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, 2019

Commission file number: 001-34152

WESTPORT FUEL SYSTEMS INC.

(Exact Name of Registrant as Specified in its charter)

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

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

C T Corporation System
111 Eighth Avenue
New York, NY 10011
(212) 590-9070

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

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

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

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange On Which Registered:
Common Shares, no par value	**WPRT**	**NASDAQ Global Select Market**

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

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

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

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As at December 31, 2019, 136,416,981 common shares of the Registrant were issued and outstanding.

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

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

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

Emerging growth company ☐

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

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

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;
- our ability to vertically integrate Westport High Pressure Direct Injection 2.0 ("**Westport HPDI 2.0™**") to into natural gas solutions with attractive pricing, performance and fuel economy;
- our ability to integrate Westport HPDI 2.0™ into original equipment manufacture (" **OEM**") operations and to reach scalable volume deliveries;
- 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 OEM products;

- the manufacture of Westport HPDI 2.0™ system components;
- CWI's focus on sales in North America with engines manufactured in Rocky Mount, North Carolina, Jamestown and New York;
- 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 partners and the results of our development programs with such partners;
- potential disputes regarding the rights and obligations of the parties 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;
- continued growth in the transportation sector and in the natural gas engine market;
- 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;
- increasing penetration of our technologies in key markets within the transportation sector and in key geographical markets;
- increasingly stringent environmental and emissions legislation and 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;
- our future growth and the expected changes to the transportation sector;
- 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 regulatory policies;
- our ongoing assessments of targets for improving our commitment to environment and social responsibilities;
- the strategy of our transportation segment and resulting growth in market share;
- the expansion of existing relationships with truck and engine OEMs;
- expansion of alternative fuel product offerings to develop and supply high pressure components to OEM partners; and
- expected fluctuations in our revenues and results of operations.

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 legislation and 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, LNG and liquefied petroleum gas 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 and access 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;
- risks related to our share capital, including our common shares and the ability of the board to issue preferred shares at it's discretion;
- risk of conflict related to our directors and executive officers who may currently, or in the future, also serve as directors and/or officers of other public companies; 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, 2019 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars, was U.S.$1.00 = Cdn.$1.30.

ANNUAL INFORMATION FORM

The Company’s AIF for the fiscal year ended December 31, 2019 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, 2019, 2018 and 2017, 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, 2019, 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, 2019, 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, 2019, 2018 and 2017, 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, 2019, included as Exhibit 99.3 to this annual report on Form 40-F, under the heading "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting".

AUDIT COMMITTEE

Audit Committee

The Company has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act and Nasdaq Rule 5605(c)(2). On March 12, 2020, the Company's Audit Committee consists of Michele Buchignani, Brenda J. Eprile, Colin S. Johnston. 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 and Colin S. Johnston qualify as financial experts (as defined in Item 407 of Regulation S-K under the Exchange Act) and are independent (as determined under Exchange Act Rule 10A-3 and Nasdaq Rule 5605(a)(2)).

PRINCIPAL ACCOUNTING FEES AND SERVICES — INDEPENDENT AUDITORS

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

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

INDEPENDENT AUDITORS

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

Committee does not delegate to management its responsibilities to pre-approve services performed by the Company's external auditor.

OFF-BALANCE SHEET TRANSACTIONS

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

CODE OF ETHICS

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

During the year ended December 31, 2019, the Company amended its Code to significantly reformat the Code to a more user-friendly and engaging format to improve clarity and use, among other things, simple language, color photographs and graphics, side notes, and question and answer sections addressing hypothetical issues that could arise in the workplace, as well as to make the key amendments described below:

- clarified the scope of who the Code applies to;
- strengthened descriptions of the Company's whistleblower policy and reporting mechanisms;
- the addition of non-retaliation policy description;
- expanded the sections of the code addressing safe and respectful workplace behaviours;
- better defining anti-corruption and bribery requirements and expectations;
- the addition of a human rights section; and
- the addition of a delegation of authority section.

All amendments to the Code, and all waivers of the Code with respect to any of the officers covered by it, will be posted on the Company's website.

There have been no waivers or implicit waivers to the Code during the year ended December 31, 2019. 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, 2019, 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, 2019 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 November 26, 2018, 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, 2019
99.2	Audited consolidated financial statements of the Company and notes thereto for the years ended December 31, 2019, 2018 and 2017 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, 2019
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	
99.9*	Code of Conduct filed with the SEC as Exhibit 99.1 under cover of Form 6-K on November 29, 2019
101.1	XBRL Interactive Data File

* Previously filed or furnished to the SEC.

SIGNATURES

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

WESTPORT FUEL SYSTEMS INC.

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

Date: March 17, 2020

ANNUAL INFORMATION FORM

For the year ended December 31, 2019

1750 West 75th Avenue, Suite 101

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V6P 6G2, Canada

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Effective Date: March 17, 2020

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Corporate Structure

In this Annual Information Form ("**AIF**"), references to "Westport Fuel Systems", "Westport", "the Company", "we", "us" and "our" refer to Westport Fuel Systems Inc. and its subsidiaries, collectively, unless the context otherwise requires. All dollar amounts set forth in this AIF are in U.S. dollars unless specifically stated otherwise.

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. The Company has the following material subsidiaries:

1. **Westport Power Inc.**, which is wholly-owned by Westport Fuel Systems and incorporated pursuant to the Business Corporations Act (British Columbia);
2. **MTM S.r.l.**, an Italian corporation, which is an indirect subsidiary of Westport Fuel Systems;
3. **Emer S.p.A**, also an Italian corporation and indirect subsidiary of Westport Fuel Systems; and
4. **Prins Autogassystemen B.V.** ("**Prins**"), a Netherlands corporation and indirect subsidiary of Westport Fuel Systems.

Key Entities

A list of Westport Fuel Systems' key entities and each of their jurisdictions of incorporation as of December 31, 2019 is set out below. Our legal structure (including that of our subsidiaries) is not necessarily indicative of our operational structure.

Name[1]	Voting Securities[2]	Jurisdiction of Incorporation
Westport Fuel Systems Inc.	100%	Canada
Westport Power Inc.	100%	Canada
Westport Luxembourg S.a.r.l.	100%	Luxembourg
Fuel System Solutions Inc.	100%	U.S.A.
Juniper Engines Italy S.r.l.	100%	Italy
Emer S.p.A.	100%	Italy
Minda Emer Technologies Limited	50%	India
MTM. S.r.l.	100%	Italy
Prins Autogassystemen B.V.	100%	Netherlands
Rohan BRC Gas Equipment Private Limited	100%	India
TA Gas Technology S.A.	100%	Argentina
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.
Westport Innovations (Hong Kong) Limited	100%	Hong Kong
Weichai Westport Inc.	23.33%[3]	China

Notes:

1. *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.*
2. *The figure 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.*
3. *As a result of the previous sale of a derivative economic interest in Weichai Westport Inc., this equity interest corresponds to an economic interest equal to just 4.55%.*

Forward-Looking Information

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

General Developments

Company Overview

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

Westport Fuel Systems is a global company focused on engineering, manufacturing, and supplying alternative fuel systems and components for transportation applications. Our diverse product offering sold under a wide range of established global brands enable the use of a number of alternative fuels which provide environmental and economic advantages, including liquid petroleum gas ("**LPG**"), compressed natural gas ("**CNG**"), liquified natural gas ("**LNG**"), renewable natural gas ("**RNG**")(1) or biomethane, and hydrogen. We supply our products and services through a network of distributors, original equipment manufacturers ("**OEMs**") and delayed OEM ('**DOEM**") programs and we have customers in more than 70 countries. Today, our products and services are available for passenger car and light-, medium- and heavy-duty truck, cryogenic, and hydrogen applications.

Westport Fuel Systems believes it is well positioned to increase revenues and market share as new stringent environmental regulations mandating greenhouse gas emission ("**GHG**") reductions have been introduced in key markets around the world. We are leveraging our market-ready products and customer base to capitalize on these opportunities. In addition to our significant operational competency in well-established transportation markets, our development of new technologies provides us a premier technology leadership position which 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.

Notes:

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

Market Overview

Today, there are more than 61 million LPG and CNG vehicles globally, which accounts for approximately 3.7% of the total market share of vehicles in service.[1] This compares to approximately 7.5 million electric vehicles in service at the end of 2019.[2] The market for alternative fuels has historically been driven by economic, emissions, and energy 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 LPG, CNG and LNG vehicles depends in large part on the price differential of natural gas and LPG, versus diesel fuel and gasoline. Despite oil price volatility, LPG, CNG and LNG have generally been, and currently are, less expensive than diesel fuel in many markets. This price differential is affected by many factors, including changes in the resource base for natural gas compared to crude oil, availability of shale oil and shale gas, pipeline and ship 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 signaled a strong call to action with 197 countries committing to GHG emissions reductions over the next 15 years. The Paris Climate Agreement has the central aim to strengthen the global response to the threat of climate change by keeping a global average temperature rise this century to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to further limit the temperature increase to 1.5 degrees Celsius.[3]

In response to documented health concerns arising from urban air pollution and the role of transportation, many jurisdictions have introduced new bans and targets 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 bans and targets 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. More stringent transport regulations are also being enacted to address GHG emissions and climate change. In April 2019, the European Parliament passed carbon dioxide ("**CO_2**") emission standards for heavy-duty vehicles in the European Union. The proposed targets for average CO2 emissions from new heavy-duty vehicles, using a twelve month period from July 1 2019 to June 30 2020 as the baseline year, are to be 15% lower in 2025 and 30% lower in 2030.

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

influence how people and freight are moved, and 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 market-ready product portfolio, brand value, and geographic reach in key markets, Westport Fuel Systems is currently delivering commercially viable and environmentally beneficial transportation technology to the marketplace.

Notes:

1. *NGV Global July 2019 and World LPG Association 2018 Annual Report, Westport Fuel Systems Analysis*
2. *International Energy Agency 2018 (IEA), Inside EV's Global 2019 Sales, Westport Fuel Systems Analysis*
3. *Paris Agreement, Article 2, 1(a), https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english_.pdf.*

Strategy

1) Offer Clean Transportation Products Across On-Road Transportation Market Segments and Geographies

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 10 well-recognized and well-established brands. Our breadth of reach includes passenger car, light-, medium- and heavy-duty truck, cryogenic, and hydrogen markets.

We continue to pursue strategic technological investments which advance our products and capabilities to maintain our market leadership position. We have been able to optimize our industry-leading product portfolio by offering full systems and conversions, in addition to stand-alone components. Our global footprint allows us to leverage our capabilities to serve customers through product localization and after-sales support. By partnering with OEMs, we can further leverage the manufacturing, distribution, sales, and aftermarket service capabilities thereby driving economies of scale through our business system.

We direct our commercialization efforts in regions where market conditions foster greater LPG, CNG, LNG and/or RNG vehicle sales penetration. These regions generally have conditions that serve to promote the shift to alternative fuel for transportation, including but not limited to: i) favourable LPG, CNG, LNG or RNG fuel price differentials compared to petroleum-derived fuels; ii) the build-out of refueling infrastructure, and iii) policies and regulations for either GHG mitigation, urban air quality, or energy security purposes that either mandate alternative fuels or promote their use.

2) Provide Market-Ready, Cost Competitive Solutions for Urgent Environmental Challenges

Transportation accounts for about 23% of global GHG emissions[1] Compared to other primary energy use sectors, including 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 an attractive partner for customers needing market-ready, commercially-available solutions to respond to customer demands and to meet increasingly stringent regulatory frameworks. The networks of aftermarket dealers and installers, taxi companies, personal transportation, transit and shuttle bus companies, conventional truck and tractor fleets, refuse collection trucks, delivery fleets, and other specialty vehicles in Europe, Asia, and North America are among the largest customers for our clean products. While electric vehicle sales are growing and garner significant interest in the press, current battery and charging technologies are expensive, heavy, limited in range and relatively slow to charge. This limits the real-world usability of pure battery electric vehicles. In some market segments, such as heavy-duty trucking, electric vehicle solutions are expected to be years away. In most geographies, for example India, the electrical infrastructure is not sufficiently developed to enable a significant shift to electric vehicles without massive investments. Conversely, natural gas and LPG vehicles are available today in light to heavy-duty applications, with the full capabilities, driving range and affordability that make them a practical, commercially available, low emissions solution.

RNG, biomethane, or renewable gas is transportation grade natural gas produced from non-geologic sources. Feedstocks for RNG include landfill gas, municipal solid waste, waste water treatment plants, agricultural manure, or power-to-gas applications that avoid the land use challenges of other biofuels and supporting growth in the circular economy. In the case of these alternative natural gas feedstocks, substantial carbon intensity reductions can be achieved because turning these waste products into transportation fuel eliminates direct emissions of CO_2

and methane that occur naturally and without any end-use benefit. One of the key attributes of natural gas vehicles is "fuel flexibility" meaning natural gas vehicles can operate with any blend of renewable and geologic gas from 0% to 100% RNG.

It is important to note that both electricity and natural gas derive their energy from both fossil and renewable sources. In 2018, about 65% of electricity generated globally came from fossil fuels. The remainder was made up of 16% hydroelectric, 10% nuclear and 9% renewables.[2] While electric vehicles have zero tailpipe emissions they are far from being fossil-free in most geographies. The use of RNG is increasing as a share of total natural gas used. In California, approximately 75% of natural gas used for transportation in 2019 was from renewable sources and in Sweden, more than 90% was from renewable sources.[3] According to a study by the Yale University School of Forestry and Environmental Studies, up to 18% of natural gas consumed in Denmark mid-2018 was from renewable sources, and Danish bioenergy firms estimate it will be feasible to fully replace the country's natural gas with RNG within 20 years.

We believe that the deep decarbonization benefits of RNG significantly differentiate it from other hydrocarbon fuels, and that the share of RNG will increase as a share of total natural gas consumption just as the share of renewable electricity is increasing as a share of total electricity. Both energy sources allow customers to select energy for their transportation needs that is fully renewable.

3) Maintain a Premier, Leading Technology Position

Westport Fuel Systems has significant operational competency as well as a leading technology position related to alternative fuel systems and components for transportation applications by using LPG, CNG, LNG and RNG. We believe the combination of our considerable investment in research and development

("**R&D**") and our team of world-class engineers is responsible for our unique innovative solutions and differentiated intellectual property that allows us to attract and partner with leading global engine OEMs in the transportation space.

Our global patent portfolio has been pivotal to our market-leading position and serves 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 patents to capture value generated by new technological advances. We also believe that our gaseous-fuelled engine technologies, cryogenic fuel systems, and experience will allow us to exploit opportunities that may arise related to emerging low-carbon fuels such as synthetic gas and hydrogen.

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

Notes:

1. *Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter8.pdf*

2. *BP Statistical Review of World Energy 2019*

3. *Influx of California RNG Fuels Local Economy & Protects Climate. California Natural Gas Vehicle Partnership. Written by: Todd Campbell, https://www.act-news.com/news/california-rng-fuels-local-economy-protects-climate/*

Three Year History

Recent History of Announced Product News

2020

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

2019

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

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

2018

On September 26, 2018, CWI announced that an independent third-party study on the CWI ISX12N 400 hp natural gas engine has demonstrated that the engine meets or exceeds the ARB in California's optional Low NOx standard of 0.02 g/bhp-hr.

On August 28, 2018, the Company announced that it has entered into definitive development and supply agreements with Weichai Westport Inc. to develop, market and commercialize a heavy-duty, natural gas engine featuring the Westport high pressure direct injection ("**Westport HPDI 2.0™**") technology, based on one of Weichai Power Co., Ltd's heavy-duty engine platforms.

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 EPA and 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 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 HPDI 2.0™ 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 Gas Equipment ("**BRC**") (a product brand sold under the Westport Fuel Systems entity MTM, S.r.L) 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 Natural & Bio Gas Vehicle Association Europe that quantified the GHG emission reduction benefits of natural gas for light 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 VSI Dual Injection technology and 'EMV' electronic LPG tank multivalve, respectively.

Recent History of Announced Corporate Matters

2019

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

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

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

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

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

2018

On May 31, 2018, the Company announced the appointment of Michael J. Willis as CFO effective June 11, 2018 and that Ashoka Achuthan, Westport Fuel Systems prior CFO, had stepped down from his position.

On March 19, 2018, the Company announced the appointment of Michele Buchignani to the Company's Board, 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. ("**Cummins**") 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 of the Company ("**Common Shares**") at the Offering price of $1.50 per Common Share. With the exercise of the option, Westport Fuel Systems issued a total of 19,125,000 Common Shares under the Offering (as subsequently defined) for gross proceeds of $28,687,500.

On July 16, 2017, the Company announced the closing of an offering of 16,700,000 Common Shares at a price of US$1.50 per Common Share, for gross proceeds of $25,050,000 (the "**Offering**").

On July 14, 2017, the Company announced the pricing of its offering of Common Shares in the United States ("**U.S.**").

Mergers, Acquisitions and Divestitures

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

2019

There were no significant mergers, acquisitions or divestitures during the fiscal year ended December 31, 2019.

2018

On July 25, 2018, the Company announced that it had completed the sale of its CNG compressor business to Snam S.p.A., a leading European gas utility company, for total proceeds of 12.3 million Euro, net of a 500,000 Euro holdback to be released upon fulfillment of an independent audit process.

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 auxiliary power unit 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.

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 LPG, natural gas, and hydrogen provide the best near-term alternative to petroleum-derived fuels in many applications, offering compelling environmental, economic, and energy security benefits.

Our Portfolio

Alternative Fuel Capabilities



Broad Applications



Our products and services cover broad transportation market segments including passenger car, light-, medium- and heavy-duty truck, cryogenic and hydrogen applications. Through the Westport Fuel Systems family of brands and an extensive distribution network, we serve customers in more than 70 countries. We are well positioned to benefit from the transportation industry's shift towards alternative fuel sources.

Operating Business Segments

The Company operates its business through three segments: Transportation, CWI Joint Venture and Corporate. The revenue for the three most recent fiscal years and the principal focus of the segments is summarized below.

OPERATING BUSINESS SEGMENT REVENUE			
(Expressed in millions of dollars)	**12/31/2019**	**12/31/2018**	**12/31/2017[1]**
Transportation (consolidated)	$ 305.3	$ 270.3	$ 229.8
CWI (non-consolidated)	$ 361.8	$ 319.4	$ 317.3
Corporate	$ —	$ —	$ —

Notes:

1. *Effective January 2018, the Company restructured its business segments. The Westport HPDI 2.0™ product line and all other technology related activities previously reported under the Corporate & Technology segment were combined with the Automotive business segment and renamed Transportation. Additionally, the Company has modified information from 2017 to exclude the revenue from the CNG Compressor business which has been recoded as discontinued operations with effect from the second quarter of 2018.*

Transportation

The Westport Fuel Systems Transportation segment designs, manufactures, develops, validates, certifies, and sells alternative fuel (LPG, CNG, LNG, RNG, and hydrogen) components and systems for passenger car and light-, medium- and heavy-duty truck, and hydrogen applications. We have a strong customer base in Europe, the Americas, and Asia. Products are either sold through a local distributor/dealer network and conversion centers (Independent Aftermarket), directly to the OEM, or through delayed OEM (DOEM) programs. Through these channels, we supply a large number of systems and components for applications with global OEMs including, but not limited to, FCA, Ford, GAZ Group ("**GAZ**"), General Motors ("**GM**"), Honda, Hyundai, Kia, Mahindra, Maruti Suzuki, Mitsubishi, Nissan, Piaggio, Scania, Ssangyong, Tata Motors, Volkswagen, and Weichai Westport.

Our capabilities include the R&D of complete, in-house solutions for gaseous 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 fuelled 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 natural gas conversion kits and high pressure hydrogen components. Our product portfolio also includes Westport HPDI 2.0™, a complete fully-OEM-integrated system that enables heavy-duty trucks to operate on natural gas.

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 30% market share globally. 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 offerings sold under various recognized brands including BRC, Prins, Zavoli, OMVL, TA Gas Technology and Valtek and range from premium to value solutions, allowing us to support a broad spectrum of independent aftermarket business. Our primary markets include Italy, Russia, Turkey, Poland, Algeria, and Argentina.

DOEM Vehicle Solutions

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

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

- The main DOEM clients are Kia, Hyundai, Nissan, Mitsubishi, Suzuki, Piaggio, and Ssangyong. The conversion of the cars is completed in our Cherasco, Italy facility. Westport Fuel Systems also provides this solution integrated within an OEM's factory. Specifically for Honda Turkey, and the conversion of the Honda Civic ECO and for Tofaş (Fiat Turkey).
- As a leading developer and installer in Ford's Qualified Vehicle Manufacturer ("**QVM**") North American program, Westport Fuel Systems offers the largest line-up of Ford alternative fuelled vehicles. The bi-fuel and dedicated (or mono-fuel) CNG and bi-fuel LPG systems are developed and engineered at our Dallas, Texas production facility and the systems undergo the same rigorous testing for safety and durability required for all Ford OEM products.
- The Sequent Plug & Drive system is one of the most successful LPG injection systems for port injection engines produced and sold to several other DOEM and OEM customers worldwide. SDI 2.0 and LDI systems, especially designed and developed for the latest direct injection ("**DI**") engines are also provided.
- Westport Fuel Systems in the Netherlands offers its bi-fuel VSI-2.0 DI LPG and CNG systems to several customers through their distributors. The Direct LiquiMax system is a bi-fuel LPG system using liquefied LPG for direct injection engines achieving highest efficiency in terms of fuel use and lowest emission exhaust including CO_2 and particles. This system is sold to Ford in Poland and Hyundai in Germany.

OEM

Westport Fuel Systems engineers, designs, and builds LPG and CNG components and systems including pressure regulators, fuel injectors, electronic control units, valves, filters and complete bi-fuel, mono-fuel and dual-fuel LPG and CNG systems.

