twelve months as opposed to seven months in 2016. Total Automotive revenue for the year ended December 31, 2016 includes sales from the Fuel Systems' business for the seven month period since the June 1, 2016 acquisition. In addition, there was a 2% appreciation in the Euro compared to the US dollar, and strong sales in the European aftermarket business.

Corporate and Technology Investments revenue for the year ended December 31, 2017 was $7.7 million compared with $5.1 million for the year ended December 31, 2016. The Company continues to achieve revenue-generating milestones with its HPDI 2.0 launch customer and with various other customers, and in the fourth quarter of 2017, the Company began selling its HPDI 2.0 products.

CWI revenue for the year ended December 31, 2017 was $317.3 million compared with $276.5 million for the year ended December 31, 2016. Unit sales for the year ended December 31, 2017 were 7,955 compared to 7,232 for the year ended December 31, 2016. The increase in revenue was primarily due to the increase in units sold and an increase in parts revenue attributed to the increase in the natural gas engine population in service.

Gross Margin 2017/2016

Total consolidated gross margin increased $27.9 million, or 77% from $36.3 million in 2016 to $64.2 million in 2017.

The following table presents gross margin by segment for 2017 compared to 2016:

(expressed in millions of U.S. dollars)

	Year ended December 31, 2017	% of Revenue	Year ended December 31, 2016	% of Revenue	Change $	Change %
Automotive	$ 57.9	24%	$ 32.2	19%	$ 25.7	80 %
Corporate and Technology Investments	6.3	82%	4.1	80%	2.2	54 %
CWI	109.5	35%	77.1	28%	32.4	42 %
WWI	—	—%	3.0	10%	(3.0)	(100)%
Total segment gross margin	$ 173.7	31%	$ 116.4	24%	$ 57.3	49 %
Less: equity investees' gross margin	109.5	35%	80.1	26%	29.4	37 %
Total consolidated gross margin	$ 64.2	26%	$ 36.3	20%	$ 27.9	77 %

Automotive gross margin increased by $25.7 million to $57.9 million, or 24% of revenue, for the year ended December 31, 2017, compared to $32.2 million, or 19% of revenue for the year ended December 31, 2016. Gross margins increased due to higher revenues, lower obsolescence charges, an acquisition-related adjustment in the prior year and cost reductions resulting from the restructuring activities beginning in the third quarter of 2016.

Corporate and Technology Investments gross margin for the year ended December 31, 2017 was $6.3 million compared with $4.1 million for the year ended December 31, 2016. The Company continues to achieve milestones with its HPDI 2.0 launch customer and other partners.

CWI gross margin increased by $32.4 million to $109.5 million, or 35% of revenue from $77.1 million or 28% of revenue in the prior year. The increase in gross margin and gross margin percentage is driven by higher revenues, a favorable parts revenue mix compared to the prior year. In addition, there was a positive warranty adjustment of $9.9 million for the year ended December 31, 2017 compared to a negative warranty adjustment of $0.6 million for the year ended December 31, 2016.

Research and Development Expenses 2017/2016

The following table presents details of research and development ("R&D") expense by segment for 2017 compared to 2016:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2017	2016	$	%
Automotive	$ 16.0	$ 16.1	$ (0.1)	(1)%
Corporate and Technology Investments	35.1	39.8	(4.7)	(12)%
Total Research and Development	$ 51.1	$ 55.9	$ (4.8)	(9)%

Automotive R&D expenses for the year ended December 31, 2017 was $16.0 million compared with $16.1 million for the year ended December 31, 2016. For the year ended December 31, 2016, total Automotive R&D expenses only includes expenditures for the seven month period since the June 1, 2016 acquisition. Overall, R&D expenses decreased due to restructuring activities taken in 2016 with the closure of the Australian office and reduction of workforce in the US Automotive business, offset by slightly higher charges due to the strength of the Euro compared to the US dollar.