In the medium-duty segment, we serve clients such as YaMZ, Tata Motors and Mahindra. YaMZ is the powertrain division of GAZ in Russia and is a leading manufacturer of diesel and CNG engines, powering Liaz, Paz, Ural and GAZ vehicles. The YaMZ CNG 530 engine family includes 4.4 liter 4-cylinder and 6.6 liter 6 cylinder platforms. Both engines are equipped with Westport Fuel Systems EMS, complete fuel systems and off engine high pressure components.

Our product portfolio also includes the supply of hydrogen fuel system components for light, medium and heavy duty applications, supporting the growing interest for fuel-cell powered vehicles. Today, our portfolio includes 350 bar hydrogen fuel control components and solutions covering a complete spectrum of alternative fuel systems, with 700 bar options under development.

In the heavy-duty segment, Westport HPDI 2.0™ is a complete fully-OEM-integrated system that enables heavy-duty trucks (with more than 400 horsepower engines) to operate primarily on natural gas. As the only natural gas technology that delivers performance and efficiency equivalent to that of current high-performance diesel-fuelled engines while significantly reducing GHG emissions, Westport HPDI 2.0™ provides global OEMs an integrated solution with attractive price, performance, and fuel economy. Developed and validated to rigorous OEM standards, Westport HPDI 2.0™ can be integrated into diesel engines of approximately 10 litres or higher displacement with minimal mechanical change.

DEVELOPMENT AND PRODUCTION

Development and production activities for the Transportation segment are located in Argentina, Canada, India, Italy, the Netherlands, and the U.S.A. Most of our production is localized to respond quickly and efficiently to customer and market demands and to assure a high level of service and support. Certain plants and related processes are certified to ISO 9001 and IATF 16949. In the interest of mitigating the environmental impacts of fuel system research, development, testing and assembly, certain facilities are also certified to ISO 14001.

Westport Fuel Systems R&D centers include high quality infrastructure and test laboratories for components (flow and pressure test benches, climatic, thermal, low temperature and shock chambers, shakers, salt spray test machines for components endurance), as well as several state-of-the-art chassis and engine dynamometers to develop and test engine and vehicle emissions. In cases where resources may be constrained or specialized equipment we do not have is required, R&D activities are contracted to a third-party.

Europe

Production activities are carried out in several plants located in Italy and the Netherlands which have automated assembly lines, sophisticated lathes, milling and cutting equipment, robots to perform machining and assembly of critical electronic components, and automated testing capabilities. All Italian facilities are certified to ISO 9001, IATF 16949 and ISO 14001. In the Netherlands, products are assembled and packaged in facilities which are NEN-EN-ISO-9001:2008 certified.

All manufacturing planning activities and current customer management for Westport HPDI 2.0™ are coordinated from Sweden, allowing rapid response to customer demand including a 24-hour support system with the R&D center in Canada. Our Brescia, Italy facility, which supports numerous light- and medium-duty OEM customers, also assembles LNG tanks on a build to order system to serve Westport HPDI 2.0™ customer requirements, as well as future needs for tanks and cryogenic systems.

Asia

Minda Emer Technologies Limited, is a joint venture between Minda Group and Emer S.p.A. that produces and markets LPG and CNG alternative fuel systems and products in India, Bhutan, Sri Lanka and Nepal.

Rohan BRC out of Ahmedabad, India, has been operating in the growing CNG Indian market for several years, offering a localized supply of CNG and LPG components for OEM and aftermarket customers, making it a flexible and appreciated partner in one of world's largest alternative fuel markets.

North America

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

Calgary, Alberta we design, develop and manufacture electronic control modules and engine management software for spark ignited natural gas engines.

The development center for Westport HPDI 2.0™ is located in Canada with production performed in Italy alongside key partners in Europe, China, and the U.S. To ensure capacity, high level of service and quality, and intellectual property protection, we have invested capital into our facilities and our partner's facilities. Our partners are certified in accordance with automotive OEM standards such as ISO 9001 and IATF 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.

South America

In Buenos Aires, CNG reducers, valves and injectors are manufactured by TA Gas Technology and distributed in Argentina, Brazil, Perù, Colombia, Bolivia and Mexico. The approximate 3,000 square foot facility is certified to ISO 9001: 2015.

PRODUCTS UNDER DEVELOPMENT

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

Westport Fuel Systems' 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 reduced emissions package. Using 100% mono-fuel 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 undergone performance and durability testing to offer ready integration into OEM applications globally. The technology development activities have shown significant technical and commercial promise, and that we are pursuing OEM partnerships to apply and commercialize the technology.

Next Generation HPDI System

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

Conformable CNG Storage

Large CNG cylinders are challenging to integrate into existing vehicle architectures when on-board space is at a premium and range requirements are high. Westport's conformable CNG tank reduces this challenge 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 with industry and government support to develop the technology concept for a light-duty truck platform.

Cryogenic Pump for LNG and Hydrogen

For 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. Our high-horsepower P200 cryogenic pump has been developed to overcome these problems and has met the required validation for structural and durability factors equivalent to over 10,000 hours of operation. The initial P200 pump prototypes were developed for and validated using LNG, and the P200 pump has also been tailored to operate with liquid hydrogen. The hydrogen variant of the P200 pump is currently in prototype testing; the results of that testing will be used to assess the feasibility, timing and costs for potential future commercialization of the P200 pump.

RAW MATERIALS AND INPUTS

Westport Fuel Systems organizes operational planning into different models to adapt to our diverse customer base and expectations. We operate to optimize our inventories based on customer deliveries, or in a traditional manufacturing planning technique that directly undertakes operational procurement activities. Our procurement is divided into three general categories depending on the type of goods: raw materials, commercial off-the-shelf parts, and custom made-to-order parts. Raw 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 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.

OFFICE AND FACILITY LOCATIONS

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

OPERATIONS LOCATIONS	
Geographic Region	Locations
North America	4
Europe	5
Asia	3
South America	1



CWI 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, refuse collection trucks, and short-haul port drayage trucks, as well as specialty vehicles, such as 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 Westport Power Inc., a wholly-owned subsidiary of Westport Fuel Systems Inc., and 50% by Cummins. The board of directors of CWI is comprised of three (3) representatives from each of Westport Fuel Systems 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. The Amended JVA amended, amoung other things, the focus of CWI's product development investments to North American markets, over the life of the joint venture.

The purpose of the CWI joint venture is to engage in the business of selling, marketing and developing spark-ignited ("**SI**") natural gas or propane engines for on-highway use. CWI utilizes Cummins' supply chain, back office systems and distribution and sales networks. The CWI

joint venture term is scheduled to end on December 31, 2021 and, as per the joint venture agreement, effective from July 1, 2019, either Cummins or the Company can buy out the other's interest based on contractually defined terms and conditions.

PRODUCTS

Since February 2018, CWI has three engines in commercial production in North America, the ISX12N, L9N, and B6.7N engines. 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 engines feature a new Engine Control Module 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 0.20 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 0.20 g/bhp-hr. The L9N offers ratings from 250 to 320 hp and up to 1,000 lb-ft of 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 0.10 g/bhp-hr - a 50% reduction from engines operating at the current EPA NOx limit of 0.20 g/bhp-hr. Available with ratings from 200 to 240 hp and up to 560 lb-ft of peak torque, the B6.7N is targeted at school bus, shuttle, and medium-duty truck applications.

CWI 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 OEMs for installation onto new vehicles. The fuel storage systems are installed at the OEM factory or at a third party location, such as a truck-body builder or at a fuel system integrator.

Corporate

The Corporate business segment is responsible for public company activities, corporate oversight and general administration, as well as activities relating to the protection of the Company's intellectual property.

Intellectual Property

The goal of our intellectual property strategy is to capture, protect, and utilize our intellectual property in coordination with our business and technology plans to best enable the successful commercialization of our proprietary products. 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, 2019, we have filed over 1,400 patent applications worldwide relating to almost 300 inventions, and we hold more than 595 issued patents worldwide, including more than 140 U.S. issued patents. We also have more than 150 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 by utilizing gaseous fuels. We are one of only a few companies 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 collaborates with other alternative powered vehicle technologies such as hybridization, hydrogen fuel cell or other propulsion technologies.

The Company competes with conventional manufacturers and developers of combustion technologies, fuel delivery systems, components, and electronics for vehicles fuelled by diesel or gasoline. Industry participants compete on innovation, product performance, customer support, price, and other factors. Low oil prices in recent years, changing macroeconomic factors, and increased regulation has resulted in a highly competitive alternative fuels marketplace. The Company has leading market share positions in many of its markets and application segments globally or in certain countries, including its aftermarket system and components, light-duty DOEM products, and heavy-duty products.

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 fuelled 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 fuelled 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 HPDI 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.

In addition, electric vehicles are emerging in some markets and applications, particularly in urban applications where driving range requirements are limited. Currently, the primary applications for electric vehicles are passenger cars, transit buses and urban delivery vehicles. Electric vehicles have represented a very small share of global vehicle sales to date.

Electric vehicles are primarily offered with pure battery electric powertrains ("**BEVs**") or with hybrid powertrains that combine an internal combustion engine with a battery and electric motor. Hybrid electric vehicles represent a continuing opportunity for Westport Fuel Systems as their internal combustion engines can benefit from the emissions and operating cost reductions available from the use of gaseous fuels.

Westport Fuel Systems products will compete with BEV offerings in many markets and market segments. While the zero tailpipe emissions from BEVs are attractive to many customers, BEVs today have, in general, higher initial purchase costs, limited range and reduced capability in hot or cold weather. Electricity in many geographies continues to be generated using a portion of non-renewable sources so the overall CO_2 emissions related to the operation of the vehicle are not zero. The production of lithium-ion battery cells generate significant CO_2 emissions that are not included in the vehicle emissions calculations in most jurisdictions, and they also incorporate materials such as cobalt that are available from a limited number of geographic markets. The current cost, weight and power density of battery technology does not suit all vehicle applications. Batteries are slow to charge unless fast-charging equipment is used, and fast charging infrastructure is relatively sparse in most markets. In many markets, local electrical supply is not completely stable and power outages would result in immobilization of BEVs unless electricity back-up systems are installed.

Despite substantial and sustained government financial support in some markets, BEVs have not achieved meaningful market shares, perhaps largely due to the high costs of these products relative to alternatives, and compounded by lack of costly re-fueling infrastructure. In contrast, Westport Fuel Systems' gaseous fuel systems are economically viable today with low initial cost and with acceptable payback periods for vehicle operators. In markets like Italy, Turkey, Argentina and others, where refueling infrastructure is well developed, the market share of gaseous fuelled vehicles is growing and has achieved 10% of the vehicle parc.

Human Resources and Related Policies

Westport Fuel Systems employs a highly educated and experienced team of professionals focused on the development and commercialization of a portfolio of products and technologies. The Company actively recruits skilled individuals with diverse backgrounds from around the world and provide them with specific training relating to our product and technology portfolios and retain consultants and contract workers with specific expertise when appropriate. Each employee is required to execute confidentiality and proprietary rights agreements and must also certify to having read and understood the Company's Code of Conduct (the "**Code**"). In 2019 we adopted a new Code and provided online training to support our ongoing efforts to ensure our global and diverse workforce is empowered to do the right thing, for the right reason, and in the right way.

As at December 31, 2019 our workforce worldwide was 1,294 individuals, which includes direct employees and individuals employed through third party agencies or contracts. Our workforce includes, but is not limited to, of a mix of engineers, manufacturing technicians, and commercial professionals that have experience with alternative fuel systems, combustion technologies, and fuel storage and delivery systems, including cryogenics. Our direct employees are represented by a labour union only 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 the Code which applies to everyone in Westport Fuel Systems, including directors, officers, employees, contractors, agents, and consultants who act on behalf of Westport Fuel Systems in any business dealings. An anonymous ethics hotline is made available as an avenue for employees to raise concerns about corporate conduct. The Whistleblower Policy includes the reassurance that individuals will be protected from reprisals or victimization for "whistle blowing" in good faith.

Social and Environmental Policy

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. Further details on Westport Fuel System's social and environmental performance including additional policies, procedures, disclosures, expenditures etc. can be found in our annual sustainability report, which for 2019 will be published in June 2020.

The following Environmental Policy Statement outlines our operational standards:

- Westport Fuel Systems will provide a safe workplace and ensure that its operations comply with all applicable health, safety, and environmental legislation, industry codes, and standards;
- Westport Fuel Systems will collaborate with partners and industry stakeholders in the protection of the environment, the efficient use of resources, and the implementation of pollution mitigating practices;

- Westport Fuel Systems will research, design, and develop alternative fuel engine technologies that are safe for their intended use, efficient in their use of energy, preserve environmental health, and safeguard employees, customers, and the general public from injuries or health hazards;
- Westport Fuel Systems will determine, evaluate, and strive to mitigate the environmental impacts of our operations. We will assess our environmental impact and set internal targets for improvement;
- Westport Fuel Systems will ensure the responsible use of energy and other resources in its operations;
- Westport Fuel Systems will be an environmentally responsible neighbour in the communities where we operate and will act promptly and responsibly to correct incidents or conditions that endanger health, safety, or the environment;
- Westport Fuel Systems will fully investigate all environmental incidents or unplanned releases and communicate findings as necessary to all affected parties;
- Westport Fuel Systems will train employees on their individual responsibility to protect the environment, to adhere to this Environmental Policy Statement, and to cooperate with company 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 evaluate its environmental performance through regular auditing and assessment of its regulatory compliance and adherence to this policy. We will 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. Westport Fuel Systems will implement this policy through a comprehensive plan with measurable goals/targets and a rigorous assessment 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 at wfsinc.com/about/sustainability/.

We strive to create leading edge technologies that meet or exceed the requirements of regulation and industry codes and standards to shift the transportation sector to alternative fuels. Working in conjunction with our partners, we are committed to delivering low-emission fuel solutions that will meet the demand for high-efficiency, high-performance, and low-carbon transportation.

Dividend Policy

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

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, 2019, our issued share capital consisted of136,416,981 Common Shares and no Preferred Shares. Our Board may at any time issue Preferred Shares in one or more series, each series to consist of such number of Preferred Shares as may be determined by the Board. The Board may determine at the time of issuance the designation, rights, privileges, restrictions, and conditions attaching to each series of Preferred Shares.

As more fully described below under "Description of Common Shares", the holders of our Common Shares are entitled to notice of, to attend and to one vote per Common Share at all meetings of our shareholders. The holders of our Preferred Shares 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 Board shall have complete discretion to pay dividends on any class or classes of shares or any series within a class of shares issued and outstanding in any particular year to the exclusion of any other class or classes of shares or any series within a class of shares out of any or all profits or surplus available for dividends.

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

Description of Common Shares

The holders of our Common Shares are entitled to one vote per Common Share at meetings of shareholders, to receive such dividends as declared by the Board, and to receive Westport Fuel Systems remaining property and assets upon dissolution or winding-up. The Common Shares are not subject to any future call or assessment, and there are no exchange, 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**"), restricted share units ("**RSUs**"), and restricted phantom shares ("**RPSs**") as at December 31, 2019. For information on how PSUs, RSUs and RPSs are awarded under the Company's compensation program, please see the latest Company Management Information Circular dated March 17, 2020.

OUTSTANDING COMMON SHARES, PSUs, RSUs & RPSs

	Share Units
Shares Outstanding	136,416,981
PSUs	
Outstanding	906,050
Exercisable	—
RSUs	
Outstanding	1,327,941
Exercisable	14,450
RPSs	
Outstanding	100,650
Exercisable	—

Market for Securities

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

TSX (WPRT) in Canadian Dollars

Period	High (C$)	Low (C$)	Close (C$)	Volume
January 2019	2.42	1.82	2.00	976,640
February 2019	2.09	1.55	1.79	1,267,740
March 2019	2.25	1.63	2.08	1,345,810
April 2019	2.65	2.02	2.33	1,136,291
May 2019	3.95	2.13	3.70	2,462,880
June 2019	3.92	3.11	3.55	1,202,660
July 2019	4.19	3.48	3.90	1,483,790
August 2019	4.31	3.39	3.55	1,313,040
September 2019	4.11	3.39	3.58	989,100
October 2019	3.68	3.14	3.62	923,487
November 2019	4.48	3.21	3.26	1,168,480
December 2019	3.44	2.96	3.07	904,860

Market for Securities

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

NASDAQ GLOBAL SELECT MARKET (WPRT)				
Period	**High ($)**	**Low ($)**	**Close ($)**	**Volume**
January 2019	1.83	1.33	1.52	11,042,755
February 2019	1.60	1.17	1.35	19,271,661
March 2019	1.69	1.21	1.55	13,318,543
April 2019	1.99	1.52	1.74	7,209,298
May 2019	2.94	1.57	2.74	21,741,031
June 2019	2.97	2.35	2.71	9,192,708
July 2019	3.20	2.74	2.97	11,992,700
August 2019	3.27	2.54	2.66	15,001,945
September 2019	3.12	2.55	2.72	10,089,370
October 2019	2.79	2.35	2.75	8,443,648
November 2019	3.39	2.43	2.44	12,072,970
December 2019	2.63	2.23	2.37	8,625,217

In the twelve-month period ended December 31, 2019, Westport Fuel Systems granted the following RSUs, RPSs and PSUs pursuant to the Westport Fuel Systems Omnibus Plan. The following grants are in Canadian dollars.

WESTPORT FUEL SYSTEMS OMNIBUS PLAN in units and Canadian Dollars				
Date	**Number of Securities Granted (RSUs)**	**Number of Securities Granted (PSUs)**	**Number of Securities Granted (RPSs)**	**Per Share Market Value of Shares Underlying Securities at Time of Unit Issuance ($CDN)**
March 20, 2019	27,013	—	—	$1.92
May 6, 2019	282,223	—	—	$2.41
November 8, 2019	333,290	—	—	$3.76
December 18, 2019	328,525	906,050	100,650	$3.40

Prior Securities Issued

No securities of Westport Fuel Systems not listed or quoted on any exchange were issued during the year ended December 31, 2019, other than RSUs, RPSs, and PSUs. Additional information with respect to the issuance of securities under Westport Fuel Systems equity compensation plan during the most recently completed financial year will be outlined in the Company Management Information Circular in respect of its 2020 Annual General and Special Meeting of Shareholders to be held on April 29, 2020, 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 current members of our Board and named 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 17, 2020.

Director Biographies

Brenda J. Eprile — CHAIR



Citizenship: Canada

Resides in: Toronto, ON, Canada

Director since: October 2013

Common Shares: 120,173

Share Units: 27,456

Principal Occupation for Last 5 years:

Corporate Director

Brenda J. Eprile (65) was appointed as Chair of Westport Fuel Systems' Board of Directors in February of 2017. Ms. Eprile joined the Board of Directors in October 2013. From 2000 to 2012, Ms. Eprile was a Senior Partner at PricewaterhouseCoopers and led the Risk Advisory Services practice. From 1998-2000 she led the Regulatory Risk practice at Deloitte LLP. From 1985 to 1997, Ms. Eprile had a distinguished career as a securities regulator in Canada, having held the positions of both Executive Director and Chief Accountant at the Ontario Securities Commission. Ms. Eprile is a Fellow Certified Professional Accountant (FCPA), and holds the ICD.D designation. She has a MBA from Schulich School of Business, York University. She is the former chair of the board of Home Capital Group, a TSX listed mortgage lending company and led the board through a severe liquidity crisis in April 2017. She is a member of the board of Olympia Trust Company and Olympia Financial Group, Canadian-based financial institutions and Canvas GFX a leading graphic illustration and technical documentation software company to Fortune 500 companies.

Committee Membership:
Audit Committee, Nominating and Corporate Governance Committee

Michele J. Buchignani — DIRECTOR



Citizenship: Canada

Resides in: Vancouver, BC, Canada

Director since: March 2018

Common Shares: 20,291

Share Units: 18,786

Principal Occupation for Last 5 years:

CEO of McLean Drive Consulting Ltd since 2010; Managing Partner of McLean Drive Holdings LP since 2012 and Corporate Director.

Michele J. Buchignani (56) was appointed a member of the Westport Fuel Systems Board in March of 2018, having previously served on the Advisory Board since September 2017. 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 CEO of McLean Drive Consulting Ltd., a consulting firm to private equity owned and growth companies and also serves as Managing Partner of McLane Drive Holdings LP., a U.S. real estate holding company. Ms. Buchignani also sits on the board of directors of Copper Mountain Mining Corporation, a TSX listed 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 TSX Trust Company, CAI Capital Partners V L.P., White House Design Company Inc., and The Fraser Institute. 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.

Committee Membership:
Audit Committee, Human Resources and Compensation Committee.

Daniel M. Hancock — DIRECTOR



Citizenship: U.S.

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

Director since: July 2017

Common Shares: 48,406

Share Units: 18,786

Principal Occupation for Last 5 years:
President of DMH Strategic Consulting since 2011.

Daniel M. Hancock (69) was appointed to the Board in July 2017, having previously joined the Corporation's Advisory Board in March of 2017. Mr. Hancock is currently President of DMH Strategic Consulting LLC and also serves on the board of directors of Cryoport Systems, Inc., a U.S. headquartered company listed on the NASDAQ. Mr. Hancock retired from 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.

Committee Membership:
Human Resources and Compensation Committee (Chair), Nominating and Corporate Governance Committee.

Anthony (Tony) Harris — DIRECTOR



Citizenship: U.S.

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

Director since: June 2016

Common Shares: 30,190

Share Units: 44,209

Principal Occupation for Last 5 years:
President and CEO of Campbell/Harris Security Equipment Company since 2006.

Anthony ("Tony") Harris (66), 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 the 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.

Committee Membership:
Human Resources and Compensation Committee, Nominating and Corporate Governance Committee (Chair).

David M. Johnson — DIRECTOR



Citizenship: U.S.

Resides in: Scottsdale, AZ, U.S.A.

Director since: January 2019

Common Shares: 64,722

Share Units: 454,583

Principal Occupation for Last 5 years:

CEO of Westport Fuel Systems since January of 2019; CEO for Achates Power Inc. from 2008 to 2018.

David M. Johnson (53), was appointed CEO in January 2019 and is a member of the Westport Fuel Systems Board of Directors. Mr. Johnson is an industry veteran with 30 years of experience leading engine and vehicle development for automotive and commercial vehicle industries around the world. Prior to his appointment, Mr. Johnson served for ten years as President and CEO of Achates Power Inc. leading technical, commercial and corporate development to establish the organization as a leading developer of opposed-piston engines. Mr. Johnson's distinguished career began in 1990 with Ford Motor Company in Truck Powertrain Planning. He subsequently held a variety of roles in engineering, product planning, program management, and strategic development with increasing responsibility. Since then Mr. Johnson has served in a variety of roles with leading automotive companies including senior roles at Navistar and GM. Mr. Johnson combines deep technical expertise with a decades-long career in international markets. He earned a Master of Business Administration and a Bachelor of Science in Mechanical Engineering from Cornell University.

Committee Membership:
None.

Colin S. Johnston — DIRECTOR



Citizenship: UK
Resides in: Turin, Italy
Director since: June 2016
Common Shares: 175,643
Share Units: 18,786

Principal Occupation for Last 5 years:

Self-employed consultant, statutory auditor and non-executive director. Retired from Deloitte & Touche Italy in 2012.

Colin S. Johnston (65), was appointed to the Board in June 2016. From May 2014 to May 2016, Mr. Johnston served as an independent director of Fuel Systems Solutions, Inc. up to its merger with Westport Fuel Systems Inc. effective June 1, 2016. From 2013 to 2019, Mr. Johnston also held the position of 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. 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.

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

Rodney (Rod) Nunn — DIRECTOR



Citizenship: Canada
Resides in: Chatham, ON, Canada
Director since: March 2016
Common Shares: 18,616
Share Units: 18,786

Principal Occupation for Last 5 years:
President and CEO of KSR International Co. from November 2015 to January 2020.

Rodney Nunn (75), joined the Board of Directors in March 2016. Mr. Nunn served as President and CEO of KSR International Co. from 1976 to 2011 and from November 2015 until January 2020. 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.

Committee Membership:
Human Resources and Compensation Committee

Peter Yu — DIRECTOR



Citizenship: U.S.
Resides in: New York City, NY, U.S.A.
Director since: January 2016
Common Shares: -
Share Units:[1] 24,715

Principal Occupation for Last 5 years:

Founder and Managing Partner of Cartesian Capital Group since 2006.

Peter Yu (58), joined the Board of Directors in January 2016. Mr. Yu is Founder and Managing Partner of Cartesian Capital Group ("**Cartesian**"), a global private equity firm with more than $2.5 billion under management. Prior to founding Cartesian, Mr. Yu founded and served as President and CEO 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 U.S. 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.

Committee Membership:
None.

NOTES

1. *Mr. Yu is the director nominee of Cartesian and pursuant to Cartesian's policies any director compensation otherwise issuable to Mr. Yu is required instead to be issued to Cartesian.*

Executive Officers Biographies

As of March 17, 2020 biographies for the Company's Executive Officers are as follows. For David M. Johnson, see information contained under the heading "DIRECTOR BIOGRAPHIES".

Richard Orazietti — CHIEF FINANCIAL OFFICER



Citizenship: Canada

Resides in: Burnaby, British Columbia

Westport Fuel Systems since: September 2019

Common Shares: 30,000

Share Units: 256,600

Principal Occupation for Last 5 years:

CFO since September 2019, Senior Vice President, Treasurer of Goldcorp, Inc. and Senior Vice President, Controller of Goldcorp Inc.

Richard Orazietti (51) was appointed CFO September 3, 2019. Mr. Orazietti has had a distinguished career as a finance leader with expertise across multiple finance disciplines and extensive experience working with business and operational management to drive change and improve performance. Prior to joining Westport Fuel Systems, he served as Senior Vice President, Treasurer of Goldcorp, Inc., a former NYSE and TSX listed senior gold producer, where he was responsible for financing the company's strategic and operating objectives and managing risk exposure. Previously, he also held roles as Senior Vice President, Controller and Vice President, Internal Audit. Prior to Goldcorp, Mr. Orazietti served as Vice President, Finance at BCE Inc., Canada's largest communications company, where he led the financial management of various operating divisions during a period of significant change in the industry. He brings extensive experience in corporate finance, risk management, financial reporting and control, operational management, strategic planning and in leading change. He is a Chartered Professional Accountant ("**CPA**") in British Columbia and holds a Global Executive MBA from the IESE Business School at the University of Navarra and a Bachelor of Business Administration from Simon Fraser University. Mr. Orazietti is also fluent in French, Italian, and Spanish.

James (Jim) Arthurs — EXECUTIVE VICE PRESIDENT



Citizenship: Canada

Resides in: North Vancouver BC, Canada

Westport Fuel Systems since: May 2011

Common Shares: 134,037

Share units: 52,250

Principal Occupation for Last 5 years:

Executive Vice President of Westport Fuel Systems since November 2016; Executive Vice President, Heavy Duty Systems of Westport Fuel Systems since January 2014.

Jim Arthurs (61) is Executive Vice President 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 HPDI system. Mr. Arthurs also sits on the board of directors of Western Forest Products Inc., a TSX listed company. 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 a Director of CWI, a joint venture company owned equally by Cummins 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 specialized 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 holds a BSc degree in Computer Science from the University of Calgary.

Massimiliano Fissore — SENIOR VICE PRESIDENT, INDEPENDENT AFTERMARKET & DOEM



Citizenship: Italy

Resides in: Cherasco, Italy

Westport Fuel Systems since: June 2016

Common Shares: -

Share units: 100,833

Principal Occupation for Last 5 years:

Sr. Vice President, Independent Aftermarket and DOEM since 2018; CEO of M.T.M Srl. since 2016; Managing Director of M.T.M Srl.; from July 2016 to August 2018; General Manager of M.T.M. Srl. from October 2014 to July 2016 ; General Manager of the CNG Refueling Division of M.T.M. Srl. from April 2010 to September 2014.

Massimiliano Fissore (48) is Senior Vice President, Independent Aftermarket & DOEM at Westport Fuel Systems. Mr. Fissore joined Westport Fuel Systems in 2016 as part of the Fuel System Solutions and Westport merger. Since 2016, Mr. Fissore has served as CEO of the M.T.M. Srl subsidiary, responsible for the full management of the different businesses and divisions, including the subsidiaries located in South America and Asia. Previously he served in the role of General Manager, M.T.M. Srl from October 2014 to July 2016. He has spent most of his career in the alternative fuel industry, developing LPG and CNG products, technologies, and markets. He has spent a significant amount of time with BRC Gas Equipment and Zavoli, which are well established brands now owned by Westport Fuel Systems. From 2010 to 2014, Mr. Fissore was General Manager of the CNG Refueling Division of M.T.M. Srl, responsible for the development of the business of CNG compressor and refueling equipment branded Cubogas. In 2007, Mr. Fissore joined Zavoli and became CEO of Zavoli from 2007 to 2010. In 2003, Mr. Fissore joined McCormick Mexico, a subsidiary of Argo Tractors-an Italian company that produces agricultural tractors-and became CEO of McCormick Mexico from 2003 to 2007. From 1997 to 2003, Mr. Fissore was CEO of BRC Argentina and WMTM Brazil. He has a law degree from the University of Turin in Italy and currently also serves as Chairman of M.T.M. Srl (a Westport Fuel Systems company).

Bart van Aerle — VICE PRESIDENT, PRINS



Citizenship: Dutch

Resides in: Eindhoven, Netherlands

Westport Fuel Systems since: December 2014

Common Shares: 6,656

Share units: 35,092

Principal Occupation for Last 5 years:

Vice President Prins since December 2014, President Cummins Westport from January 2018 until June 2019.

Bart van Aerle (47) is Vice President Prins, one of the Corporation's material subsidiaries and key brand of Westport Fuel Systems in the Netherlands. In this new role, Mr. van Aerle is responsible for strategic planning, the development of the Corporation's technology and product roadmaps, and identifying new market and industry partnerships. As Vice President Prins, Mr. van Aerle led the strategy and operations of the Corporation's Eindhoven operations and the Prins brand, expanding sales of high quality LPG, CNG and LNG aftermarket systems and components for automotive and transportation vehicles worldwide. Previously Mr. van Aerle served as President Cummins Westport from January 2018 to July 2019 where he oversaw the Corporation's joint venture launch of the first heavy-duty Class 8 truck with near-zero emissions. With almost 25 years of automotive industry experience he has held various leadership positions including sales management, operations, and quality at Ecological Engine Company Ltd. in the United Kingdom and with Prins Autogassystemen in Eindhoven. Mr. van Aerle holds a Bachelor in Business Administration and Engineering from Fontys University in Eindhoven.

Shareholdings of Directors and Executive Officers

As of March 16, 2020 our Board members and executive officers as a group beneficially owned, directly or indirectly, 571,030 of our Common Shares, representing approximately 0.42% of the 136,424,206 Common Shares outstanding on such date.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

Other than as described below, none of the directors or executive officers, or, to the Company's knowledge, shareholders holding a sufficient number of securities of the Company to materially affect the control of the Company, is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director, executive officer or CFO of any company (including Westport Fuel Systems) that, while that person

was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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

None of the directors or executive officers (in their personal capacity), or, to the Company's knowledge, shareholders holding a sufficient number of securities of the Company to materially affect the control of the Company, has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold their assets. On September 27, 2019 the Company announced that it had reached a settlement with the SEC resolving an investigation into the Company's investment in Weichai Westport Inc. and compliance with the FCPA and securities laws related to disclosure in SEC filings in connection with the Westport Fuel Systems operations in China. See "Legal and Regulatory Proceedings".

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

Conflict of Interests

Certain directors and officers of Westport Fuel Systems may currently, or in the future, also serve as directors and/or officers of other entities that may be involved in the same industry as Westport Fuel Systems, or have competing interests, and therefore it is possible that a conflict may arise between their duties as directors or officers of Westport Fuel Systems and their duties as directors and/or officers of such other companies. Such potential conflicts are described in the director and officer biographies included in this AIF, including that Mr. Yu is the Managing Partner of Cartesian, an entity which has a significant existing investment in the Company.

James (Jim) Arthurs, an executive vice president 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 of CWI from January 1, 2015 to January 1, 2018 while remaining on the board of directors.

On January 11, 2016, Pangaea Two Management, LP, Pangaea Two Acquisition Holdings XIV, LLC and Pangaea Two Acquisition Holdings Parallel XIV, LLC (the "**Pangaea Affiliates**") provided $17.5 million to Westport in exchange for a percentage of amounts payable until 2025 on select HPDI and joint venture products. On April 20, 2016, the Pangaea Affiliates provided an additional $6.3 million to Westport Fuel Systems in exchange for a derivative economic interest in Westport Innovations (Hong Kong) Limited. On June 1, 2016, the Pangaea Affiliates provided $17.5 million to Westport Fuel Systems in exchange for a convertible promissory notes. Each of the Pangaea Affiliates is an affiliate of Cartesian, an entity for which Peter Yu serves as founder and Managing Partner.

James (Jim) Mancuso, a general manager of Westport Fuel Systems, has been serving on the board of directors of CWI since November 2018.

James (Jim) MacCallum, an acting officer of Westport Fuel Systems between February 2019 and September 2019, has also been serving on the board of directors of CWI since February 2019.

Westport Fuel Systems and the directors attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict is required to communicate such conflict to the Board and abstain from voting for or against the approval of such items of which they are conflicted. In appropriate cases, Westport Fuel Systems will establish a special committee of independent directors to review a matter in which directors, or management, may have a conflict. In accordance with the 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. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. These risk factors could materially affect our future operating results and could cause actual events to differ materially from those described in our forward-looking statements.

Risks Related to our Business and the Automotive Industry

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

Our products face, and will continue to face, significant competition, including from incumbent technologies, and in particular increased market 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.

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

Engines with alternative fuel systems represent an emerging market, and we do not know whether end-users will ultimately want to use them or to pay for their initial incremental purchase price. The development of a mass market for our fuel systems may be affected by many factors, some of which are beyond our control, including: the emergence of newer, more competitive technologies and products; the future cost of natural gas and other fuels used by our systems; the future cost of diesel, gasoline and other alternative fuels that may be used by competitive technologies; the ability to successfully build the refuelling infrastructure necessary for our systems; changes to regulatory requirements; availability of government incentives; customer perceptions of the safety of our products; and customer reluctance to try a new product. If a market fails to develop or develops more slowly than we anticipate, we may be unable to recover the investments we will have made in the development of our products and may never achieve profitability.

Our proprietary technologies have been demonstrated in heavy-duty trucks, medium-duty, light-duty vehicles and HHP applications. However, we do not know 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 technologies 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.

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

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

The acceptance of natural gas-fuelled engines by customers depends in large part on the price differential between natural gas, diesel and gasoline. Despite current oil price volatility, natural gas (including RNG) and LPG have generally been, and currently are, less expensive than diesel and gasoline in many regions. 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 a transportation energy solution in the short term.

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

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

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

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

At December 31, 2019, the Company's net working capital was $53,591 (2018 - $64,436) including cash and cash equivalents (including restricted cash) of $46,012 (2018 - $61,119), and long-term debt, including the royalty payable, was $67,137, of which $19,503 matures in 2020. The Company generated net income from continuing operations of $188 (2018 - loss of $40,770) and net cash flow used in continuing operating activities was $15,685 (2018 - cash used in continuing operating activities of $27,437). The Company has an accumulated deficit of $998,320 (2018 - accumulated deficit of $998,361).

The Company continues to work towards its goal of increasing profitability while growing its businesses, which can be seen in the improved results from operations and operating cash flows in 2018 and 2019. The resolution of the SEC investigation in September 2019 has assisted the Company in improving its operating results going forward by redirecting management's attention to strategic and operational matters, and by significantly reducing legal and advisory costs incurred in relation to the investigation.

As part of its on-going monitoring of financial condition, management is closely evaluating the Company's debt service requirements, in particular, its $17,500 convertible debt which matures on June 1, 2021. This debt is convertible into common shares at the option of the holder at a conversion price of $2.17 per common share. Below this price, the Company would have to repay the principal amount in cash. See note 14 of the consolidated financial statements for additional details of debt service requirements and the convertible debt.

Management is also evaluating foreseeable future cash flows from the Cummins Westport joint venture investment, as the joint venture term is scheduled to end on December 31, 2021. The joint venture pays significant dividends to the joint venture partners, with Westport receiving $25,045 as dividends in 2019 (2018 - $23,191). As per the joint venture agreement, both Cummins Inc. and the Company have equal rights to the joint venture's intellectual property. However, there is no certainty that the Company will be able to monetize the intellectual property to the level of the current dividends received from the joint venture. See note 8 (a) in the Company's Consolidated Financial Statements for the year ended December 31, 2019 for additional details related to the Cummins Westport joint venture.

We are dependent on relationships with strategic partners.

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

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

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

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

We are dependent on relationships with our suppliers.

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

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

We conduct certain of our operations through joint ventures under contractual arrangements under which we share some or all management responsibilities with one or more partners. Joint venture operations carry a range of risks, including those relating to: (1) failure of our joint venture partner(s) to satisfy contractual obligations; (2) strategic objectives of joint venture partner(s) that may differ from our own; (3) potential conflicts between us and our joint venture partner(s) that lead to delays in decision-making; and (4) additional complexity and limitations to implement some or all of our operational policies, Code of Conduct and controls, or control legal and regulatory compliance, within the joint venture(s). Employees or agents of our joint venture or joint venture partners may undertake actions that would result in a violation of law, including but not limited to, tax laws, customs laws, environmental laws, labour laws, permitting laws and regulations, industry laws or international anti-corruption and anti-bribery laws, including Canadian anti-corruption laws and the U.S. FCPA. The likelihood of such occurrences and their potential effect on us vary depending on the joint venture arrangement, however, the occurrence of any such risks could have an adverse effect on our operations, profitability and reputation.

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

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

We could become subject to product liability claims.

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

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

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

Sustained negative economic factors and COVID-19 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, including the effects of the decision of Saudi Arabia to reduce the price of its oil and to increase its production, pandemics or other outbreaks of illness, disease or virus, such as the strain of coronavirus known as COVID-19, or other broad economic issues may negatively affect the capital markets or market for our products, and reduce demand for our products as partners and potential customers defer replacing or expanding their fleets. Natural gas and oil prices are expected to remain volatile for the near future because of market uncertainties over the supply and the demand of this commodity due to the current state of the world economies, energy infrastructure and other factors, including Saudi Arabia’s recent decision and the effects of COVID-19.

The continued spread of COVID-19 around the globe and the responses of governmental authorities and corporate entities, including through mandated or voluntary shutdowns, may lead to a general slow-down in the economy and have led to disruptions to our work force and facilities, our customers, our sales and operations and our supply chain. Our bad debt expense may increase, our revenues and cash resources may be negatively affected and we may need to assist potential customers with obtaining financing or government incentives to help customers fund their purchases of our products. On March 16, 2020 Westport Fuel Systems announced the temporary suspension of production in its Brescia, Italy facility as a direct result of COVID-19. The specific duration of such suspension and whether a similar suspension may be required at any additional facilities of Westport Fuel Systems is not currently known. Any new such required suspensions or any extended suspension of Westport Fuel Systems' operations, or that of any of Westport Fuel Systems' suppliers, partners or customers may have a material adverse effect on Westport Fuel Systems.

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.

Warranty claims could be higher than forecasted.

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

As products are launched, sales may be more than we expect. During periods of quicker than anticipated expansion, we may have difficulty expanding the scope of our operations to match the increased demand. In addition, we may be required to place more reliance on our strategic partners and suppliers, some of whom may not be capable of meeting our production demands in terms of timing, quantity, quality or cost. Difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any rapid expansion could harm our business, prospects, results of operations or financial condition.

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

Our joint ventures, and any future joint venture, investment or acquisition, could expose us to certain liabilities, including those that we fail or are unable to identify during the investment or acquisition process. In addition, joint ventures and acquisitions often result in difficulties in integration, and, if such difficulties were to occur, they could adversely affect our results. We have historically and may, in the future, seek to expand our business through acquisitions, investments and/or joint ventures. Any such transations will be in part dependent on Management's ability to identify, acquire and develop suitable acquisition targets in both new and existing markets. In certain circumstances, acceptable acquisition targets might not be available. Acquisitions, specifically, involve a number of risks including: (i) the possibility that we, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (ii) the possibility that we may pay more than the acquired company or assets are worth; (iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (iv) the difficulty of integrating the operations and employees of an acquired business; (v) the challenge of implementing uniform standards, controls, procedures and policies throughout an acquired business; (vi) the inability to integrate, train, retain and motivate key employees of an acquired business; and (vii) the potential disruption of our ongoing business and the distraction of Management from our day-to-day operations. These risks and difficulties, if they materialize, could disrupt our ongoing business, distract Management, result in the loss

of key human capital, increase expenses and otherwise have a material adverse effect on our business, results of operations and financial performance.

We conduct business in foreign markets that carry risk

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

We 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.

Legal, Regulatory and Other Related Risks

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

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

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

Failure to protect our existing and future intellectual property rights could seriously harm our business and prospects and may result in the loss of our ability to exclude others from practicing our technology or our own right to practice our technologies. If we do not adequately ensure our 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.

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

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

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

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

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

Economic Sanctions may Impact 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 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.

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

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

If we are characterized as a Passive Foreign Investment Company ("PFIC"), U.S. holders may be subject to adverse U.S. federal income tax consequences.

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

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

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

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

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

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

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

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

Audit Committee Matters

Mandate

The mandate of the Audit Committee as prescribed by the Board is set out in the Audit Committee Charter. The latest version, updated after annual review and approval on March 6, 2020 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 under the heading "DIRECTOR BIOGRAPHIES". As of March 17, 2020 the following Directors serve as Audit Committee members.

Audit Committee Member	Independent
Michele Buchignani	Yes
Brenda Eprile	Yes
Colin Johnston	Yes

Reliance on Certain Exemptions

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

Audit Committee Oversight

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

Pre-Approval of Policies and Procedures

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

Non-Audit Services

The SEC rules on auditor independence (the '**Rules**") as they relate to public companies include prohibitions or restrictions on services that may be provided by auditors to their audit clients and require that all services provided to a listed entity audit client, including its subsidiaries, be pre-approved by the client's audit committee. In accordance with those Rules, the Audit Committee has approved, adopted and made effective a preapproval policy as part of the Audit Committee Charter. That policy requires that any proposed audit and permitted non-audit services to be provided by the external auditors to Westport Fuel Systems or its subsidiaries must receive prior approval from the Committee. As a practical matter, the policy also contemplates that such proposals may be received and considered by the Committee Chair (or such other member of the Committee who may be delegated authority to approve audit and permitted non-audit services) for approval of the proposal on behalf of the Committee, in which case the Committee Chair will then inform the Committee of any approvals granted at the next scheduled meeting.

External Auditor Fees and Services

The following table shows the aggregate fees relating to the years ended December 31, 2019 and 2018billed to the Company by the Company's independent registered public accounting firm or “external auditors”, KPMG LLP, and other members of its network globally. The following table is shown in Canadian dollars.