Corporate and Technology Investments R&D expenses for the year ended December 31, 2017 were $35.1 million compared with $39.8 million for the year ended December 31, 2016. R&D expenses decreased due to a reduction in headcount in Vancouver and China due to restructuring activities beginning in third quarter of 2016, offset by slightly higher charges due to the increase of the Canadian dollar compared to the US dollar. R&D expenses are expected to decrease in 2018 as the Company launched HPDI 2.0 in the fourth quarter of 2017.

Sales and Marketing, General and Administrative Expenses 2017/2016

The following table presents details of Sales and Marketing, General and Administrative ("SG&A") expense by segment for 2017 compared to 2016:

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2017	2016	$	%
Automotive	$ 35.8	$ 28.5	$ 7.3	26 %
Corporate and Technology Investments	28.7	35.0	(6.3)	(18)%
Total Selling, General and Administrative	$ 64.5	$ 63.5	$ 1.0	2 %

Automotive SG&A expenses for year ended December 31, 2017 were $35.8 million compared with $28.5 million for the year ended December 31, 2016. For the year ended December 31, 2016, total Automotive SG&A expenses only includes expenditures associated with the Fuel Systems acquisition for the seven month period since June 1, 2016. SG&A expense also increased in the year ended December 31, 2017 due to the strong Euro as compared to the prior year and an increase to the bonus accrual.

Corporate and Technology Investments SG&A expenses for the year ended December 31, 2017 were $28.7 million compared with $35.0 million for the year ended December 31, 2016. The decrease is due to merger related costs associated with the Fuel Systems acquisition in 2016 which did not occur in 2017 and lower salary expense due to restructuring activities that took place in 2016. The decrease was offset by an increase to the bonus accrual and a stronger Canadian dollar as compared to the prior year.

Items Affecting Comparability of Results from 2015 to 2016

The Company's 2015 income statement does not include any Fuel Systems results as compared to 2016 which includes seven months. However, where meaningful, information for Fuel Systems for the prior year has been provided for comparison purposes.

Revenues 2016/2015

Total segment revenues decreased $137.4 million, or 22% from $621.2 million in 2015 to $483.8 million in 2016.

The following table summarizes total revenue by segment for the years 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	85.4	—	85.4	N/A
Total Automotive	172.3	100.1	72.2	72 %
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	$ 483.8	$ 621.2	$ (137.4)	(22)%
Less: Equity investees' revenues	306.4	517.9	(211.5)	(41)%
Total consolidated revenues	$ 177.4	$ 103.3	$ 74.1	72 %

Automotive revenue for the year ended December 31, 2016 was $172.3 million compared to $100.1 million for 2015. Total revenue for 2016 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 $85.4 million compared to $107.3 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.

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 2.0 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.

Gross Margin 2016/2015

Total consolidated gross margin increased $18.2 million or 101% from $18.1 million in 2015 to $36.3 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	% of Revenue	Change $	Change %
Automotive - Westport	$ 14.5	17%	$ 14.9	15%	$ (0.4)	(3)%
Automotive - Fuel Systems	17.7	23%	—	—%	17.7	N/A
Total Automotive	32.2	19%	14.9	15%	17.3	116 %
Corporate and Technology Investments	4.1	80%	3.2	100%	0.9	28 %
CWI	77.1	28%	101.4	31%	(24.3)	(24)%
WWI	3.0	10%	21.4	12%	(18.4)	(86)%
Total segment gross margin	$ 116.4	24%	$ 140.9	23%	$ (24.5)	(17)%
Less: equity investees' gross margin	80.1	26%	122.8	24%	(42.7)	(35)%
Total consolidated gross margin	$ 36.3	20%	$ 18.1	18%	$ 18.2	101 %

Automotive - gross margin increased $17.3 million to $32.2 million,or 19% of revenue, for the year ended December 31, 2016 compared to $14.9 million or 15% 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 20% 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.

The high pressure components and electronics product lines, formerly classified under the Industrial business segment, were consolidated into the Automotive business and attributed to $2.4 million of the increase in 2016 from 2015.