EXTERNAL AUDITOR FEES & SERVICES in Canadian Dollars		
	12/31/2019	12/31/2018
Audit Fees	$ 1,816,637	$ 1,767,750
Audit-Related Fees	8,802	—
Tax fees	—	6,860
All Other Fees	—	—
Total	**$ 1,825,439**	**$ 1,774,610**

Audit Fees

Audit fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditors for the audit of the Company’s annual financial statements and reviews of the Company’s quarterly financial reporting, and other services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

Audit-Related Fees

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

Tax Fees

Tax fees represent the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditors KPMG LLP, or other members of its network. Fees disclosed under this category are for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees

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

Legal and Regulatory Proceedings

As disclosed in the Company’s previous management discussion and analysis filings, on June 15, 2017, the Enforcement Division of the SEC issued a subpoena to Westport Fuel Systems for information concerning its investment in Weichai Westport Inc. and compliance with the FCPA and securities laws related to disclosure in SEC filings in connection with the Westport Fuel Systems operations in China. The SEC Enforcement Division issued follow up subpoenas on February 14, 2018, June 25, 2018, and August 2, 2018. On September 27, 2019 the Company announced that it had reached a settlement with the SEC resolving the above mentioned investigation. Under the terms of the settlement, the Company neither admitted nor denied any violation of the FCPA. The Company also agreed to pay a civil penalty to the SEC of $1,500,000, prejudgment interest of $196,000, and $2,350,000 representing the disgorgement of proceeds related to the subject transaction and has also agreed to a two-year period of self-reporting requirements regarding FCPA compliance activities.

Interests of Management and Others in Material Transactions

Other than as described below or elsewhere in this AIF, including with respect to those listed in the section "MATERIAL CONTRACTS", 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.

Material Contracts

EDC Loan Agreement

EDC is Canada's export credit agency, providing financing, insurance, bonding, trade knowledge and connections to support Canadian companies. In order to bolster liquidity and support the Westport HPDI 2.0™ program launch and commercialization, Westport Fuel Systems entered into a $20 million secured term loan agreement on December 20, 2017 with EDC. The secured term loan matures on December 31, 2021 with quarterly principal repayments which increase annually. There was an initial interest rate of 9% plus fees associated with this loan, which reduced to 6% upon achieving certain milestones on March 1, 2019. The loan is secured by the pledge of shares in certain Westport Fuel Systems subsidiaries and assets. 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. Since the original agreement was put in place two amendments have been issued. An amended version of the EDC 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 income through 2025. On April 20, 2016, Westport announced that it had sold a derivative economic interest in Westport Innovations (Hong Kong) Limited to Cartesian for an up-front payment of $6.3 million plus a potential future payment based on Cartesian's return on investment.Westport received an additional $17.5 million from Cartesian in consideration for the issuance by Westport Fuel Systems of convertible notes (the **"Convertible Notes"**) to Cartesian upon completion of the 2016 merger with Fuel Systems Solution Inc. 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 CWI 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.

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

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.

Additional Information

Additional information regarding Westport Fuel Systems can be found on SEDAR at http://www.sedar.com. In particular, additional information as to directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under our equity compensation plans, is contained in our most recent Management Information Circular in respect of our 2020 Annual General and Special Meeting of Shareholders, which involves the election of directors, to be held on April 29, 2020.

Additional financial information is contained in our financial statements and Management's Discussion & Analysis (**MD&A**") for the year ended December 31, 2019, 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 http://www.sedar.com.

Schedule "A": Charter of the Audit Committee

REVIEWED AND ACCEPTED BY THE BOARD OF DIRECTORS ON MARCH 6, 2020

1.0 PURPOSE OF THE CHARTER

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

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

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

2.0 AUTHORITY

The Committee has unrestricted access to WFS personnel and documents and to its external auditor and will be provided with the resources necessary to carry out its responsibilities. The Committee shall have the authority to authorize investigations into any matter within the Committee's scope of responsibility and the Committee Chair (as defined below) is empowered, in his or her discretion, and in consultation with the Chairperson of the Board (the "**Board Chair**"), to retain independent counsel and other professional advisors at WFS's expense. The Committee shall set the compensation, and oversee the work, of any such outside counsel and other advisors retained by the Committee.

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

3.0 LIMITATIONS OF THE AUDIT COMMITTEE'S ROLE

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

4.0 COMPOSITION

The Committee shall consist, at a minimum, of three members of the Board, each of whom shall be affirmatively determined to be financially literate by the Board, and one of whom shall be designated the Chair (the "**Committee Chair**"), as annually appointed by the Independent Directors (as that term is defined in the Charter of the Board) (the "**Independent Directors**"). The Committee shall be composed solely of Independent Directors, at least one quarter 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 WFS's or any of its subsidiaries' financial statements at any point during the last three years. Each of the Directors on the Committee shall possess a basic level of "financial literacy", and at least one member should qualify as an "audit committee financial expert", as defined by Item 407(d)(5) of Regulation S-K, and be financially sophisticated as described in Section 5605(c)(2)(A) of the NASDAQ Manual.

5.0 MEETINGS

Regular meetings of the Committee shall be held at least four times per year at such times and places as it deems necessary to fulfill its responsibilities. The meetings will be scheduled to permit timely review of the interim and annual financial statements, as well as WFS's other financial disclosures and related compliance matters. Additional meetings may be called as often as the Committee deems necessary. A quorum of two members of the Committee, one of whom must be the Committee Chair, unless he or she has designated another member to act as Committee Chair, is required for each meeting. If a quorum is present at a meeting, a majority of the members of the Committee in attendance at such meeting is required to approve any matter decided by the Committee at such meeting. Matters may be decided outside of a meeting by the unanimous written consent of all members of the Committee. The Committee is governed by all other procedural rules regarding meetings, actions without meetings, notice and waiver of notice as are applicable to the Board.

The Committee Chair shall, in consultation with the Board Chair, Management and the internal and external auditors, set the Committee meeting agendas. Committee members may recommend agenda items subject to approval by the Committee Chair. The Committee shall meet in executive session with Management, the external auditors, and as a Committee to discuss any matters that the Committee or each of these groups believes should be discussed. The Committee and WFS's Chief Legal Officer (or, in the event no individual currently has such title, the individual filling the role typically associated with such title in replacement for such individual), shall also meet in executive session to review legal matters that, in Management or the Committee's opinion, may have a material impact on the financial statements. In addition to the above scheduled meetings, any member of the Committee, the Chairman or the auditors may, subject to required notice, call a meeting of the Committee at any time.

Committee minutes shall be prepared and subsequently approved for all meetings. Copies of such minutes shall be filed with the Corporate Secretary of WFS or with the secretary of the meeting and circulated to all Board members.

6.0 ROLE AND RESPONSIBILITIES OF THE COMMITTEE

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

6.1 Oversight of the External Auditors

The Committee is responsible for recommending to the Board:

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

The Committee shall evaluate, on at least an annual basis, the qualifications, performance and independence of the external auditors. The Committee is responsible for ensuring that it receives from the external auditors a formal written statement delineating all relationships between the external auditors and WFS and its subsidiaries, consistent with the standards described in Section 5605(c)(1)(B) of the NASDAQ Manual, and is responsible for actively engaging in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors and for taking, or recommending that the Board take, appropriate action to oversee the independence of the external auditors.

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

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

- approving the audit scope and engagement fees;
- reviewing the results of their work;

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

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

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

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

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

6.2 Oversight of Risk Management Processes Pertaining to Financial Reporting

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

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

6.3 Oversight of Internal Control

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

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

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

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

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

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

6.5 Oversight of Continuous Disclosure Obligations and Other External Reporting

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

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

- the draft and final quarterly and annual financial statements, MD&A and earnings press releases to ensure that all disclosures are in compliance with regulatory requirements, public financing documents or prospectuses; and
- other draft timely disclosure documents containing financial information that would likely be material to either the quarterly or annual financial statements.

The Committee shall 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 WFS or his or her delegate shall affirm, in writing or via e-mail, to Committee members that no significant changes have been made to the draft other than those specifically agreed to by the Committee for inclusion or such draft shall be re-circulated to the Committee.

In discharging its responsibilities, the Committee will review:

- all critical accounting policies and practices used or to be used by WFS and changes in the selection and application of accounting principles;
- significant financial reporting issues that have arisen in connection with the preparation of such 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;
- matters considered by Management's Disclosure Committee in its review of quarterly, annual and other timely disclosure documents before submission; and
- the effect of emerging regulatory and accounting initiatives.

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

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

6.6 Oversight of Internal Audit

The Committee shall:

- review and approve WFS's internal audit department's annual audit plan and all major changes in the plan;
- review and discuss with the internal auditors the scope, progress and results of executing the internal audit plan;

- receive reports on the status of significant findings, recommendations and Management's responses;
- review the reporting relationship, activities, staffing, organizational structure and credentials of the Internal Audit Department;
- review and concur in the appointment, replacement, reassignment, or dismissal of the Internal Audit Director, who shall have direct access to the Committee; and
- review the annual performance of the internal audit function.

6.7 Related Companies Financial Results

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

6.8 Related Party Transactions

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

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

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

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

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

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

7.0 OTHER RESPONSIBILITIES

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

B. **Annual Performance Evaluation.** At least annually, as part of the Board's and its committee self-assessment process, the Committee shall evaluate its own performance and report the results of such evaluation to WFS's Nominating and Corporate Governance Committee.

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

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

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

Schedule "B": Forward-Looking Information

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

- Westport HPDI 2.0™ providing OEMs with vertically integrated natural gas solutions with attractive price, performance and fuel economy (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" , "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - TRANSPORTATION" and "PRODUCTS - WESTPORT HPDI 2.0™);
- 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 - TRANSPORTATION", and "RISK FACTORS");
- the future demand for CWI products and Westport Fuel Systems products, increasing penetration within our existing markets and expansion of those markets geographically, and continuing growth in the transportation sector and in the natural gas engine market (set out, for example, under the 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 - COMPANY OVERVIEW", "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 - TRANSPORTATION");
- 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 - 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");
- the future desirability and use of alternative fuel sources within the transportation industry and commodity prices and the fuel price differential between natural gas or LPG with diesel (set out, for example, under the headings "GENERAL DEVELOPMENTS - STRATEGY" and "RISK FACTORS", particularly under the subheadings "Sustained negative economic factors could negatively impact our business" and "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate."
- ongoing relationships between us and our business partners and the results of our development programs with such partners (set out, for example, under the heading "BUSINESS OVERVIEW - OPERATING BUSINESS UNITS - TRANSPORTATION", 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 - TRANSPORTATION");
- 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 be higher than forecasted" 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 legislation and 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 LNG refuelling stations (as set out, for example, under the heading "RISK FACTORS");
- our estimates and assumptions used in our accounting policies, accruals, including warranty accruals, and financial condition, and our adoption, timing and ability to meet certain accounting standards (as set out, for example, "RISK FACTORS", particularly under "Warranty claims could be higher than forecasted" and in our quarterly and annual financial statements);
- the ability of our products to adapt to the use of RNG and manufactured fuels, including hydrogen, as fuels and our ability to offer and develop related technologies (as set out, for example, under the heading "GENERAL DEVELOPMENTS - STRATEGY" and " PRODUCTS OEM");
- our future growth and the expected changes to the transportation sector (as set out, for example, under the headings "GENERAL DEVELOPMENTS - COMPANY OVERVIEW", "GENERAL DEVELOPMENTS - STRATEGY", "GENERAL DEVELOPMENTS - MARKET OVERVIEW" and "BUSINESS OVERVIEW - COMPETITIVE CONDITIONS");
- our ability to predict if or when we will operate profitably or generate positive cash flows as set out for example, under the subheading "We may need or want to raise additional funds to grow our business and meet our financial obligations. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected."
- our compliance with environmental regulations and regulatory policies and our ongoing assessments of targets for improving our commitment to environmental and social responsibilities (as set out, for example, under the headings "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 Transportation segment and resulting growth in market share (as set out, for example, under the heading "GENERAL DEVELOPMENTS - COMPANY OVERVIEW");
- 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");
- expected fluctuations in our revenues and results of operations (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We may need or want to raise additional funds to grow our business and meet our financial obligations. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected." and "Warranty claims could be higher than forecasted."

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

- market acceptance of our products (as set out, for example, under "RISK FACTORS", particularly, under the subheadings "Sustained negative economic factors could negatively impact our business" and "The market for engines with our fuel systems may be limited or may take longer to develop than we anticipate and/or certain products may not achieve widespread adoption.");
- 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 legislation and 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 may need or want to raise additional funds to grow our business and meet our financial obligations. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected");
- the success of our 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 need or want to raise additional funds to grow our business and meet our financial obligations. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected." and "Warranty claims could be higher than forecasted." and "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate.";
- competition from other technologies (as set out, for example, under the heading, "RISK FACTORS", particularly under the subheading "We currently face, and will continue to face, significant competition");
- price differential between CNG, LNG and LPG relative to petroleum-based fuels (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate.");
- limitations on our ability to protect our intellectual property (as set out, for example, under the heading "RISK FACTORS", in particular under the subheading "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success");
- potential claims or disputes in respect of our intellectual property (as set out, for example, under the heading "RISK FACTORS", in particular under the subheadings "We depend on our intellectual property and our failure to protect that intellectual property could adversely affect our future growth and success" and "We could become engaged in intellectual property litigation or disputes that may negatively affect our business"); limitations in our ability to successfully integrate acquired businesses (as set out, for example, under the heading "RISK FACTORS", in particular under the 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 available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate.");
- the ability to provide and access the capital required for research, product development, operations and marketing (as set out, for example, under the heading "RISK FACTORS");
- there could be unforeseen claims made against us (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "We could become subject to product liability claims", "We could become liable for environmental damages resulting from our research, development or manufacturing activities", "We could become engaged in intellectual property litigation or disputes that may

negatively affect our business" and "Natural gas, LPG, hydrogen and products that use these gases entail inherent safety and environmental risks that may result in substantial liability to us");

- our international business operations could expose us to factors beyond our control such as currency exchange rates, changes in government policy, trade barriers, trade embargoes, and delays in the development of international markets for our products (as set out, for example, under the heading "RISK FACTORS", particularly under the subheadings "Our growth is dependent on available refuelling infrastructure, fuel price differentials and environmental regulations, policies and government incentives which may not persist or develop as we anticipate.", "We could be adversely affected by the operations of our joint ventures and joint venture partners", "Our failure to strictly comply with anti-corruption laws could have a material adverse effect on our reputation and results of operations.", "Sustained negative economic factors could negatively impact our business" and "Economic Sanctions may Impact on the Business of Certain of our Foreign Subsidiaries and Joint Ventures.");
- other risks relating to our common shares ("**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 pay and do not anticipate to pay any cash dividends on our Common Shares in the foreseeable future; therefore, our shareholders may not be able to receive a return on their Common Shares until they sell them.", "If we are characterized as a Passive Foreign Investment Company ("PFIC"), U.S. holders may be subject to adverse U.S. federal income tax consequences.", "As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to our U.S. shareholders", "We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses to us," and "U.S. investors may not be able to obtain enforcement of civil liabilities against us" and;
- risk of conflict related to directors and officers of Westport Fuel Systems who may currently, or in the future, also serve as directors and/or officers of other public companies that may be involved in the same industry as Westport Fuel Systems, as discussed in more detail in this AIF under the heading "Conflict of Interests"

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

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

WESTPORT FUEL SYSTEMS INC.

For the years ended December 31, 2019, 2018 and 2017

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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 balance sheets of Westport Fuel Systems Inc. (and subsidiaries) (the Company) as of December 31, 2019 and 2018, the related 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, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 17, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in note 4(a) to the consolidated financial statements, the Company has changed its accounting policies for leases as of January 1, 2019 due to the adoption of ASC 842, *Leases*.

Basis for Opinion

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

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

/s/ KPMG LLP

Chartered Professional Accountants

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

Vancouver, Canada
March 17, 2020

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Westport Fuel Systems Inc.'s (and subsidiaries') (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related 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, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated March 17, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 17, 2020

WESTPORT FUEL SYSTEMS INC.

Consolidated Balance Sheets

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

December 31, 2019 and 2018

	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents (including restricted cash, note 3(c) and 14)	$ 46,012	$ 61,119
Accounts receivable (note 6)	66,950	57,118
Inventories (note 7)	47,806	46,011
Prepaid expenses	7,417	4,835
Total current assets	168,185	169,083
Long-term investments (note 8)	10,587	8,818
Property, plant and equipment (note 9)	58,856	63,431
Operating lease right-of-use assets (note 13)	17,524	—
Intangible assets (note 10)	13,075	16,829
Deferred income tax assets (note 18(b))	1,929	1,664
Goodwill (note 11)	3,110	3,170
Other long-term assets	6,660	6,933
Total assets	$ 279,926	$ 269,928
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 12)	$ 86,180	$ 85,429
Current portion of operating lease liabilities (note 13)	4,406	—
Current portion of long-term debt (note 14)	13,567	10,327
Current portion of long-term royalty payable (note 15)	5,936	6,091
Current portion of warranty liability (note 16)	4,505	2,800
Total current liabilities	114,594	104,647
Long-term operating lease liabilities (note 13)	13,118	—
Long-term debt (note 14)	35,312	44,983
Long-term royalty payable (note 15)	12,322	14,844
Warranty liability (note 16)	4,396	2,141
Deferred income tax liabilities (note 18(b))	4,445	5,521
Other long-term liabilities	6,380	7,116
Total long-term liabilities	190,567	179,252
Shareholders' equity:		
Share capital (Unlimited common and preferred shares, no par value) (note 17):		
136,416,981 (2018 - 133,380,899) common shares issued	1,094,633	1,087,068
Other equity instruments	6,857	12,948
Additional paid in capital	10,079	10,079
Accumulated deficit	(998,320)	(998,361)
Accumulated other comprehensive loss	(23,890)	(21,058)
Total shareholders' equity	89,359	90,676
Total liabilities and shareholders' equity	$ 279,926	$ 269,928

Commitments and contingencies (note 20)

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, 2019, 2018 and 2017

	Years ended December 31,		
	2019	2018	2017
Revenue	$ 305,338	$ 270,283	$ 229,833
Cost of revenue and expenses:			
Cost of revenue	237,086	206,059	169,552
Research and development	25,172	30,619	50,133
General and administrative	41,339	51,075	47,399
Sales and marketing	16,380	15,923	15,817
Restructuring costs	825	808	1,682
Foreign exchange (gain) loss	(2,537)	8,957	562
Depreciation and amortization (notes 9 and 10)	7,778	8,824	9,826
Impairments on long lived assets, net (note 9 and 10)	688	736	1,550
	326,731	323,001	296,521
Loss from continuing operations	(21,393)	(52,718)	(66,688)
Income from investments accounted for by the equity method	26,741	22,728	12,514
Interest on long-term debt and accretion on royalty payable	(7,265)	(9,133)	(14,487)
Interest and other income (note 12)	4,065	465	1,377
Income (loss) from continuing operations before income taxes	2,148	(38,658)	(67,284)
Income tax expense (recovery) (note 18):			
Current	3,607	3,950	(2,780)
Deferred	(1,647)	(1,838)	(1,644)
	1,960	2,112	(4,424)
Net income (loss) from continuing operations	188	(40,770)	(62,860)
Net income (loss) from discontinued operations (note 5)	(147)	9,278	52,881
Net income (loss) for the year	41	(31,492)	(9,979)
Other comprehensive income (loss):			
Cumulative translation adjustment	(2,832)	(1,353)	11,382
Comprehensive income (loss)	$ (2,791)	$ (32,845)	$ 1,403
Income (loss) per share:			
From continuing operations - basic and diluted	$ 0.00	$ (0.31)	$ (0.52)
From discontinued operations - basic and diluted	$ 0.00	$ 0.07	$ 0.44
Net income (loss) per share	$ 0.00	$ (0.24)	$ (0.08)
Weighted average common shares outstanding:			
Basic and diluted	134,224,799	132,371,396	119,558,566

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, 2019, 2018 and 2017

	Common shares outstanding	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
January 1, 2017	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)	—	—	—	—
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
Issuance of common shares:							
On exercise of share units	2,101,190	8,788	(8,788)	—	—	—	—
Stock-based compensation	—	—	5,489	—	—	—	5,489
Net loss for the year	—	—	—	—	(31,492)	—	(31,492)
Other comprehensive loss	—	—	—	—	—	(1,353)	(1,353)
December 31, 2018	133,380,899	$ 1,087,068	$ 12,948	$ 10,079	$ (998,361)	$ (21,058)	$ 90,676
Issuance of common shares:							
On exercise of share units	3,036,082	7,565	(7,565)	—	—	—	—
Stock-based compensation	—	—	1,474	—	—	—	1,474
Net income for the year	—	—	—	—	41	—	41
Other comprehensive loss	—	—	—	—	—	(2,832)	(2,832)
December 31, 2019	136,416,981	$ 1,094,633	$ 6,857	$ 10,079	$ (998,320)	$ (23,890)	$ 89,359

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, 2019, 2018 and 2017

	Years ended December 31,		
	2019	2018	2017
Cash flows from (used in) operating activities:			
Net income (loss) for the year from continuing operations	$ 188	$ (40,770)	$ (62,860)
Items not involving cash:			
Depreciation and amortization	16,340	16,510	14,741
Stock-based compensation expense	1,474	3,040	6,961
Unrealized foreign exchange (gain) loss	(2,537)	8,957	562
Deferred income tax	(1,647)	(1,838)	(1,644)
Income from investments accounted for by the equity method	(26,741)	(22,728)	(12,514)
Interest on long-term debt and accretion of royalty payable	7,265	9,133	10,071
Impairments on long lived assets, net	688	736	1,550
Inventory write-downs to net realizable value (note 7)	57	162	1,111
Other income (note 12)	(3,317)	—	—
Change in fair value of derivative liability and bad debt expense	831	(433)	1,397
Restructuring obligations	—	—	(14,187)
Net cash used before working capital changes	(7,399)	(27,231)	(54,812)
Changes in non-cash operating working capital:			
Accounts receivable	(11,137)	3,512	2,605
Inventories	(2,004)	(78)	4,565
Prepaid expenses	(2,653)	(170)	(93)
Accounts payable and accrued liabilities	2,386	(1,367)	6,755
Deferred revenue	926	(851)	(2,143)
Warranty liability	4,196	(1,252)	(6,330)
Net cash used in operating activities of continuing operations	(15,685)	(27,437)	(49,453)
Net cash from (used in) operating activities of discontinued operations	(147)	(1,435)	7,920
Cash flows from (used in) investing activities:			
Purchase of property, plant and equipment	(8,860)	(10,273)	(25,288)
Proceeds on sale of assets and investments	—	—	(85)
Dividends received from joint ventures	25,045	23,191	16,633
Proceeds received from holdbacks	—	6,968	—
Net cash from (used in) investing activities of continuing operations	16,185	19,886	(8,740)
Net cash from investing activities of discontinued operations	—	14,050	77,148
Cash flows from (used in) financing activities:			
Drawings on operating lines of credit and long-term facilities	25,081	12,612	42,641
Repayment of operating lines of credit and long-term facilities	(33,258)	(15,616)	(71,387)
Proceeds from share issuance, net	—	—	25,953
Repayment of royalty payable	(6,034)	(3,009)	(11,467)
Long-term asset securing debt	(553)	(2,129)	—
Net cash used in financing activities of continuing operations	(14,764)	(8,142)	(14,260)
Effect of foreign exchange on cash and cash equivalents	(696)	(7,645)	4,246
Increase (decrease) in cash and cash equivalents	(15,107)	(10,723)	16,861
Cash and cash equivalents, beginning of year	61,119	71,842	60,905
Cash and cash equivalents, end of year (including restricted cash)	46,012	61,119	77,766
Less: cash and cash equivalents from discontinued operations, end of year	—	—	5,924
Cash and cash equivalents from continuing operations, end of year	$ 46,012	$ 61,119	$ 71,842

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, 2019, 2018 and 2017

	Years ended December 31,		
	2019	2018	2017
Supplementary information:			
Interest paid	$ 3,953	$ 4,039	$ 4,416
Taxes paid, net of refunds	1,926	540	722

See accompanying notes to consolidated financial statements.