CWI gross margin decreased $24.3 million to $77.1 million, or 28% of revenue for the year ended December 31, 2016, compared to $101.4 million or 31% of revenue, for the year ended December 31, 2015 as a result of a 27% decrease in engines sold during the period.

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	$ 9.6	$ 13.6	$ (4.0)	(29)%
Automotive - Fuel Systems	6.5	—	6.5	N/A
Automotive	16.1	13.6	2.5	18 %
Corporate and Technology Investments	39.8	39.2	0.6	2 %
Total Research and Development	$ 55.9	$ 52.8	$ 3.1	6 %

Automotive R&D expenses for the year ended December 31, 2016 increased by $2.5 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 $4.0 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.

Corporate and Technology Investments R&D expenses increased $0.6 million from $39.2 million to $39.8 million as the Company prepares for the 2017 commercial launch of HPDI 2.0.

Sales and Marketing, General and Administrative Expenses 2016/2015

The following table presents details of Sales and Marketing, 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	$ 16.2	$ 18.3	$ (2.1)	(11)%
Automotive - Fuel Systems	12.3	—	12.3	N/A
Automotive	28.5	18.3	10.2	56 %
Corporate and Technology Investments	35.0	34.4	0.6	2 %
Total selling, general and administrative	$ 63.5	$ 52.7	$ 10.8	20 %

Automotive SG&A expenses for the year ended December 31, 2016 increased by $10.2 million primarily due to the SG&A expenses from Fuel Systems offset by lower SG&A expense of Westport. Westport SG&A expenses decreased $2.1 million due to a reduction in workforce.

Corporate and Technology Investments SG&A expenses increased $0.6 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.

Other significant expense and income items for 2017, 2016 and 2015

Restructuring expenses recognized for the year ended December 31, 2017 were $1.7 million compared to $19.0 million for the year ended December 31, 2016. 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, Italy 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 in the prior year. Refer to the consolidated financial statements note 14 for additional details.

Foreign exchange gains and losses reflect 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, 2017, we recognized a net foreign exchange loss of $0.6 million with the strengthening 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, 2017 is unrealized.

For the year ended December 31, 2016, we recognized a net foreign exchange loss of $6.6 million with the movement in the Canadian dollar and Euro relative to the U.S. dollar. This compares to a net foreign exchange gain of $11.6 million for the year ended December 31, 2015.

Depreciation and amortization for the years ended December 31, 2017, December 31, 2016, and December 31, 2015 were $15.0 million, $15.4 million, and 13.7 million, respectively. The decrease in expense is due to an overall decline in completed purchases of property, plant and equipment, offset by an increase due to the acquisition of Fuel Systems. The amount included in cost of product revenue for the same periods were $5.2 million, $4.3 million and $2.0 million. The increase in 2016 is due to the acquisition of Fuel Systems in June 2016 and seven months of depreciation and amortization expense.

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 the second quarter of 2016, we have accounted for our interest using the cost method.

(expressed in millions of U.S. dollars)

	Years ended December 31,		
	2017	**2016**	**2015**
CWI - 50% interest income (loss)	$ 12.4	$ 5.6	$ 16.4
WWI	—	0.2	1.0
Other	0.1	—	0.2
Income from investments accounted for by the equity method	$ 12.5	$ 5.8	$ 17.6

As a result of the U.S. tax reform substantially enacted in the fourth quarter of 2017, CWI recorded a deferred tax expense of $13.4 million in 2017 which reduced income from investments by $6.7 million.

Interest on long-term debt and amortization of discount

(expressed in millions of U.S. dollars)

	Years ended December 31,		
	2017	2016	2015
Canadian debentures - 9% per annum	$ 2.7	$ 3.7	$ 3.9
Senior financing facilities	0.7	0.7	0.9
Convertible note - 9% per annum	1.6	0.9	—
Amortization of discount and non-cash interest expense	9.5	5.5	0.7
Total interest on long-term debt	$ 14.5	$ 10.8	$ 5.5

Interest on long-term debt for the year ended December 31, 2017 of $14.5 million is higher by $3.7 million compared to the year ended December 31, 2016. The sale of the APU business and the sale of additional Industrial assets resulted in royalty prepayments to Cartesian of approximately $10.9 million. The Company recorded an additional finance charge of $5.2 million as a result of the prepayment of the royalty payable on the completion of these transactions in the second quarter of 2017. This was offset by lower interest on the Canadian debentures due to maturity and repayment of the debt in the third quarter of 2017.

Interest on long-term debt for the year ended December 31, 2016 of $10.8 million was higher compared to the year ended December 31, 2015 due to additional interest accrued on the convertible debt and the accretion of the residual Cartesian long-term royalty payable.

Income tax recovery for the year ended December 31, 2017 was $4.4 million compared to an income tax expense of $4.0 million for the year ended December 31, 2016 and an income tax expense of $0.7 million for year ended December 31, 2015.

The tax recovery for 2017 relates to the use of tax losses to offset the tax expense related to the gain on sale of Industrial assets. The increase in tax expense for 2016 as compared to 2015 primarily relates to higher distributable earnings from our investment in CWI.

Discontinued operations, as discussed in note 6 in the 2017 consolidated financial statements, substantially all of the Industrial business segment (excluding the electronics and high pressure product lines) was sold during the second quarter of 2017. The Company recognized a net gain on sale of assets of $58.3 million.

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.

While the Company incurred significant recurring losses and negative cash flows from operating activities during 2017 and prior years, in the course of 2017 it completed significant asset sales and a capital increase which allowed reimbursement of long-term debt falling due in the year and continues to work towards its goals of increasing revenues and reducing expenditures, which management expects will allow achievement of significantly improved operating cash flows in 2018. In particular, with the HPDI 2.0 product now in production, the engineering and development spend and the associated capital expenditures on this product will decrease significantly in 2018 and this reduction will improve cash flows. See the Business Overview and General Developments section in this MD&A for further discussion on liquidity and going concern.

Our cash and cash position has increased by $10.9 million during 2017 to $71.8 million from $60.9 million at December 31, 2016. The increase is primarily the result of cash flows from the sale of the APU and Industrial businesses, cash generated from the equity issuance and a $20.0 million loan from EDC offset by the repayment of maturing debt, capital expenditures and research and development investment in our HPDI program, and restructuring costs incurred. Cash and cash equivalents consist of guaranteed investment certificates, term deposits and bankers acceptances with maturities of 90 days or less when acquired.

The Company has sustained net losses since inception, and as at December 31, 2017 has an accumulated deficit of $966.9 million. Management believes that the cash balances available as of December 31, 2017 and the improved cash flow expected in 2018 will provide sufficient funds for the Company to meet its obligations beyond the next 12 months. The accompanying consolidated 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.

In 2017, our net cash flow used in operating activities in continuing operations was $47.5 million, a decrease of $32.9 million from net cash flow used in operating activities in the year ended December 31, 2016. The decreased cash flows was primarily driven by improved net income loss from operations and stronger management of working capital.

Cash Flow from Investing Activities

Our net cash from investing activities consisted primarily of cash acquired through 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”).

During 2017, proceeds from the sale of assets classified as discontinued operations were $77.1 million. In addition, dividends from CWI increased by $3.2 million from $13.4 million in 2016 to $16.6 million in 2017. This cash inflow was offset by significant capital purchases mainly for the HPDI program of $25.3 million compared to $8.7 million from the prior year. In 2016, the Company acquired $45.3 million of cash when it acquired Fuel Systems and 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.

Cash Flow from Financing Activities

In 2017, the Company's net cash flow from financing activities decreased compared to 2016 by $45.7 million. In 2017, the Company received proceeds of $46.1 million from the issuance of shares and a new long-term debt facility. The Company also repaid its

subordinate debenture and a portion of its royalty payable of $44.8 million and $11.5 million, respectively. In 2016, no debt was repaid and the Company issued a convertible note and royalty payable to Cartesian for proceeds of $35.0 million.