1. Company organization and operations:

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

2. Liquidity and going concern:

In connection with preparing consolidated 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 consolidated financial statements are issued. Substantial doubt exists when conditions and events, considered in the aggregate, indicate that it is probable that the Company will be unable to meet its obligations as they become due within one year after the date that the consolidated financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans that have not been fully implemented as of the date that the consolidated 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 consolidated 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 consolidated financial statements are issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date that the consolidated financial statements are issued.

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

At December 31, 2019, the Company's net working capital was $53,591 (2018 - $64,436) including cash and cash equivalents (including restricted cash) of $46,012 (2018 - $61,119), and long-term debt, including the royalty payable, was $67,137, of which $19,503 matures in 2020. The Company generated net income from continuing operations of $188 (2018 - loss of $40,770) and net cash flow used in continuing operating activities was $15,685 (2018 - cash used in continuing operating activities of $27,437). The Company has an accumulated deficit of $998,320 (2018 - accumulated deficit of $998,361).

The Company continues to work towards its goal of increasing profitability while growing its businesses, which can be seen in the improved results from operations and operating cash flows in 2018 and 2019. The resolution of the SEC investigation in September 2019 has assisted the Company in improving its operating results going forward by redirecting management's attention to strategic and operational matters, and by significantly reducing legal and advisory costs incurred in relation to the investigation.

As part of its on-going monitoring of financial condition, management is closely evaluating the Company's debt service requirements, in particular, its $17,500 convertible debt which matures on June 1, 2021. This debt is convertible into common shares at the option of the holder at a conversion price of $2.17 per common share. Below this price, the Company would have to repay the principal amount in cash. See note 14 of the consolidated financial statements for additional details of debt service requirements and the convertible debt.

Management is also evaluating foreseeable future cash flows from the Cummins Westport joint venture investment, as the joint venture term is scheduled to end on December 31, 2021. The joint venture pays significant dividends to the joint venture partners, with Westport receiving $25,045 as dividends in 2019 (2018 - $23,191). As per the joint venture agreement, both Cummins Inc. and the Company have equal rights to the joint venture's intellectual property. However, there is no certainty that the Company will be able to monetize the intellectual property to the level of the current dividends received from the joint venture. See note 8 (a) for additional details related to the Cummins Westport joint venture.

2. Liquidity and going concern (continued):

Management is closely evaluating the impact of COVID-19 on the Company's business. The Company has significant operations in Italy where there has been a large number of cases. The Company also sources components from China. At this time, management does not see a material impact to its business, however, the situation is evolving and could become material if the supply chain disruption is prolonged or end customer demand declines.

Management believes that the cash on hand at December 31, 2019 and, the continued improvements in operational performance will provide the cash flow necessary to fund operations over the next year to March 2021. The ability to continue as a going concern beyond March 2021 will be dependent on the Company's ability to generate sufficient positive cash flows from operations, successful conversion of or refinancing of the convertible debt, effective management of the Cummins Westport joint venture transition and on the Company's ability to finance its long term strategic objectives and operations (specifically the growth of the HPDI business). If, as a result of future events, the Company was to determine it was no longer able to continue as a going concern, significant adjustments would be required to the carrying value of assets and liabilities in the accompanying, consolidated financial statements and the adjustments could be material.

3. Significant accounting policies:

(a) Basis of presentation:

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

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

Cartesian Capital Group is a global private equity firm based in New York that has investments in the Company. Various Cartesian entities are associated with these investments including Pangaea Two Management, LP; Pangaea Two Acquisition Holdings XIV, LLC, Pangaea Two Acquisition Holdings Parallel XIV, LLC. Collectively, these entities will be referred to herein as “Cartesian” and are considered related parties. In addition, Peter Yu, the founder and managing partner of Cartesian, was elected as a Director of the Company in January 2016. See notes 8(b), 14(c) and 15 for additional details of Cartesian’s investments in the Company.

(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 dollar, Canadian dollar ("CDN"), Euro, Argentina Peso, Chinese Renminbi (“RMB”), Swedish Krona, 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.

3. Significant accounting policies (continued):

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

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

	Year end exchange rate as at:		Average for the year ended:		
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2017
Canadian dollar	0.77	0.73	0.75	0.77	0.77
Euro	1.12	1.14	1.12	1.18	1.13
Argentina Peso	0.02	0.03	0.02	0.04	0.06
RMB	0.14	0.15	0.14	0.15	0.15
Swedish Krona	0.11	0.11	0.11	0.12	0.12
Indian Rupee	0.0140	0.0143	0.0142	0.0156	0.0154

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

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. Cash and cash equivalents at December 31, 2019 and 2018 include restricted cash of $2,279 and $5,095. Restricted cash at December 31, 2019 related to cash used to secure a letter of credit. Restricted cash of $5,095 at December 31, 2018 was related to the Export Development Canada ("EDC") loan and was released on March 1, 2019 as a result of achieving certain milestones (note 14(a)).

(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.

3. Significant accounting policies (continued):

(f) Property, plant and equipment:

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

Assets	Basis	Rate
Buildings	Straight-line	20 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 machinery and 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.

(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.

(j) Intangible assets:

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

(k) Impairment of long-lived assets:

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

3. Significant accounting policies (continued):

(l) Goodwill:

Goodwill is recorded at the time of purchase for the excess of the amount of the purchase price over the fair values of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized and instead is tested at least annually for impairment, or more frequently when events or changes in circumstances indicate that goodwill might be impaired. This impairment test is performed annually at December 31. Future adverse changes in market conditions or poor operating results of underlying assets could result in an inability to recover the carrying value of the goodwill, thereby possibly requiring an impairment charge.

(m) Warranty liability:

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

3. Significant accounting policies (continued):

(n) Revenue recognition:

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

(o) Income taxes:

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

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

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

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

4. Accounting changes:

(a) New accounting pronouncement adopted in 2019:

Leases (Topic 842):

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which increases transparency and comparability among organizations by recognizing right-of-use ("ROU") assets and corresponding liabilities on the balance sheet and disclosing key information about leasing arrangements. On January 1, 2019, the Company adopted Topic 842 using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with the Company's historical reporting under Topic 840.

On adoption, the Company recognized total ROU assets of $19,747, with corresponding liabilities of $19,747 in the consolidated financial statements. The adoption did not impact the Company's opening retained earnings, or the prior year statements of income and statements of cash flows.

Under Topic 842, the Company determines if an arrangement is a lease at inception. ROU assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its subsidiary's incremental borrowing rates to determine such present value amounts. The Company's lease terms may include options to extend the lease and such extensions are included in the lease liabilities when it is reasonably certain that we will exercise such options. Operating leases are included in operating lease right-of-use assets, and current and non-current operating lease liabilities on the Company's consolidated balance sheets.

(b) New accounting pronouncement to be adopted in 2020:

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2019. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

5. Sale of assets:

The Company completed the sale of its CNG Compressor business on July 25, 2018 for gross proceeds of $14,729 and recorded a net gain of $9,910.

During the second quarter of 2017, substantially all of the former Industrial business segment (excluding the electronics and high pressure product lines) was sold.

The following table presents financial results of the CNG Compressor business and residual Industrial business segment entities which are included in net income (loss) from discontinued operations for the years ended December 31, 2019, 2018 and 2017:

	December 31, 2019	December 31, 2018	December 31, 2017
Revenue	$ —	$ 8,837	$ 46,268
Cost of revenue	—	7,548	34,647
Research and development	—	603	2,972
General and administrative	—	1,083	5,027
Sales and marketing	147	575	2,713
	147	9,809	45,359
Operating income (loss) from discontinued operations	(147)	(972)	909
Restructuring costs	—	1,268	—
Net gain on sale of assets	—	(10,710)	(58,310)
Other expenses	—	—	220
Income (loss) from discontinued operations before income tax	(147)	8,470	58,999
Income tax expense (recovery)	—	(808)	6,118
Net income (loss) from discontinued operations	$ (147)	$ 9,278	$ 52,881

6. Accounts receivable:

	December 31, 2019	December 31, 2018
Customer trade receivables	$ 62,974	$ 52,188
Other receivables	9,092	8,853
Income tax receivable	475	717
Due from related parties (note 19)	272	122
Allowance for doubtful accounts	(5,863)	(4,762)
	$ 66,950	$ 57,118

7. Inventories:

	December 31, 2019	December 31, 2018
Purchased parts and materials	$ 32,814	$ 31,735
Work-in-process	2,854	2,297
Finished goods	12,134	11,367
Inventory on consignment	4	612
	$ 47,806	$ 46,011

During the year ended December 31, 2019, the Company recorded write-downs to net realizable value of approximately $57 (year ended December 31, 2018 - $162; year ended December 31, 2017 - $1,111).

8. Long-term investments:

	December 31, 2019	December 31, 2018
Cummins Westport Inc. (a)	$ 7,850	$ 6,309
Weichai Westport Inc. (b)	1,824	1,824
Other equity accounted investees	913	685
	$ 10,587	$ 8,818

(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 joint venture term is scheduled to end on December 31, 2021 and, as per the joint venture agreement, effective from July 1, 2019, either Cummins or the Company can buy out the other's interest based on contractually defined terms and conditions.

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

	Years ended December 31,		
	2019	2018	2017
Investment income from CWI	$ 26,586	$ 22,701	$ 12,482
Dividends received	25,045	23,191	16,633

8. Long-term investments (continued):

(a) Cummins Westport Inc. (continued):

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. As at December 31, 2019, the Company has a related party accounts receivable balance of $272 (2018 - $122) due from CWI. During the year ended December 31, 2019, total expense recovery from CWI were $1,903 (2018 - $1,855; 2017 - $2,721).

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

	Balance at December 31, 2019		Balance at December 31, 2018	
	Carrying amount	Maximum exposure to loss	Carrying amount	Maximum exposure to loss
Equity method investment in CWI	$ 7,850	$ 7,850	$ 6,309	$ 6,309
Accounts receivable due from CWI	272	272	122	122

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

	December 31, 2019	December 31, 2018
Current assets:		
Cash and short-term investments	$ 90,296	$ 85,812
Accounts receivable	1,363	2,336
Other current assets	—	120
Long-term assets:		
Property, plant and equipment	844	934
Deferred income tax assets	21,322	22,851
Total assets	$ 113,825	$ 112,053
Current liabilities:		
Current portion of warranty liability	$ 19,816	$ 19,829
Current portion of deferred revenue	16,678	21,299
Accounts payable and accrued liabilities	3,858	4,348
	40,352	45,476
Long-term liabilities:		
Warranty liability	30,463	22,995
Deferred revenue	23,667	27,009
Other long-term liabilities	3,631	3,943
	57,761	53,947
Total liabilities	$ 98,113	$ 99,423

8. Long-term investments (continued):

(a) Cummins Westport Inc. (continued):

	Years ended December 31,		
	2019	2018	2017
Product revenue	$ 246,503	$ 227,408	$ 235,220
Parts revenue	115,267	91,997	82,077
	361,770	319,405	317,297
Cost of revenue and expenses:			
Cost of product and parts revenue	257,717	228,452	207,840
Research and development	15,933	18,000	30,733
General and administrative	1,363	1,474	1,113
Sales and marketing	17,950	15,350	19,675
Foreign exchange loss	8	12	51
Bank charges, interest and other	372	706	609
	293,343	263,994	260,021
Income from operations	68,427	55,411	57,276
Interest and investment income	2,421	1,939	982
Income before income taxes	70,848	57,350	58,258
Income tax expense:			
Current	16,102	8,397	16,068
Deferred (1)	1,575	3,552	17,226
	17,677	11,949	33,294
Income for the year	$ 53,171	$ 45,401	$ 24,964

(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.

(b) Weichai Westport Inc.:

The Company, indirectly through its wholly-owned subsidiary, Westport Innovations (Hong Kong) Limited (“Westport HK”), is currently the registered holder of a 23.33% equity interest in Weichai Westport Inc. (“WWI”).

In April 2016, the Company sold to Cartesian entities a derivative economic interest granting it the right to receive an amount of future income received by Westport HK from WWI equivalent to having an 18.78% equity interest in WWI and concurrently granted a Cartesian entity an option to acquire all of the equity securities of Westport HK for a nominal amount. The Company retained the right to transfer any equity interest held by Westport HK in WWI that was in excess of an 18.78% interest in the event that such option was exercised.

Pursuant to a subsequent agreement dated September 6, 2019 with the Cartesian entities, the Company has agreed, amongst other matters, not to transfer such residual equity interest without the Cartesian entities' prior consent. As a result of such transactions, the Company’s residual 23.33% equity interest in WWI currently corresponds to an economic interest in WWI equivalent to just 4.55%.

9. Property, plant and equipment:

December 31, 2019	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 4,764	$ 1,565	$ 3,199
Computer equipment and software	5,601	4,521	1,080
Furniture and fixtures	4,213	3,715	498
Machinery and equipment	91,926	41,775	50,151
Leasehold improvements	11,463	7,535	3,928
	$ 117,967	$ 59,111	$ 58,856

December 31, 2018	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 4,765	$ 1,474	$ 3,291
Computer equipment and software	7,079	6,043	1,036
Furniture and fixtures	3,553	2,975	578
Machinery and equipment	87,151	33,476	53,675
Leasehold improvements	11,578	6,727	4,851
	$ 114,126	$ 50,695	$ 63,431

During the year ended December 31, 2019, impairment charge of $ nil were recorded related to property, plant and equipment (December 31, 2018 - $736; December 31, 2017 - $1,550).

The Company has significant investments in property, plant and equipment related to its Westport HPDI 2.0™ business. The HPDI business is still in the early stages of commercialization, and, as a result, is currently generating losses. Based on the Company's current projections, meaningful increases in component sales, compared to 2019 levels, are expected, allowing the HPDI business to benefit from economies of scale and become profitable. If these assumptions are not realized, the Company may be required to record an impairment on these assets in future periods.

Total depreciation expense for the year ended December 31, 2019 was $13,409 (year ended December 31, 2018 - $13,090; year ended December 31, 2017 - $11,289). The amount of depreciation expense included in cost of revenue for the year ended December 31, 2019 was $8,562 (2018 - $7,685; 2017 - $4,915).

10. Intangible assets:

December 31, 2019	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 20,386	$ 9,333	$ 11,053
Technology	5,457	4,917	540
Customer contracts	12,150	10,668	1,482
Other intangibles	328	328	—
Total	$ 38,321	$ 25,246	$ 13,075

December 31, 2018	Cost	Accumulated amortization	Net book value
Patents and trademarks	$ 21,142	$ 7,978	$ 13,164
Technology	5,150	4,369	781
Customer contracts	12,355	9,476	2,879
Other intangibles	334	329	5
Total	$ 38,981	$ 22,152	$ 16,829

During the year ended December 31, 2019, the Company recorded an impairment charge of $688 (2018 - $nil; 2017 - $nil). The impairment resulted primarily from the write-down of a trademark and was recorded in the Transportation segment.

During the year ended December 31, 2019, amortization of $2,931 (2018 - $3,420; 2017 - $3,452) was recognized in the consolidated statement of operations.

11. Goodwill:

A continuity of goodwill is as follows:

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 3,170	$ 3,324
Impact of foreign exchange changes	(60)	(154)
Balance, end of year	$ 3,110	$ 3,170

The Company completed its annual assessment of impairment and concluded that the remaining goodwill of $3,110 related to the Transportation business segment was not impaired as at December 31, 2019.

12. Accounts payable and accrued liabilities:

	December 31, 2019	December 31, 2018
Trade accounts payable	$ 60,170	$ 60,027
Accrued payroll	15,906	13,723
Accrued interest	1,568	1,568
Due to related parties (note 19)	794	—
Taxes payable	3,497	4,298
Deferred revenue	2,717	996
Restructuring obligation	—	467
Other payables	1,528	4,350
	$ 86,180	$ 85,429

12. Accounts payable and accrued liabilities (continued):

Other payables at December 31, 2018 included an amount of $3,883 representing the residual balance of government contributions received between 2003 and 2006 in connection with HPDI technology development, net of repayments paid through that date in the form of royalties calculated on the Company's gross annual revenues for a contractually defined period of time. During the year ended December 31, 2019, amendments were made to the contribution agreement governing these arrangements whereby the Company was required to make a final royalty payment of $566 and all further repayment obligations were terminated. The Company recognized a gain of $3,317 in other income, in respect of the settlement reached during the year.

13. Operating leases right-of-use assets:

The Company has entered into various non-cancellable operating lease agreements primarily for its manufacturing facilities and offices. The Company's leases have lease terms expiring between 2020 and 2029. Many leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. The average remaining lease term is approximately five years and the present value of the outstanding operating lease liability was determined applying a weighted average discount rate of 5.0% based on incremental borrowing rates applicable in each location.

The components of lease cost are as follows:

	December 31, 2019
Operating lease cost:	
Amortization of right-of-use assets	$ 3,513
Interest	973
Total lease cost	$ 4,486

The maturities of lease liabilities as of December 31, 2019 are as follows:

2020	$ 4,406
2021	3,765
2022	3,691
2023	2,691
2024	2,016
Thereafter	3,724
Total undiscounted cash flows	20,293
Less: imputed interest	(2,769)
Present value of operating lease liabilities	17,524
Less: current portion	(4,406)
Long term operating lease liabilities	$ 13,118

14. Long-term debt:

	December 31, 2019	December 31, 2018
Term loan facilities, net of debt issuance costs (a)	$ 22,207	$ 24,023
Senior financing (b)	2,504	8,645
Convertible debt (c)	17,431	17,382
Other bank financing (d)	5,105	3,744
Capital lease obligations (e)	1,632	1,516
Balance, end of period	48,879	55,310
Current portion	(13,567)	(10,327)
Long-term portion	$ 35,312	$ 44,983

(a) The Company has three separate term loans: one with EDC and two with UniCredit S.p.A. ("UniCredit"). On December 20, 2017, the Company entered into a loan agreement with EDC for a $20,000 non-revolving term facility. The Company incurred debt issuance costs of $1,013 related to this loan, which are being amortized over the loan term using the effective interest rate method. The loan bears interest at 6% (prior to March 1, 2019, 9% plus monitoring fees), payable quarterly, as well as quarterly principal repayments. This loan matures on December 31, 2021. The EDC loan has an amount outstanding of $13,269, net of issuance costs as at December 31, 2019, compared to $16,860 as at December 31, 2018. The loan is secured by share pledges over the subsidiaries Westport Power, Inc., Fuel Systems Solutions, Inc., Westport Luxembourg S.a.r.l and MTM S.r.L. and by certain of the Company's property, plant and equipment.

On October 9, 2018, the Company entered into a Euro denominated loan agreement with UniCredit. This loan bears interest at an annual rate of 2.3% and interest is paid quarterly. This loan matures on December 31, 2023. As at December 31, 2019, the amount outstanding for this loan was $5,569 compared to $7,163 as at December 31, 2018, and was secured by a cash pledge of $1,671, with these restricted funds being recorded in other long-term assets.

On November 28, 2019, the Company entered into a second Euro denominated loan agreement with UniCredit. This loan bears interest at an annual rate of 1.8% and interest is paid quarterly. This loan matures on September 30, 2023. As at December 31, 2019, the amount outstanding for this loan was $3,369, and was secured by a cash pledge of $1,011, with these restricted funds also being recorded in other long-term assets.

(b) The senior financing facility was renewed on March 24, 2017. This Euro denominated loan bears interest at an annual rate equal to 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. This loan matures on December 31, 2022. The Company has pledged its interest in EMER S.p.A. as a general guarantee for its senior revolving financing. The Company made a principal prepayment of $4,735 in July 2019 to this senior financing facility.

(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, the Company issued 9.0% convertible unsecured notes due June 1, 2021, convertible into common shares of the Company in whole or in part, at Cartesian's option, at a conversion price of $2.17 per share. Interest is payable annually in arrears on December 31 of each year during the term.

(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, certain accounts receivable and restricted cash of $2,279.

14. Long-term debt (continued):

(e) The Company has capital lease obligations that have terms of three to five years at interest rates ranging from 1.3% to 12.0% (2018 - 1.3% to 12.0%).

Throughout the term of certain of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of December 31, 2019, the Company is in compliance with all covenants under the financing arrangements.

The principal repayment schedule of the long-term debt, including the convertible debt if it is not converted to common shares (see (c) above), is as follows for the years ending December 31:

	Term loan facilities	Senior financing	Convertible debt	Other bank financing	Capital lease obligations	Total
2020	$ 7,858	$ 741	$ —	$ 4,378	$ 590	$ 13,567
2021	9,846	834	17,431	338	545	28,994
2022	2,311	929	—	389	275	3,904
2023	2,192	—	—	—	150	2,342
2024 and thereafter	—	—	—	—	72	72
	$ 22,207	$ 2,504	$ 17,431	$ 5,105	$ 1,632	$ 48,879

15. 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 HPDI systems and CWI joint venture income through 2025 and (ii) stated fixed amounts per annum (subject to adjustment for asset sales). The carrying value is being accreted to the expected redemption value using the effective interest method, which is approximately 23% per annum. Amounts due to Cartesian are secured by an interest in the Company's HPDI 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 allowed the Company to sell certain assets in exchange for prepayment of the Cartesian royalty. Cartesian was to 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 Company received holdback payments in 2018, related to the divestiture of the industrial business segment in 2017, which resulted in a $1,045 prepayment to Cartesian and an additional finance charge of $778 in 2018.

As of December 31, 2019, the total royalty prepayments paid to Cartesian as a result of the Consent Agreement was $12,137.

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

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 20,935	$ 19,031
Accretion expense	3,357	4,135
Repayment	(6,034)	(3,009)
Additional finance charge from prepayment	—	778
Balance, end of year	18,258	20,935
Current portion	(5,936)	(6,091)
Long-term portion	$ 12,322	$ 14,844

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

2020	$ 5,936
2021	7,268
2022	5,103
2023	1,162
2024	1,637
2025 and thereafter	5,122
	$ 26,228

16. Warranty liability:

A continuity of the warranty liability is as follows:

	Years ended December 31,		
	2019	2018	2017
Balance, beginning of year	$ 4,941	$ 6,301	$ 11,612
Warranty claims	(1,863)	(2,787)	(2,627)
Warranty accruals	6,794	2,112	1,232
Change in estimate	(481)	(1,443)	(2,949)
Impact of foreign exchange changes	(490)	758	(967)
Balance, end of year	8,901	4,941	6,301
Less: Current portion	(4,505)	(2,800)	(3,529)
Long-term portion	$ 4,396	$ 2,141	$ 2,772

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

During the year ended December 31, 2019, the Company issued 3,036,082 common shares upon exercise of share units (year ended December 31, 2018 – 2,101,190 common shares). The Company issues shares from treasury to satisfy share unit exercises.

(a) Share Units ("Units"):

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

During the year ended December 31, 2019, the Company recognized $1,474 (year ended December 31, 2018 - $3,040; year ended December 31, 2017 – $6,961) of stock-based compensation associated with the Westport Omnibus Plan.

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

	December 31, 2019		December 31, 2018		December 31, 2017	
	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	2,667,403	$ 4.41	4,509,990	$ 6.00	6,664,591	$ 6.75
Granted	1,877,101	3.08	1,009,230	3.50	993,659	2.18
Exercised/vested	(2,622,338)	3.81	(2,101,190)	5.44	(2,045,617)	6.31
Forfeited/expired	(144,225)	2.86	(750,627)	3.61	(1,102,643)	6.51
Outstanding, end of year	1,777,941	$ 3.19	2,667,403	$ 4.41	4,509,990	$ 6.00
Units outstanding and exercisable, end of year	14,450	$ 2.41	2,076,684	$ 4.66	636,073	$ 5.38

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

During 2019, 1,877,101 (2018 - 1,009,230) share units were granted to directors, executives and employees. This included 971,051 Restricted Share Units ("RSUs") (2018 - 1,009,230) and 906,050 Performance Share Units ("PSUs") (2018 - nil). Values of RSU awards are generally determined based on the fair market value of the underlying common shares on the date of grant. RSUs typically vest over a three year period so the actual value received by the individual depends on the share price on the day such RSUs are settled for common shares, not the date of grant. PSU awards do not have a certain number of Common Shares that will issue over time - it depends on future performance and other conditions tied to the payout of the PSU.

As at December 31, 2019, $4,303 of compensation expense related to Units has yet to be recognized in results from operations and will be recognized over the remainder of the vesting period.

(b) Aggregate intrinsic values:

The aggregate intrinsic value of the Company's share units at December 31, 2019 and 2018 are as follows:

	December 31, 2019 CDN$	December 31, 2018 CDN$
Share units:		
Outstanding	$ 5,458	$ 4,828
Exercisable	44	3,759

(c) Stock-based compensation:

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

	Years ended December 31,		
	2019	2018	2017
Research and development	$ 157	$ 778	$ 1,182
General and administrative	1,111	1,952	5,450
Sales and marketing	206	310	329
	$ 1,474	$ 3,040	$ 6,961

During the first quarter of 2018, the Performance Stock Units ("PSUs") that had been conditionally approved were finalized and granted. As a result, the stock-based compensation of $2,449 related to 730,000 PSUs was reclassified from a liability to shareholders' equity in 2018.

18. Income taxes:

(a) The Company's income tax provision differs from that calculated by applying the combined enacted Canadian federal and provincial statutory income tax rate of 27% for the year ended December 31, 2019 (year ended December 31, 2018 – 27%; year ended December 31, 2017 – 26%) as follows:

	Years ended December 31,		
	2019	2018	2017
Income (loss) from continuing operations before income taxes	$ 2,148	$ (38,658)	$ (67,284)
Expected income tax expense (recovery)	580	(10,438)	(17,494)
Increase (reduction) in income taxes resulting from:			
Non-deductible stock-based compensation	264	433	786
Other permanent differences	15	3,762	3,624
Withholding taxes and other foreign taxes	1,017	657	444
Change in enacted tax rates	34	135	22,960
Foreign tax rate differences, foreign exchange and other adjustments	271	1,585	138
Non-taxable income from equity investment	(6,416)	(6,834)	(3,245)
Change in valuation allowance	6,195	12,812	(11,637)
Income tax expense (recovery)	$ 1,960	$ 2,112	$ (4,424)

18. Income taxes (continued):

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

	December 31, 2019	December 31, 2018
Deferred income tax assets:		
Net loss carry forwards	$ 211,738	$ 197,585
Intangible assets	4,008	5,655
Property, plant and equipment	15,518	12,799
Warranty liability	3,342	3,251
Foreign tax credits	620	620
Inventory	2,306	4,223
Research and development	6,107	5,961
Other	13,618	11,135
Total gross deferred income tax assets	257,257	241,229
Valuation allowance	(255,328)	(239,565)
Total deferred income tax assets	$ 1,929	$ 1,664
Deferred income tax liabilities:		
Intangible assets	$ (1,756)	$ (2,456)
Property, plant and equipment	(61)	(106)
Other	(2,628)	(2,959)
Total deferred income tax liabilities	$ (4,445)	$ (5,521)
Total net deferred income tax liabilities	$ (2,516)	$ (3,857)

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 18(f).

18. Income taxes (continued):

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

		Income tax expense (recovery)		
	Net income (loss) before income taxes	Current	Deferred	Total
Year ended December 31, 2019				
Italy	$ 26,645	$ 2,260	$ (1,647)	$ 613
United States	16,174	13	—	13
Canada	(28,160)	—	—	—
Other	(12,511)	1,334	—	1,334
	$ 2,148	$ 3,607	$ (1,647)	$ 1,960
Year ended December 31, 2018				
Italy	$ 7,445	$ 1,741	$ (1,188)	$ 553
United States	17,161	803	—	803
Canada	(61,933)	214	—	214
Other	(1,331)	1,192	(650)	542
	$ (38,658)	$ 3,950	$ (1,838)	$ 2,112
Year ended December 31, 2017				
Italy	$ 679	$ 493	$ (1,470)	$ (977)
United States	3,023	17	—	17
Canada	(61,458)	(3,737)	(17)	(3,754)
Other	(9,528)	447	(157)	290
	$ (67,284)	$ (2,780)	$ (1,644)	$ (4,424)

18. Income taxes (continued):

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

	2020	2021	2022	2023 and later	Total
Canada	$ —	$ —	$ —	$ 561,836	$ 561,836
Italy	—	—	—	329	329
United States	—	—	—	111,427	111,427
Sweden	—	—	—	12,893	12,893
Other	2,866	3,420	3,618	19,712	29,616
Total	$ 2,866	$ 3,420	$ 3,618	$ 706,197	$ 716,101

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, 2019, the total amount of the Company's uncertain tax benefits was $3,652 (year ended December 31, 2018 - $4,704). 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 2016 to 2019 taxation years remain open to examination by the Internal Revenue Service and the 2014 to 2019 taxation years remain open to examination by the Italian Revenue Agency, and various years remain open in the other foreign jurisdictions.

19. 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.

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

(b) Other transactions with related parties:

Peter Yu, founder and managing partner of Cartesian, was appointed as a Director of the Company in January 2016 in connection with the Investment Agreement entered into with Cartesian in January 2016. As a consequence, the convertible debt (note 14(c)) and royalty payable (note 15), amounts due to Cartesian represent related party balances. During the year ended December 31, 2019, the Company made payments to Cartesian for interest on the convertible debt of $1,575 (2018 - $1,575) and for royalty payables $6,034 (2018 - $3,009) to Cartesian relating to the royalty payable. In addition, fees of $nil (2018 - $250) were paid to Cartesian during the year ended December 31, 2019.

In connection a subsequent agreement dated September 6, 2019 (see note 8(b)), the Company agreed to reimbursement of legal fees amounting to $768 incurred by Cartesian in connection with the SEC investigation discussed in note 20(b), payable in the course of 2020 and has also accrued $26 (2018 - $nil) for director fees payable to Cartesian's director nominee. During the year ended December 31, 2018, the Company incurred $188 of advisory fees to Cartesian.

During the year ended December 31, 2019, the Company issued 18,246 RSUs (2018 - nil) to Cartesian for director fees payable to Cartesian's director nominee.

20. Commitments and contingencies:

(a) Contractual commitments

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

(b) Contingencies

On June 15, 2017, the Enforcement Division of the SEC issued a subpoena to Westport Fuel Systems for information concerning its investment in Weichai Westport Inc. and compliance with the FCPA and securities laws related to disclosure in SEC filings in connection with the Westport Fuel Systems operations in China. The SEC Enforcement Division issued follow up subpoenas on February 14, 2018, June 25, 2018, and August 2, 2018.

On September 27, 2019, the Company announced that it had reached a settlement with the SEC resolving the above-mentioned investigation. Under the terms of the settlement, without admitting or denying any violation of the FCPA or related regulations, the Company agreed to pay to the SEC a total amount of $4,046 (comprising a civil penalty of $1,500, a disgorgement amount of $2,350 and prejudgment interest of $196), and also agreed to a two-year period of self-reporting requirements regarding FCPA compliance activities. Of the total settlement amount agreed with the SEC, $2,529 was paid as of December 31, 2019, with the remaining balance due in three equal quarterly installments through September 2020.

In the period from June 2017 to December 31, 2019, total costs and expenses, net of insurance recoveries, incurred by the Company in connection with the above-mentioned SEC investigation amounted to a cumulative $18,110, of which $6,316 recorded in the year ended December 31, 2019 and $9,977 in the year ended December 31, 2018.

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

21. Segment information:

The Company manages and reports the results of its business through three segments: Transportation, the CWI Joint Venture, and Corporate. This reflects the manner in which operating decisions and the assessment of business performance is currently managed by the Chief Operating Decision Maker ("CODM").

The financial information for the Company's business segments evaluated by the 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.

Transportation Business Segment

Westport Fuel Systems' Transportation group designs, manufactures, and sells alternative fuel systems and components for transportation applications. The Company's diverse product offerings are sold under established global brands and include a broad range of alternative fuels which have environmental and economic advantages including: liquefied petroleum gas ("LPG"), compressed natural gas ("CNG"), liquefied natural gas ("LNG"), renewable natural gas ("RNG"), and hydrogen. The Company supplies its products and services through a global network of distributors and original equipment manufacturers ("OEMs") and delayed OEM arrangements ("DOEMs") in more than 70 countries. Today, the Company's products and services are available for passenger cars, light-, medium- and heavy-duty trucks, high horsepower, cryogenics, and hydrogen applications.

The Transportation segment includes the independent aftermarket ("IAM"), OEMs and DOEMs, the Westport HPDI 2.0™ product line, electronics, current and advanced research and development programs, supply chain, and product planning activities.

Cummins Westport Inc. ("CWI") Joint Venture

CWI 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 RNG.

21. Segment information (continued):

The purpose of the joint venture is to engage in the business of developing, marketing and selling spark-ignited natural gas or propane engines for on-highway use. CWI utilizes Cummins' supply chain, back office systems and distribution and sales networks. The joint venture term is scheduled to end on December 31, 2021 (see also note 8(a)).

Corporate Business Segment

The Corporate business segment is responsible for public company activities, corporate oversight and general administrative duties, such as securing the Company's intellectual property.

Financial information by business segment as follows:

	Years ended December 31,		
	2019	2018	2017
Revenue:			
Transportation	$ 305,338	$ 270,283	$ 229,833
CWI	361,770	319,405	317,297
Total segment revenues	667,108	589,688	547,130
Less: equity investee revenue	(361,770)	(319,405)	(317,297)
Consolidated revenue from continuing operations	$ 305,338	$ 270,283	$ 229,833
Consolidated revenue from discontinuing operations	$ —	$ 8,837	$ 46,268

	Years ended December 31,		
	2019	2018	2017
Operating income (loss):			
Transportation	$ (798)	$ (10,706)	$ (40,638)
CWI	68,427	55,411	57,276
Corporate	(21,619)	(31,511)	(22,256)
Restructuring costs	(825)	(808)	(1,682)
Foreign exchange gain (loss)	2,537	(8,957)	(562)
Impairments on long lived assets, net (note 9 and 10)	(688)	(736)	(1,550)
Total segment operating income (loss)	47,034	2,693	(9,412)
Less: equity investee operating income	(68,427)	(55,411)	(57,276)
Consolidated operating loss from continuing operations	$ (21,393)	$ (52,718)	$ (66,688)
Consolidated operating income (loss) from discontinued operations	$ (147)	$ (972)	$ 909

21. Segment information (continued):

	Years ended December 31,		
	2019	2018	2017
Total additions to long-lived assets, excluding business combinations:			
Transportation	$ 8,255	$ 10,062	$ 25,177
Corporate	606	211	111
	$ 8,861	$ 10,273	$ 25,288

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

	% of total revenue		
	Years ended December 31,		
	2019	2018	2017
Europe	68%	62%	60%
Americas	17%	18%	20%
Asia	8%	10%	12%
Others	7%	10%	8%

As at December 31, 2019, total goodwill of $ 3,110 (December 31, 2018 - $3,170) was allocated to the Transportation segment.

As at December 31, 2019, total long-term investments of $9,850 (December 31, 2018 - $8,269) were allocated to the Corporate segment and $737 (December 31, 2018 - $549) to the Transportation segment.

Total assets are allocated as follows :

	Total assets by operating segment	
	Years ended December 31	
	2019	2018
Transportation	$ 251,948	$ 236,340
Corporate	27,978	31,912
CWI	113,825	112,053
	393,751	380,305
Add: assets held for sale	—	1,676
Less: equity investee total assets	(113,825)	(112,053)
Total consolidated assets	$ 279,926	$ 269,928

21. Segment information (continued):

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

Long-lived assets information by geographic area:

December 31, 2019	Property, plant and equipment	Intangible assets and goodwill	Total
Italy	$ 22,534	$ 12,883	$ 35,417
Canada	31,909	192	32,101
United States	951	—	951
Rest of Europe	3,423	3,110	6,533
Asia Pacific	883	—	883
	59,700	16,185	75,885
Less: equity investee long lived assets	(844)	—	(844)
Total consolidated long-lived assets	$ 58,856	$ 16,185	$ 75,041

December 31, 2018	Property, plant and equipment	Intangible assets and goodwill	Total
Italy	$ 23,470	$ 16,067	$ 39,537
Canada	35,089	237	35,326
United States	1,210	—	1,210
Rest of Europe	2,870	3,695	6,565
Asia Pacific	1,726	—	1,726
	64,365	19,999	84,364
Less: equity investee's long lived assets	(934)	—	(934)
Total consolidated long-lived assets	$ 63,431	$ 19,999	$ 83,430

22. 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 a history of losses and negative cash flows from operations since inception, although recorded net income in 2019. At December 31, 2019, the Company has $46,012 of cash, cash equivalents and short-term investments, including of $2,279 restricted cash (see note 3(c)).

The following are the contractual maturities of financial obligations as at December 31, 2019:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	>5 years
Accounts payable and accrued liabilities	$ 86,180	$ 86,180	$ 86,180	$ —	$ —	$ —
Term loan facilities (note 14 (a))	22,207	24,978	9,507	13,158	2,313	—
Senior revolving financing (note 14 (b))	2,504	2,897	815	1,966	116	—
Convertible debt (note 14 (c))	17,431	19,727	1,575	18,152	—	—
Other bank financing (note 14 (d))	5,105	5,112	4,383	729	—	—
Capital lease obligations (note 14 (e))	1,632	1,747	598	884	265	—
Long-term royalty payable (note 15)	18,258	26,228	5,936	12,371	2,799	5,122
Operating lease commitments (note 13)	17,524	20,293	4,406	7,456	4,707	3,724
	$ 170,841	$ 187,162	$ 113,400	$ 54,716	$ 10,200	$ 8,846

(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 investing primarily in liquid short-term paper issued by major banks. The Company monitors its portfolio and its policy is to diversify its investments to manage this potential risk.

The Company is also exposed to credit risk with respect to uncertainties as to timing and amount of collectability of accounts receivable and other receivables. As at December 31, 2019, 85% (December 31, 2018 - 83%) of accounts receivable relates to customer receivables, and 15% (December 31, 2018 - 17%) relates to amounts due from related parties and income tax authorities for value added taxes and other tax related refunds. In order to minimize the risk of loss for customer receivables, the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. Most sales are invoiced with payment terms in the range of 30 days to 90 days. 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.

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

Cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and long-term debt that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Company's functional currency is the Canadian dollar.

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

A 5% increase/decrease in the relative value of the U.S. dollar against the Canadian dollar and Euro compared to the exchange rates in effect for the year ended December 31, 2019 would have resulted in lower/higher income from operations of approximately $593. This assumes a consistent 5% appreciation in the U.S. dollar against the Canadian dollar and Euros throughout the fiscal year. The timing of changes in the relative value of the U.S. dollar can affect the magnitude of the impact that fluctuations in foreign exchange rates have on our income from operations.

(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, 2019 had increased or decreased by 50 basis points, with all other variables held constant, net loss for the year ended December 31, 2019 would have increased or decreased by $91.

22. 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, WWI and other investments. CWI is accounted for using the equity method. WWI and other investments are accounted for at fair value.

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

The carrying value of the term loan facilities included in the long-term debt (note 14(a)) does not materially differ from its fair value as at December 31, 2019. The carrying value reported in the consolidated balance sheet for senior financing (note 14(b)) approximates their fair value as at December 31, 2019, as the interest rates on the debt are floating and therefore approximate 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, 2019, cash and cash equivalents and short-term investments are measured at fair value on a recurring basis and are included in Level 1.

BASIS OF PRESENTATION

This Management's Discussion and Analysis ("MD&A") for Westport Fuel Systems Inc. ("Westport Fuel Systems", the "Company", "we", "us", "our") 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, 2019 ("Annual Financial Statements"). 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 17, 2020.

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 forward-looking 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 forward-looking statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward looking statements. These risks include risks related to revenue growth, operating results, liquidity, industry and products, general economy, conditions of the capital and debt markets, government or accounting policies and regulations, regulatory investigations, climate change legislation or regulations, technology innovations, as well as other factors discussed below and elsewhere in this report, including the risk factors contained in the Company's most recent AIF filed on SEDAR at www.sedar.com. The forward-looking statements contained in this MD&A are based upon a number of material factors and assumptions which include, without limitation, market acceptance of our products, product development delays in contractual commitments, the ability to attract and retain business partners, competition from other technologies, price differential between compressed natural gas, liquefied natural gas and liquefied petroleum gas relative to petroleum-based fuels, unforeseen claims, exposure to factors beyond our control as well as the additional factors referenced in our AIF. Readers should not place undue reliance on any such forward-looking statements, which 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 Fuel Systems does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after this MD&A, including the occurrence of unanticipated events. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

BUSINESS OVERVIEW AND GENERAL DEVELOPMENTS

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

Westport Fuel Systems is well positioned to increase revenues and market share as new stringent environmental regulations mandating greenhouse gas emission reductions have been introduced in key markets around the world. We are leveraging our market-ready products and customer base to capitalize on these opportunities. In addition to our operational competency in well-established transportation markets, our development of new technologies provides us a technology leadership position in gaseous fuel systems and components which 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.