Cash Flow from Discontinued Operations

In 2017, our net cash flows from discontinued operations was $83.1 million due to the sale of the Auxiliary Power Units and other Industrial businesses.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	1 - 3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 87.2	$ 87.2	$ 87.2	$ —	$ —	$ —
Restructuring obligations	3.0	3.0	3.0	—	—	—
Long-term debt, principal (1)	54.4	54.4	9.0	14.5	30.9	—
Long-term debt, interest (1)	—	14.2	5.6	7.2	1.4	—
Long-term royalty payable (2)	19.0	35.0	2.0	11.1	14.1	7.9
Operating lease commitments	—	17.8	9.0	6.5	2.2	0.1
	$ 163.6	$ 211.6	$ 115.8	$ 39.3	$ 48.6	$ 8.0

(1) For details of our long-term debt, principal and interest, see note 15 of the consolidated financial statements. To the extent that our outstanding debt bears interest at floating rates, contractual cash flows for interest have been calculated based on interest rates at December 31, 2017.

(2) For details of our long-term royalty payable, see note 16 of the consolidated financial statements.

SHARES OUTSTANDING

For the year ended December 31, 2017, the weighted average number of shares used in calculating the loss per share was 119,558,566 . During the year ended December 31, 2017, we granted 993,659 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, 2017		March 19, 2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Common Shares outstanding	131,279,709		131,724,272	
Share Units				
Outstanding [1]	4,509,990	N/A	4,065,427	N/A
Exercisable	636,073	N/A	191,510	N/A

(weighted average exercise prices are presented in Canadian dollars)

(1) As at December 31, 2017, includes 1,460,000 (March 19, 2018 - 1,460,000) PSUs with the payout level expected to be at 50%.

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 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 2017 annual consolidated financial statements. Actual amounts may vary significantly from estimates used.

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, 2017, the Company recorded an impairment charge of $1.6 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, the Company concluded there were impairment indicators as of November 30, 2017 and November 30, 2016 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, 2017 and November 30, 2016, respectively, and concluded that intangible assets were not impaired.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

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

Revenue:

In May 2014, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates ("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 previously existing industry-specific guidance throughout the Industry Topics of the Accounting Standards Codification. Topic 606 is effective for public entities with reporting periods beginning after December 15, 2017.

ASU 2014-09 and related ASUs may be adopted using either the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. We will adopt ASU 2014-09 and related ASUs on January 1, 2018, using the modified retrospective method. The Company completed its assessment at December 31, 2017, and concluded that there is no material impact to its financial statements on adoption. The Company implemented the necessary changes to its business processes and controls to support revenue recognition and disclosures under the new standard in the fourth quarter of 2017.

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 application of this guidance.

Income Taxes (Topic 740): Accounting for Income Taxes on Intercompany Transfers:

In October 2016, the FASB issued ASU 2016-16, which requires entities to recognize the income tax consequences of intercompany asset transfers in the period in which the transfer occurs, with the exception of inventory transfer. ASU 2016-16 is effective for interim and annual periods beginning after December 15, 2017. 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 annual and interim periods beginning after December 15, 2018, and interim periods with early adoption

permitted. The Company's future minimum lease payments at December 31, 2017 under operating leases are disclosed in note 21(a). The Company has not yet evaluated the impact of the adoption of this new standard.

REGULATORY COMPLIANCE

On June 15, 2017, the Enforcement Division of the SEC issued a subpoena to Westport Fuel Systems for information concerning its Weichai Westport Inc. joint venture and compliance with the FCPA in connection with the Westport Fuel Systems operations in China. The SEC Enforcement Division issued a follow up subpoena on February 14, 2018. Westport Fuel Systems is cooperating with these requests and cannot predict the duration, scope or outcome of the SEC's investigation. The investigation being conducted by the SEC has required and will continue to require significant resources.

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, 2017, 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, 2017.

During the year ended December 31, 2017, there were no changes to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting except as follows:

An error was identified in our financial statements for the period ended June 30, 2017 relating to accounting for discontinued operations. Accounting for discontinued operations was a new requirement as the Company had not had discontinued operations historically. Management concluded that its review control over the accounting for discontinued operations was not designed with sufficient precision to prevent or detect a material error in its accounting. Accordingly, a reasonable possibility existed that a material misstatement in the Company's financial statements related to the accounting for discontinued operations would not be prevented or detected on a timely basis as evidenced by the error that occurred in the second quarter. In the third quarter of 2017, we developed enhanced control and review procedures which detected and remediated the control deficiency.

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, 2017. 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, 2017

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

(expressed in millions of United States dollars except for per share amounts)

Three months ended	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
		(1) (2)	(2)	(1) (2)		(3)		(4)
Total revenue	$ 24.0	$ 37.2	$ 56.1	$ 60.1	$ 60.0	$ 62.1	$ 60.8	$ 64.2
Cost of product and parts revenue	17.6	29.1	47.5	47.0	42.5	46.3	45.9	48.2
Gross margin	$ 6.4	$ 8.1	$ 8.6	$ 13.1	$ 17.5	$ 15.8	$ 14.9	$ 16.0
Gross margin percentage	*26.7%*	*22.5%*	*17.5%*	*23.1%*	*29.2%*	*25.4%*	*24.5%*	*24.9%*
Net loss from continuing operations	$ (24.6)	$ 3.3	$ (33.8)	$ (44.4)	$ (12.8)	$ (13.4)	$ (15.7)	$ (19.2)
Net income (loss) for the period	$ (24.6)	$ 3.7	$ (33.5)	$ (43.2)	$ (12.5)	$ 32.3	$ (15.6)	$ (14.2)
EBITDA (5)	$ (19.3)	$ 9.7	$ (25.7)	$ (33.1)	$ (6.5)	$ (7.5)	$ (10.5)	$ (12.9)
Adjusted EBITDA (6)	$ (11.9)	$ (11.5)	$ (10.4)	$ (10.6)	$ (4.1)	$ (5.3)	$ (5.0)	$ (3.5)
Earnings (loss) per share								
Basic	$ (0.38)	$ 0.05	$ (0.31)	$ (0.43)	$ (0.11)	$ 0.29	$ (0.12)	$ (0.14)
Diluted	$ (0.38)	$ 0.04	$ (0.31)	$ (0.43)	$ (0.11)	$ 0.26	$ (0.12)	$ (0.14)
CWI net income attributable to the Company	$ 0.5	$ 1.5	$ 2.8	$ 0.8	$ 1.8	$ 5.3	$ 5.8	$ (0.4)

(1) Includes the one month period of results from the merger with Fuel Systems and a bargain purchase gain in net loss from continuing operations of $42.9 million for the three months ended June 30, 2016, which was reduced by $7.1 million to $35.8 million for the three months ended December 31, 2016.

(2) The Company has modified information for Q2, Q3 and Q4 of 2016 to exclude substantially all of the Industrial business segment, which has been reclassified as discontinued operations.

(3) During the second quarter of 2017, the Company completed the sale of non-core assets from its Industrial business unit and recognized a gain on sale of assets of $58.3 million.

(4) During the fourth quarter of 2017, the CWI recorded a tax charge of $13.4 million due to the US tax reform. This redeuced the Company's income from investments by $6.7 million. Excluding this tax charge, the net loss from continuing operations would have been $12.5 million and the net loss for the period would have been $7.5 million.

(5) 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.

(6) 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.

THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016

Our total revenue for the three months ended December 31, 2017 was $64.2 million, an increase of $4.1 million, or 7%, from $60.1 million for the three months ended December 31, 2016. The increase in revenue was primarily a result of the stronger Euro and pre-production launch of the Company's HPDI 2.0 product.

Our consolidated net loss for the three months ended December 31, 2017 was $14.2 million, or a loss of $0.14 per share compared to a net loss of $43.2 million, or a loss of $0.43 per share, for the three months ended December 31, 2016. The decrease in net loss primarily relates to higher gross margins, lower operating costs, gain in unrealized foreign exchange translation and lower impairment costs in 2017, offset by lower investment income from our CWI joint venture due to our 50% equity interest in a $13.4 million tax charge recorded by the joint venture related to the impact of the US tax reform on its valuation of deferred tax assets.