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

- **Independent aftermarket ("IAM")**: We sell systems and components across a wide range of brands primarily through a global network of distributors, that consumers can purchase and have installed onto their vehicles to use LPG or CNG fuels in addition to gasoline and diesel.
- **DOEM**: We directly or indirectly convert new passenger cars for OEMs or importers, to address local market needs when a global LPG or CNG bi-fuel vehicle platform is not available directly from the OEM.
- **Light-duty OEM**: We sell systems and components to OEMs that are used to manufacture new, direct off the assembly line LPG or CNG-fueled vehicles.
- **Heavy-duty OEM**: We sell systems and components, including High Pressure Direct Injection ("Westport HPDI 2.0™" or "HPDI") products, to engine OEMs and commercial vehicle OEMs. Our fully integrated Westport HPDI 2.0™ system powered primarily by natural gas matches the power, torque, and fuel economy benefits found in traditional compression ignition engines using only diesel fuel resulting in reduced greenhouse gas emissions, and the capability to cost-effectively run on renewable fuels.

Although our IAM, DOEM and Light-duty OEM businesses are growing, profitable businesses, our HPDI business is in the early stages of commercial development (sales to our European OEM launch partner began in 2018) , and, as a result, is currently generating losses. Meaningful increases in sales volumes are required for the HPDI business to benefit from economies of scale to become profitable. We anticipate growth in sales volumes through sales to our initial launch partner, our supply arrangement with Weichai Westport Inc. ("WWI"), and additional OEMs entering into supply agreements for our HPDI technology. WWI's HPDI engine is currently being certified to meet China VI emissions standards and is expected to be launched in the first half of 2020. WWI has committed to purchase Westport HPDI 2.0™ components required to produce a minimum of 18,000 engines between the launch date and the end of 2023.

Gross margin and gross margin percentage from our HPDI product will vary based on production and sales volumes, levels of development work, successful implementation of material cost reduction initiatives and foreign exchange. Margin pressure is expected to continue through much of 2020 as launch costs and volume-related price discounts are only partially offset by material cost reductions.

Westport Fuel Systems generates income from Cummins Westport Inc. ("CWI") by selling spark-ignited natural gas engines. Refer to the "Operating Segments" section in this MD&A for more detail.

Overview of Financial Results for 2019

Revenues for the year ended December 31, 2019 increased by 13% to $305.3 million from $270.3 million in 2018, resulting from strength across our transportation businesses, but primarily as a result of increased HPDI revenue in 2019. Strong sales during the year were offset by a 5% decline in the foreign exchange rate of the Euro to U.S. dollar as compared to the same period in 2018 since the majority of our sales are denominated in Euros. Westport Fuel Systems recorded net income from continuing operations of $0.2 million for the year ended December 31, 2019 compared to a net loss from continuing operations of $40.8 million for the year ended December 31, 2018. The significant improvement in net income from continuing operations of $41.0 million was a result of across the board improvements in our operations, combining higher revenues, lower costs and improved earnings from CWI.

Westport Fuel Systems continued its trend of meaningful earnings improvement during 2019. For the year ended December 31, 2019 we generated $28.4 million Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") as compared to $9.6 million for the year ended December 31, 2018. The factors noted above were key contributors to the improvement in Adjusted EBITDA. See "Non-GAAP Measures" section in this MD&A.

Settlement with the Securities Exchange and Commission

During the third quarter of 2019, we announced that we had reached a settlement with the SEC resolving the SEC's investigation into our compliance with the U.S. Foreign Corrupt Practices Act ("FCPA") in connection with prior years operations in China. Under the terms of the settlement, without admitting or denying any violation of the FCPA or related regulations, we agreed to pay to the SEC a total amount of $4.0 million (comprising a civil penalty of $1.5 million, a disgorgement amount of $2.3 million and prejudgment interest of $0.2 million), which amount, together with related legal fees, was in line with the estimated costs to complete and resolve the investigation that were accrued in the quarter ended June 30, 2019. In connection with the SEC settlement we also agreed to a two-year period of self-reporting requirements regarding FCPA compliance activities.

See the "Regulatory Compliance" section in this MD&A for additional details.

LIQUIDITY AND GOING CONCERN

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

Management's evaluation has concluded that there are no known or currently foreseeable conditions or events that raise substantial doubt about our ability to continue as a going concern within one year after the date the Annual Financial Statements were issued. Our Annual Financial Statements have therefore been prepared on the basis that we will continue as a going concern.

At December 31, 2019, our net working capital was $53.6 million (2018 - $64.4 million) including cash and cash equivalents (including restricted cash) of $46.0 million (2018 - $61.1 million), and our long-term debt, including the royalty payable, was $67.2 million, of which $19.5 million matures in 2020. We generated net income from continuing operations of $0.2 million (2018 - loss of $40.8 million) and cash flows used in continuing operating activities was $15.7 million for the year ended December 31, 2019 (2018 - cash used in continuing operating activities of $27.4 million). We have an accumulated deficit of $998.3 million (2018 - accumulated deficit of $998.4 million).

We continue to work towards our goal of increasing profitability while growing our businesses, which can be seen in our improved results from operations and operating cash flows in 2018 and 2019. The resolution of the SEC investigation in September 2019 has assisted us in improving our operating results going forward by redirecting management's attention to strategic and operational matters, and by significantly reducing legal and advisory costs incurred in relation to the investigation.

As part of its on-going monitoring of financial condition, management is closely evaluating the Company's future debt service requirements, in particular, its $17.5 million convertible debt which matures on June 1, 2021. This debt is convertible into common shares at the option of the holder at a conversion price of $2.17 per common share. Below this price, we would have to repay the principal amount in cash. See note 14 of the Annual Financial Statements for additional details of debt service requirements and the convertible debt.

Management is also evaluating foreseeable future cash flows from the CWI joint venture as the joint venture term is scheduled to end on December 31, 2021. The joint venture pays significant dividends to the joint venture partners, with Westport receiving $25.0 million as dividends in 2019 (2018 - $23.2 million). As per the joint venture agreement, both Cummins and the Company have equal rights to the joint venture's intellectual property. However, there is no certainty that we will be able to monetize the intellectual property to the level of the current dividends received from the joint venture. See note 8 in our Annual Financial Statements for additional details related to the CWI joint venture.

Management is closely evaluating the impact of COVID-19 on our business. We have significant operations in Italy where there has been a large number of cases. We also source components from China. At this time, we do not see a material impact to our business, however, the situation is evolving and could become material if the supply chain disruption is prolonged or end customer demand declines.

Management believes that the cash on hand at December 31, 2019 and, our continued improvements in operational performance will provide the cash flow necessary to fund operations over the next year to March, 2021. The ability to continue as a going concern beyond March, 2021 will be dependent on our ability to generate sufficient positive cash flows from operations, successful conversion of or refinancing of our convertible debt, effective management of the CWI joint venture transition and our ability to finance long term strategic objectives and operations (specifically the growth of our HPDI business). If, as a result of future events, we were to determine that we were no longer able to continue as a going concern, significant adjustments would be required to the carrying value of our assets and liabilities in the accompanying consolidated financial statements and the adjustments could be material.

OPERATING SEGMENTS

We manage and report the results of our business through three segments: Transportation, the CWI Joint Venture, and Corporate. This reflects the manner in which operating decisions and assessing business performance is currently managed by the Chief Operating Decision Maker ("CODM").

The financial information for our business segments evaluated by the CODM includes the results of CWI as if they were consolidated, which is consistent with the way we manage our business segments. As CWI is accounted for under the equity method of accounting, an adjustment is made to reconcile the segment measures to our consolidated matters.

Transportation Business Segment

Our Transportation group includes the IAM, DOEM, Light-duty OEM and Heavy-duty OEM business. Refer to the "Business Overview and General Developments" section in this MD&A for more detail.

CWI Joint Venture

CWI 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 shorthaul 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 RNG.

CWI is a Delaware corporation owned 50% by Westport Power Inc., 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 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 developing, marketing and selling spark-ignited natural gas or propane engines for on-highway use. CWI utilizes Cummins' supply chain, back office systems and distribution and sales networks. The CWI joint venture term is scheduled to end on December 31, 2021 and, as per the joint venture agreement, effective from July 1, 2019, either Cummins or the Company can buy out the other's interest based on contractually defined terms and conditions.

Corporate Business Segment

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

SELECTED FINANCIAL INFORMATION

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

Selected Consolidated Statements of Operations Data

	Years ended December 31,		
	2019	**2018**	**2017**
(expressed in millions of United States dollars, except for per share amounts and shares outstanding)			
Revenue	$ 305.3	$ 270.3	$ 229.8
Gross margin	68.2	64.2	60.3
GM %	22.3%	23.8%	26.2%
Net income (loss) from continuing operations	0.2	(40.8)	(62.9)
Net income (loss) from discontinued operations	(0.1)	9.3	52.9
Net income (loss) for the year	0.0	(31.5)	(10.0)
Net income (loss) per share from continuing operations - basic and diluted	0.00	(0.31)	(0.52)
Weighted average basic and diluted shares outstanding	134,224,799	132,371,396	119,558,566

	Three Months Ended December 31,	
	2019	**2018**
(expressed in millions of United States dollars, except for per share amounts and shares outstanding)		
Revenue	$ 74.3	$ 60.5
Gross margin	13.8	12.2
GM %	18.6%	20.2%
Net income (loss) from continuing operations	0.7	(10.4)
Net income from discontinued operations	0.0	1.2
Net income (loss) for the period	0.7	(9.2)
Net income (loss) per share from continuing operations - basic and diluted	—	(0.08)
Weighted average basic and diluted shares outstanding	136,081,959	133,093,452

Selected Balance Sheet Data

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

	December 31, 2019	**December 31, 2018**
(expressed in millions of United States dollars)		
Cash and cash equivalents (including restricted cash)	$ 46.0	$ 61.1
Total assets	279.9	269.9
Debt, including current portion	48.9	55.3
Royalty payable, including current portion	18.2	20.9
Total liabilities	190.6	179.3
Shareholder's equity	89.4	90.7

RESULTS FROM OPERATIONS

Revenue 2019/2018

Transportation revenue for the three months ended December 31, 2019 increased by $13.8 million, or 23%, from $60.5 million for the three months ended December 31, 2018 to $74.3 million for the three months ended December 31, 2019 , despite a 3% decrease in Euro to U.S. dollar exchange rate. Revenue from the IAM business (including DOEM) increased by $8.3 million mainly due to stronger demand for our aftermarket and DOEM products. Revenue from the OEM business (which includes light-duty and heavy-duty) increased by $5.5 million during the three months ended December 31, 2019 compared with the same period in 2018 mainly driven by higher HPDI 2.0 ™ product sales.

For the year ended December 31, 2019, revenue increased by $35.0 million, or 13%, from $270.3 million for the year ended December 31, 2018 to $305.3 million for the year ended December 31, 2019. The increase in revenue was driven mainly by the year-over-year growth in our OEM business of $29.2 million, primarily from higher HPDI 2.0™ sales, which included $7.5 million in service revenue recognized during 2019 from development work from OEMs. Revenue from our IAM business increase by $5.8 million due to strong demand for its aftermarket and DOEM products, despite a 5% decrease in the Euro to U.S. dollar exchange rate in 2019 compared to 2018.

(expressed in millions of U.S. dollars)

	Three months ended December 31,		Change		Years ended December 31,		Change	
	2019	2018	$	%	2019	2018	$	%
Transportation (consolidated)	$ 74.3	$ 60.5	$ 13.8	23%	$ 305.3	$ 270.3	$ 35.0	13%

Revenues 2018/2017

Total consolidated revenues increased by $40.5 million, or 18% from $229.8 million in 2017 to $270.3 million in 2018.

Transportation revenue for the year ended December 31, 2018 was $270.3 million compared to $229.8 million for the year ended December 31, 2017. The increase in revenue was primarily due to strong demand for our aftermarket products, strength in our light- and medium-duty OEM business and sales from our newly released Westport HPDI 2.0™ product. In addition, the Euro strengthened versus U.S. dollar approximately 5% during 2018 which resulted in an increase in U.S. dollar dominated revenues.

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2018	2017	$	%
Transportation (consolidated)	$ 270.3	$ 229.8	$ 40.5	18%

Gross Margin 2019/2018

Transportation gross margin increased by $1.5 million, or 12% to $13.8 million for the three months ended December 31, 2019 compared to $12.3 million for the three months ended December 31, 2018 primarily due to higher revenue during the current quarter. The decline in the gross margin percentage was caused by volume-related pricing discounts on our HPDI 2.0™ product.

(expressed in millions of U.S. dollars)

	Three months ended December 31, 2019	% of Revenue	Three months ended December 31, 2018	% of Revenue	Change $	Change %
Transportation (consolidated)	$ 13.8	18.6%	$ 12.3	20.3%	$ 1.5	12%

Transportation gross margin increased by $4.0 million, or 6% to $68.2 million, for the year ended December 31, 2019, compared to $64.2 million for the year ended December 31, 2018 primarily driven by higher revenue. The gross margin percentage decreased from 23.8% for the year ended December 31, 2018 to 22.3% for the year ended December 31, 2019 mainly due to product mix. Margin pressure is expected to continue through much of 2020 as launch costs and volume related price discounts related on HPDI components are only partially offset by material cost reductions.

(expressed in millions of U.S. dollars)

	Year ended December 31, 2019	% of Revenue	Year ended December 31, 2018	% of Revenue	Change $	Change %
Transportation (consolidated)	$ 68.2	22.3%	$ 64.2	23.8%	$ 4.0	6%

Gross Margin 2018/2017

Total consolidated gross margin increased by $3.9 million or 6% from $60.3 million in 2017 to $64.2 million in 2018.

Transportation gross margin increased by $3.9 million to $64.2 million, for the year ended December 31, 2018, compared to $60.3 million for the year ended December 31, 2017. The increase in gross margin is due to higher sales from our aftermarket and light- and medium-duty OEM, and DOEM businesses. Gross margin percentage decreased from 26.2% for the year ended December 31, 2017 to 23.8% for the year ended December 31, 2018 mainly because of low unit sales of the Westport HPDI 2.0™ business and lower service revenue.

(expressed in millions of U.S. dollars)

	Year Ended December 31, 2018	% of Revenue	Year Ended December 31, 2017	% of Revenue	Change $	Change %
Transportation (consolidated)	$ 64.2	23.8%	$ 60.3	26.2%	$ 3.9	6%

R&D Expenses 2019/2018

Transportation R&D expenses for the three months and year ended December 31, 2019 were $6.0 million and $24.8 million, respectively, compared with $6.6 million and $29.6 million for the three months and year ended December 31, 2018. The decrease of $0.6 million and $4.8 million during the three months and year ended December 31, 2019 was due to customer funded development programs resulting in a portion of R&D expenses being reclassified to cost of revenue, reduction in headcount as the Company launched its Westport HPDI 2.0™ product and lower Euro and Canadian average exchange rates as compared to the U.S. dollar in 2019 compared to 2018.

Corporate R&D expenses for the year ended December 31, 2019 were $0.4 million compared with $1.0 million for the year ended December 31, 2018. Corporate R&D expenses relate to costs associated with protecting the Company's intellectual property; in particular, the costs associated with patenting our innovations and registering our trademarks and maintaining our patent and trademark portfolios.

(expressed in millions of U.S. dollars)

	Three months ended December 31,		Change		Years ended December 31,		Change	
	2019	2018	$	%	2019	2018	$	%
Transportation	$ 6.0	$ 6.6	$ (0.6)	(9)%	$ 24.8	$ 29.6	$ (4.8)	(16)%
Corporate	(0.1)	0.2	(0.3)	(150)%	0.4	1.0	(0.6)	(60)%
Total R&D	$ 5.9	$ 6.8	$ (0.9)	(13)%	$ 25.2	$ 30.6	$ (5.4)	(18)%

R&D Expenses 2018/2017

Transportation R&D expenses for the year ended December 31, 2018 were $29.6 million compared with $48.4 million for the year ended December 31, 2017. For the year ended December 31, 2017, the decrease of $18.8 million during the year ended December 31, 2018 was due to the completion of various R&D programs as the Company launched its Westport HPDI 2.0™ product in the fourth quarter of 2017.

Corporate R&D expenses for the year ended December 31, 2018 were $1.0 million compared to $1.7 million for the year ended December 31, 2017. Corporate R&D expenses relate to costs associated with protecting the Company's intellectual property; in particular, the costs associated with patenting our innovations and registering our trademarks, and maintaining our patent and trademark portfolios.

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2018	2017	$	%
Transportation	$ 29.6	$ 48.4	$ (18.8)	(39)%
Corporate	1.0	1.7	(0.7)	(41)%
Total R&D	$ 30.6	$ 50.1	$ (19.5)	(39)%

Sales and Marketing, General and Administrative Expenses 2019/2018

Transportation SG&A expenses for the three months and year ended December 31, 2019 were $10.1 million and $36.6 million compared to $9.3 million and $36.8 million for the three months and year ended December 31, 2018, respectively. The increase of $0.8 million for the three months ended December 31, 2019 is mainly due to higher compensation costs. The decreased SG&A expenses for 2019 compared to 2018 were mainly due to lower Euro and Canadian dollar average exchange rates which was partially offset by higher compensation costs during 2019.

Corporate SG&A expenses for the three months and year ended December 31, 2019 were $3.8 million and $21.1 million compared to $6.9 million and $30.2 million for the three months and year ended December 31, 2018, respectively. The decrease of $3.1 million for the three months ended December 31, 2019 compared to 2018 is mainly due to a decrease of $3.1 million in legal costs related to the SEC investigation. The decrease of $9.1 million for the year ended December 31, 2019 is mainly due to a $3.7 million reduction in costs related to the SEC investigation, lower professional fees and lower compensation costs.

(expressed in millions of U.S. dollars)

	Three months ended December 31,		Change		Years ended December 31,		Change	
	2019	2018	$	%	2019	2018	$	%
Transportation	$ 10.1	$ 9.3	$ 0.8	9 %	$ 36.6	$ 36.8	$ (0.2)	(1)%
Corporate	3.8	6.9	(3.1)	(45)%	21.1	30.2	(9.1)	(30)%
Total SG&A	$ 13.9	$ 16.2	$ (2.3)	(14)%	$ 57.7	$ 67.0	$ (9.3)	(14)%

SG&A Expenses 2018/2017

Transportation SG&A expenses for the year ended December 31, 2018 were $36.8 million compared to $43.4 million for the year ended December 31, 2017. SG&A expenses decreased mainly due to restructuring activities that took place during 2017 that resulted in lower SG&A expenses in 2018.

Corporate SG&A expenses for the year ended December 31, 2018 were $30.2 million compared with $19.8 million for the year ended December 31, 2017. The increase is largely due to legal costs related to the ongoing SEC investigation of $10.0 million incurred during the year ended December 31, 2018, net of expected insurance recoveries, compared to 1.8 million for the year ended December 31, 2017.

(expressed in millions of U.S. dollars)

	Years ended December 31,		Change	
	2018	2017	$	%
Transportation	$ 36.8	$ 43.4	$ (6.6)	(15)%
Corporate	30.2	19.8	10.4	53 %
Total SG&A	$ 67.0	$ 63.2	$ 3.8	6.0 %

Selected CWI Statements of Operations Data

We account for CWI using the equity method of accounting. However, due to its significance to our operating results, we disclose CWI's assets, liabilities and income statement in notes 8(a) and 21 of our consolidated Annual Financial Statements and discuss revenue and gross margins in this MD&A. The following tables sets forth a summary of the financial results of CWI for the years ended 2019, 2018 and 2017, and three months ended December 31, 2019 and 2018:

	Years ended December 31,		
	2019	**2018**	**2017**
(expressed in millions of United States dollars)			
Total revenue	$ 361.8	$ 319.4	$ 317.3
Gross margin	104.1	91.0	109.5
GM %	28.8%	28.5%	34.5%
Net income before income taxes	70.8	57.4	58.3
Net income	53.2	45.4	25.0
Net income attributable to the Company (1)	26.6	22.7	12.5

(1) The $3.9 million increase in our share of CWI income for the year ended December 31, 2019 compared to the year ended December 31, 2018 is mainly due to higher 2019 revenue. Our share of CWI income increased in 2018 compared to 2017 due to lower U.S. taxation. 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.

	Three months ended December 31,	
	2019	**2018**
(expressed in millions of United States dollars)		
Total revenue	$ 102.5	$ 94.1
Gross margin	28.3	21.0
GM %	27.6%	22.3%
Net income before income taxes	20.6	12.4
Net income	13.5	11.4
Net income attributable to the Company	6.7	5.7

CWI Revenue 2019/2018

CWI revenue for the three months and year ended December 31, 2019 was $102.5 million and $361.8 million, respectively, compared with $94.1 million and $319.4 million for the three months and year ended December 31, 2018. Unit sales for the three months and year ended December 31, 2019 were 2,407 and 7,883 compared to 2,362 and 7,393 for the comparative prior year periods. The increase in unit sales in the year ended December 31, 2019 is due to a low comparator in 2018 as there were pre-buy activities that occurred in 2017 in advance of the 2018 on-board diagnostic compliant engines.

Within total CWI revenue, parts revenue for the three months and year ended December 31, 2019 was $27.8 million and $115.3 million, respectively, compared to $24.3 million and $92.0 million for the three months and year ended December 31, 2018, respectively, which is mainly due to the cumulative increase in the natural gas engine population in service.

	Three months ended December 31,		Change		Years ended December 31,		Change	
	2019	**2018**	**$**	**%**	**2019**	**2018**	**$**	**%**
CWI	$ 102.5	$ 94.1	$ 8.4	9%	$ 361.8	$ 319.4	$ 42.4	13%

CWI Revenue 2018/2017

CWI revenue for the year ended December 31, 2018 was $319.4 million compared with $317.3 million for the year ended December 31, 2017. Unit sales for the year ended December 31, 2018 were 7,393 compared to 7,955 for the year ended December 31, 2017.