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 net loss from continuing operations 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. 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-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
Loss before income taxes	$ (24.7)	$ 3.6	$ (33.6)	$ (40.8)	$ (13.6)	$ (17.3)	$ (15.3)	$ (19.2)
Interest Expense, net (1)	2.3	2.6	3.2	4.3	3.4	6.3	0.9	2.5
Depreciation and amortization	3.1	3.5	4.7	3.4	3.7	3.5	3.9	3.9
EBITDA	$ (19.3)	$ 9.7	$ (25.7)	$ (33.1)	$ (6.5)	$ (7.5)	$ (10.5)	$ (12.9)

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

EBITDA decreased by $2.4 million from a loss of $10.5 million for the three months ended September 30, 2017 to a loss of $12.9 million in the three months ended December 31, 2017 primarily as a consequence of a CWI tax charge which reduced investment income by $6.7 million, offset by stronger operating income performance.

Non-GAAP Measures (continued):

Adjusted EBITDA

The term Adjusted EBITDA is not defined under U.S. GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP.

Adjusted EBITDA is used by management to review operational progress of its business units and investment programs over successive periods and as a long-term indicator of operational performance since it ties closely to the unit's ability to generate sustained cash flows.

Westport Fuel Systems defines Adjusted EBITDA as EBITDA from continuing operations adjusted for stock-based compensation, unrealized foreign exchange gains or losses, and non-cash and other 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. Westport Fuel Systems compensates for these limitations by relying primarily on its U.S. GAAP results.

Three months ended	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17
EBITDA	$ (19.3)	$ 9.7	$ (25.7)	$ (33.1)	$ (6.5)	$ (7.5)	$ (10.5)	$ (12.9)
Stock based compensation	4.0	2.3	2.9	1.2	1.1	3.1	2.1	0.7
Unrealized foreign exchange (gain) loss	1.3	4.1	(7.1)	8.1	(1.6)	1.0	2.5	(1.3)
Asset impairment	—	—	—	2.7	—	—	—	0.6
Inventory impairment from product line closure	—	—	4.3	1.3	—	—	—	—
Bargain purchase gain	—	(42.9)	—	7.1	—	—	—	—
Merger and financing costs	2.1	4.5	0.4	—	—	—	—	—
Amortization fair value inventory adjustment recorded on acquisition	—	0.4	1.0	—	—	—	—	—
(Gain) loss on sale of investments	—	6.3	(3.9)	(0.3)	—	—	—	—
Restructuring, termination and other exit costs	—	—	17.5	1.5	1.6	(1.6)	(0.1)	1.8
CWI US tax adjustment	—	—	—	—	—	—	—	6.7
Other	—	4.1	0.2	0.9	1.3	(0.3)	1.0	0.9
Adjusted EBITDA	$ (11.9)	$ (11.5)	$ (10.4)	$ (10.6)	$ (4.1)	$ (5.3)	$ (5.0)	$ (3.5)

RELATED PARTY TRANSACTIONS

The Company's related parties are CWI, Cartesian, directors, officers and shareholders which own greater than 10% of the Company's shares. During 2017, Mr. Costamagna, the former Chief Executive Officer ("CEO") of Fuel Systems, left the Company's Board of Directors and was no longer considered a related party. Mr. Costamagna and his associated companies continue to supply facilities, products and services to the Company.

See Note 20 of the consolidated financial statements as at December 31, 2017 for details of related party transactions.

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, 2017 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 22, 2018

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 22, 2018

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, 2017 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 22, 2018 /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, 2017 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 22, 2018 /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 22, 2018, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting 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 and (No. 333-207523) on Form F-4/A of Westport Fuel Systems Inc.

/s/ KPMG LLP

Chartered Professional Accountants

March 22, 2018
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.