The decrease in unit sales in the year ended December 31, 2018 is mainly due to certain pre-buy activities in the fourth quarter of 2017 in advance of the 2018 on-board diagnostic compliant engines.

Within total CWI revenue, parts revenue for the year ended December 31, 2018 was $92.0 million compared to $82.1 million for the year ended December 31, 2017. The increase in parts revenue is mainly due to the cumulative increase in the natural gas engine population in service, which offsets the decrease in units sold during the year ended December 31, 2018 compared to the prior year.

	Years ended December 31,		Change	
	2018	2017	$	%
CWI	$ 319.4	$ 317.3	$ 2.1	1%

CWI Gross Margin 2019/2018

CWI gross margin increased by $7.3 million to $28.3 million (gross margin percentage of 27.6%) for the three months ended December 31, 2019 compared to $21.0 million (gross margin percentage of 22.3%) for the three months ended December 31, 2018 . The increase in gross margin during the three months ended December 31, 2019 is due to higher revenues and lower warranty expense in the current year quarter. The increase in gross margin percentage is primarily due to lower warranty expense in the current year quarter.

	Three months ended December 31, 2019	% of Revenue	Three months ended December 31, 2018	% of Revenue	Change $	Change %
CWI	$ 28.3	27.6%	$ 21.0	22.3%	$ 7.3	35%

CWI gross margin increased by $13.1 million to $104.1 million (gross margin percentage of 28.8%) from $91.0 million (gross margin percentage of 28.5%) in the prior year. The increase in gross margin and gross margin percentage in 2019 is due to higher revenues.

	Year ended December 31, 2019	% of Revenue	Year ended December 31, 2018	% of Revenue	Change $	Change %
CWI	$ 104.1	28.8%	$ 91.0	28.5%	$ 13.1	14%

CWI Gross Margin 2018/2017

CWI gross margin decreased by $18.5 million to $91.0 million, or 28.5% of revenue from $109.5 million or 34.5% of revenue in 2017. The decrease in gross margin and gross margin percentage in 2018 is due to product mix and higher warranty adjustments.

There was a negative warranty adjustment of $1.1 million for the year ended December 31, 2018 compared to a positive warranty adjustment of $9.9 million for the year ended December 31, 2017. Excluding the warranty adjustments, the gross margin percentage in 2018 would have been consistent with 2017.

	Year Ended December 31, 2018	% of Revenue	Year Ended December 31, 2017	% of Revenue	Change $	Change %
CWI	$ 91.0	28.5%	$ 109.5	34.5%	$ (18.5)	(17)%

Other significant expense and income items for 2019, 2018 and 2017

Restructuring expenses recognized for the year ended December 31, 2019 were $0.8 million compared to $0.8 million for the year ended December 31, 2018, both relating to reductions in workforce to optimize cost structure. For the year ended December 31, 2017, a recovery of $4.1 million was recognized due to a change in estimate relating to the termination of a lease commitment in Vancouver, Canada. This recovery was fully offset by termination and other exit costs recorded for the year ended December 31, 2017 of $5.8 million, due to reductions in workforce in Canada, Italy and Argentina.

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, 2019, we recognized a net foreign exchange gain of $2.5 million primarily due to fluctuations of the Euro and Canadian dollar relative to the U.S. dollar during the year.

For the year ended December 31, 2018, we recognized a net foreign exchange loss of $9.0 million with the movement in the Canadian dollar and Euro relative to the U.S. dollar, compared to a net foreign exchange loss of $0.6 million for the year ended December 31, 2017.

Depreciation and amortization for the years ended December 31, 2019, December 31, 2018, and December 31, 2017 were $16.3 million, $16.5 million, and $14.7 million, respectively. The amount included in cost of revenue for the same periods were $8.6 million, $7.7 million and $4.9 million. The slight decrease in depreciation and amortization in 2019 over 2018 is due to certain assets reaching the end of their useful life. The increase in 2018 over 2017 is due to depreciation of new capital expenditures entering into service.

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

Interest on long-term debt and amortization of discount

Interest on our long-term debt and accretion on our royalty payable for the three months and year ended December 31, 2019 was $1.9 million and $7.3 million, respectively, compared to $2.3 million and $9.1 million for the three months and year ended December 31, 2018. Interest on long-term debt decreased from$1.0 million and $4.2 million for the three months and year ended December 31, 2018 to $1.1 million and $3.9 million in the same period in 2019 due to a reduction in interest rate on our loan from Export Development Canada and lower amount of debt outstanding.

Accretion and finance charges associated with the royalty payable decreased from 2018 due to an additional finance charge of $0.8 million in 2018 created by early extinguishment of a portion of the royalty payable on the sale of the CNG Compressor business and a lower royalty balance outstanding. The decrease from 2017 was due to an additional finance charge of $5.2 million in 2017 due to the early extinguishment of a portion of the royalty payable on the completion of the sale of our previous Industrial business segment.

(expressed in millions of U.S. dollars)

	Years ended December 31,		
	2019	**2018**	**2017**
Interest expense on long-term debt	$ 3.9	$ 4.2	$ 6.1
Royalty payable accretion expense and finance charge from prepayment	3.4	4.9	8.4
Total interest on long-term debt and accretion on royalty payable	$ 7.3	$ 9.1	$ 14.5

	Three months ended December 31,	
	2019	2018
Interest expense on long-term debt	$ 1.1	$ 1.0
Royalty payable accretion expense and finance charge from prepayment	0.8	1.3
Total interest on long-term debt and accretion on royalty payable	$ 1.9	$ 2.3

Interest and other income

In September 2019, the Company settled a $3.9 million payable related to the residual balance of government contributions received between 2003 and 2006 in connection with HPDI technology development. A final payment of $0.6 million was made in September 2019 and all further repayment obligations were terminated; the prior year contributions no longer repayable, amounting to $3.3 million, were credited to other income during the year.

Income tax expense for the year ended December 31, 2019 was $2.0 million and was primarily related to taxes payable in our operations in Italy and the Netherlands. This compared to an income tax expense of $2.1 million for the year ended December 31, 2018 and an income tax recovery of $4.4 million for year ended December 31, 2017. 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.

Discontinued operations, as discussed in note 5 in the 2019 Annual Financial Statements, the CNG Compressor business was sold during the year ended December 31, 2018. The balances also include amounts related to the residual Industrial business segment.

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 discuss forward-looking statements and the "Business Risks and Uncertainties" section of both this MD&A and of our AIF.

Our cash and cash equivalents position, including restricted cash, decreased by $15.1 million during 2019 to $46.0 million from $61.1 million at December 31, 2018. The decrease is primarily the result of operating losses, $14.8 million in net debt service and $8.9 million in capital expenditures. This is offset by $25.0 million in dividends received from our CWI joint venture. Cash and cash equivalents consist of guaranteed investment certificates, term deposits and bankers acceptances with maturities of 90 days or less when acquired, and restricted cash.

We continue to work towards accelerating the growth of our Heavy-duty OEM business, sustaining the growth in our IAM and Light-duty OEM businesses, and continuing to improve our cash flow from operations to strengthen our balance sheet. We made significant progress in increasing profitability and operating cash flows in 2019 and expect to continue this in 2020. See the "Business Overview and General Developments" section in the MD&A for further discussion on liquidity and going concern.

Cash Flow from Operating Activities

For the year ended December 31, 2019, our net cash flow used in operating activities in continuing operations was $15.7 million, an improvement of $11.7 million from the $27.4 million in net cash flow used in operating activities in the year ended December 31, 2018. The improvement in cash flow from operating activities is primarily due to increased gross margin and lower operating expenses.

Cash Flow from Investing Activities

Our net cash from investing activities consisted primarily of cash acquired through dividends received from joint ventures and the sale of assets and investments, offset by purchases of property, plant and equipment ("PP&E").

For the year ended December 31, 2019, our net cash flows received from investing activities of continuing operations was $16.2 million compared to $19.9 million for the year ended December 31, 2018. The decrease in 2019 is due to holdbacks from asset

sales received in 2018, partially offset by higher CWI dividends in 2019.

Cash Flow from Financing Activities

For the year ended December 31, 2019, the Company's net cash used in financing activities was $14.8 million, an increase of $6.7 million compared to the year ended December 31, 2018. During 2019, the Company repaid royalty payable of $6.0 million (2018 - 3.0 million) and other debts of $8.1 million (2018 - 3.0 million). In 2017, the Company repaid subordinate debt of $44.8 million and royalty payable of $3.0 million. These 2017 repayments were offset by proceeds of $26.0 million from the issuance of common shares.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

	Carrying amount	Contractual cash flows	< 1 year	1 - 3 years	4-5 years	> 5 years
Accounts payable and accrued liabilities	$ 86.2	$ 86.2	$ 86.2	$ —	$ —	$ —
Long-term debt, principal (1)	48.8	48.8	13.6	32.8	2.4	—
Long-term debt, interest (1)	—	5.6	3.3	2.0	0.3	—
Long-term royalty payable (2)	18.3	26.2	5.9	12.4	2.8	5.1
Operating lease commitments	17.5	20.3	4.4	7.5	4.7	3.7
	$ 170.8	$ 187.1	$ 113.4	$ 54.7	$ 10.2	$ 8.8

(1) For details of our long-term debt, principal and interest, see note 14 of the Annual 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, 2019.

(2) For details of our long-term royalty payable, see note 15 of the Annual Financial Statements.

SHARES OUTSTANDING

For the year ended December 31, 2019, the weighted average number of shares used in calculating the income per share was 134,224,799. During the year ended December 31, 2019, we granted 1,877,101 RSUs. The common shares, share options and share units outstanding and exercisable as at the following dates are shown below:

(weighted average exercise prices are presented in Canadian dollars)

	December 31, 2019		March 16, 2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Common shares outstanding	136,416,981		136,424,206	
Share units				
Outstanding	1,777,941	3.19	1,780,795	N/A
Exercisable	14,450	2.41	9,123	N/A

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Annual Financial Statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the amounts reported in our Annual Financial Statements. We have identified several policies as critical to our business operations and in understanding our results of operations. These policies, which require the use of judgment, estimates and assumptions in determining their reported amounts, include 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 Annual 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 provides warranty coverage on products sold from the date the products are put into service by customers. Warranty liability represents our best estimate of warranty costs expected to be incurred during the warranty period. Furthermore, the current portion of warranty liability represents our best estimate of the costs to be incurred in the next twelve-month period. We use histroical failure rates and cost to repair defective products to estimate the warranty liability. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. We generally record warranty expense for new products using historical experience from previous engine generations in the first year, a blend of actual product and historical experience in the second year and product specific experience thereafter. The amount payable by us and the timing will depend on actual failure rates and cost to repair failures of its products.

Revenue Recognition

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

Inventories

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, non-cancelable, 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

PP&E and Intangible Assets

We consider whether or not there has been an impairment in our long-lived assets, such as plant and equipment, furniture and leasehold improvements and intangible assets, whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such assets are not recoverable, we are required to write down the assets to fair value. When quoted market values are not available, we use the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value to determine whether or not a write down is required.

Impairment of PP&E

Based on revenues and operating results, we concluded that there were no impairment indicators as of December 31, 2019 related to PP&E. Therefore, no impairment on PP&E were recorded for the year ended December 31, 2019.

We have significant investments in PP&E related to our Westport HPDI 2.0™ business. The HPDI business is at the early stages of commercialization, and, as a result, is currently generating losses. Based on our current projections, continuous increases in component sales, compared to 2019 levels, are expected, allowing the HPDI business to benefit from economies of scale and become profitable. This growth in volumes in 2020 and future years is expected through sales with our initial launch partner, our supply arrangement with WWI, and the possibility of additional OEMs entering into supply agreements for our HPDI technology. If these assumptions are not realized, we may be required to record an impairment on these assets in future periods.

Intangible assets

During the year ended December 31, 2019, we recorded an impairment charge of $0.7 million resulting primarily from the write-down of certain trademarks. This impairment charge was recorded in the Transportation segment.

NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

(a) New accounting pronouncements adopted in 2019:

Leases (Topic 842):

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which increases transparency and comparability among organizations by recognizing right-of-use ("ROU") assets and corresponding liabilities on the balance sheet and disclosing key information about leasing arrangements. On January 1, 2019, we adopted Topic 842 using the modified retrospective transition approach by applying the new standard to all leases existing at the date of initial application. Results and disclosure requirements for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with our historical reporting under Topic 840.

On adoption, we recognized total ROU assets of $19.7 million, with corresponding liabilities of $19.7 million in the consolidated financial statements. The adoption did not impact our opening retained earnings, or the prior year statements of income and statements of cash flows.

Under Topic 842, we determine if an arrangement is a lease at inception. ROU assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term. As most of our leases do not provide an implicit rate, we use its incremental borrowing rate. Our lease terms may include options to extend the lease and such extensions are included in the lease liabilities when it is reasonably certain that we will exercise such options. Operating leases are included in operating lease ROU assets, and current and non-current operating lease liabilities on our condensed consolidated interim balance sheets.

(b) New accounting pronouncement to be adopted in 2020:

In June 2016, the FASB issued ASU No. 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years beginning after December 15, 2019. We do not anticipate this amendment to have a significant impact on the financial statements.

REGULATORY COMPLIANCE

As disclosed in our previous MD&A filings, on June 15, 2017, the Enforcement Division of the SEC issued a subpoena to Westport Fuel Systems for information concerning its investment in WWI and compliance with the FCPA and securities laws related to disclosure in SEC filings in connection with the Westport Fuel Systems operations in China. The SEC Enforcement Division issued follow up subpoenas on February 14, 2018, June 25, 2018, and August 2, 2018.

On September 27, 2019, we announced that we had reached a settlement with the SEC resolving the above-mentioned investigation. Under the terms of the settlement, without admitting or denying any violation of the FCPA or related regulations, we agreed to pay to the SEC a total amount of $4.0 million (comprising a civil penalty of $1.5 million, a disgorgement amount of $2.3 million and prejudgment interest of $0.2 million), which amount, together with related legal fees, was in line with the estimated costs to complete and resolve the investigation that were accrued in the second quarter ended June 30, 2019, and also agreed to a two-year period of self-reporting requirements regarding FCPA compliance activities. Of the total settlement amount agreed with the SEC, $2.5 million was paid as of December 31, 2019, with the remaining balance due in three equal quarterly installments through September 2020.

In the period from June 2017 to December 31, 2019, total costs and expenses, net of insurance recoveries, incurred by us in connection with the above-mentioned SEC investigation amounted to a cumulative $18.1 million, of which $6.3 million were recorded in the year ended December 31, 2019 (2018 - $10.0 million).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act and applicable Canadian securities law requirements is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and applicable Canadian securities law requirements, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") (our principal executive officer and principal financial officer, respectively), as appropriate to allow timely decisions regarding required disclosures. As of the end of the period covered by this report, we evaluated, under the supervision and with the participation of management, including our CEO and CFO, the effectiveness of the design and operation of our disclosure controls and procedures.

Based on that evaluation, our CEO and CFO have concluded that as of December 31, 2019, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO and effected by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with U.S. GAAP and the requirements of the SEC, as applicable. There are inherent limitations in the effectiveness of internal control over financial reporting, including the possibility that misstatements may not be prevented or detected.

Because of these inherent limitations internal control systems, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met, and no evaluation of controls can provide absolute assurance that all control issues have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under potential future conditions, regardless of how remote. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management, including the CEO and CFO, has evaluated the effectiveness of our internal control over financial reporting, based on the criteria in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has determined that our internal control over financial reporting was effective as of December 31, 2019.

During the year ended December 31, 2019, there were no changes to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

KPMG LLP ("KPMG"), our independent registered public accounting firm, has audited our consolidated financial statements and expressed an unqualified opinion thereon. KPMG has also expressed an unqualified opinion on the effective operation of our internal control over financial reporting as of December 31, 2019. KPMG's audit report on effectiveness of internal control over financial reporting is included in the Annual Financial Statements.

SUMMARY OF QUARTERLY RESULTS AND DISCUSSION OF THE QUARTER ENDED DECEMBER 31, 2019

Our revenues and operating results can vary significantly from quarter to quarter depending on factors such as the timing of product deliveries, product mix, product launch dates, R&D project cycles, timing of related government funding, impairment charges, restructuring charges, stock-based compensation awards and foreign exchange impacts. Net loss has and can vary significantly from one quarter to another depending on operating results, gains and losses from investing activities, recognition of tax benefits and other similar events.

The Company has modified information from the first quarter of 2018 to exclude the financial results of the CNG Compressor business which has been recorded as discontinued operations with effect from the second quarter of 2018. 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-18**	**30-Jun-18**	**30-Sep-18**	**31-Dec-18**	**31-Mar-19**	**30-Jun-19**	**30-Sep-19**	**31-Dec-19**
(expressed in millions of United States dollars except for per share amounts)			(1)					
Revenue	$ 63.8	$ 80.5	$ 65.5	$ 60.5	$ 73.2	$ 82.4	$ 75.4	$ 74.3
Cost of revenue	$ 49.2	$ 58.8	$ 49.9	$ 48.2	$ 56.0	$ 63.1	$ 57.5	$ 60.5
Gross margin	$ 14.6	$ 21.7	$ 15.6	$ 12.3	$ 17.2	$ 19.3	$ 17.9	$ 13.8
Gross margin percentage	*22.9%*	*27.0%*	*23.8%*	*20.3%*	*23.5%*	*23.4%*	*23.7%*	*18.6%*
Net income (loss) from continuing operations	$ (12.6)	$ (5.7)	$ (12.1)	$ (10.4)	$ (3.0)	$ (2.3)	$ 4.9	$ 0.6
Net income (loss)	$ (14.2)	$ (4.9)	$ (3.2)	$ (9.2)	$ (3.0)	$ (2.6)	$ 4.9	$ 0.7
EBITDA (2)	$ (5.4)	$ 0.2	$ (3.0)	$ (5.3)	$ 4.2	$ 4.0	$ 11.7	$ 5.0
Adjusted EBITDA (3)	$ (3.4)	$ 8.5	$ 4.3	$ 0.2	$ 7.3	$ 8.1	$ 9.4	$ 3.6
Euro to U.S. dollar average exchange rate	1.23	1.20	1.16	1.14	1.14	1.12	1.11	1.11
Earnings (loss) per share								
Basic and diluted from continuing operations	$ (0.10)	$ (0.04)	$ (0.09)	$ (0.08)	$ (0.02)	$ (0.02)	$ 0.04	$ 0.00
Basic and diluted	$ (0.11)	$ (0.04)	$ (0.02)	$ (0.07)	$ (0.02)	$ (0.02)	$ 0.04	$ 0.00
CWI net income attributable to the Company	1.5	7.8	7.7	5.7	8.6	5.9	5.4	6.7

(1) During the third quarter of 2018, the Company completed the sale of the CNG Compressor business and recognized a gain on sale of assets in discontinued operations of $9.9 million.

(2) The term EBITDA does not have a standardized meaning according to U.S. GAAP. See Non-GAAP Measures - EBITDA and Adjusted EBITDA for more information.

(3) The term Adjusted EBITDA is not defined under U.S. GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP. Westport Fuel Systems defines Adjusted EBITDA as EBITDA adjusted to eliminate amortization of stock-based compensation, unrealized foreign exchange gains or losses, and non-cash and other adjustments. See non-GAAP measures for more information.

THREE MONTHS ENDED DECEMBER 31, 2019 AND 2018

Our consolidated net income for the three months ended December 31, 2019 was $0.7 million, resulting in earnings of $0.00 per share compared to a net loss of $9.2 million, or a loss of $0.07 per share, for the three months ended December 31, 2018 . The improvement in net income was driven primarily by higher gross margin, lower legal expenses and an increase in investment income from our CWI joint venture.

NON-GAAP MEASURES

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

Non-GAAP Measures - EBITDA and Adjusted EBITDA

We believe that, in addition to conventional measures prepared in accordance with U.S. GAAP, Westport Fuel Systems and certain investors use EBITDA and Adjusted EBITDA as an indicator of our ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations and fund capital expenditures. EBITDA is also frequently used by investors and analysts for valuation purposes whereby EBITDA is multiplied by a factor or "EBITDA multiple" that is based on an observed or inferred relationship between EBITDA and market values to determine the approximate total enterprise value of a company.

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

EBITDA

Westport Fuel Systems define EBITDA as net income or loss from continuing operations before income taxes adjusted for net interest expense and depreciation and amortization.

Three months ended	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19 (2)	31-Dec-19
Income (loss) before income taxes from continuing operations	$ (11.7)	$ (5.6)	$ (9.5)	$ (11.9)	$ (1.9)	$ (1.4)	$ 5.7	$ (0.3)
Interest expense, net (1)	2.1	1.7	2.3	2.6	1.8	1.4	1.8	1.5
Depreciation and amortization	4.2	4.1	4.2	4.0	4.3	4.0	4.2	3.8
EBITDA	$ (5.4)	$ 0.2	$ (3.0)	$ (5.3)	$ 4.2	$ 4.0	$ 11.7	$ 5.0

(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.

(2) For the third quarter of 2019, "interest expense, net" excluded other income related to the $3.3 million credit from a settlement with a government agency as discussed above.

EBITDA decreased by $6.7 million from $11.7 million for the three months ended September 30, 2019 compared to $5.0 million in the three months ended December 31, 2019 primarily due to a $3.3 million gain on settlement of a payable to a government agency and lower operating cost during the three months ended September 30, 2019, which is partially offset by a foreign exchange gain in the fourth quarter of 2019.

Non-GAAP Measures (continued):

Adjusted EBITDA

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.

Three months ended	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
EBITDA	$ (5.4)	$ 0.2	$ (3.0)	$ (5.3)	$ 4.2	$ 4.0	$ 11.7	$ 5.0
Stock based compensation	0.3	1.3	0.6	0.7	0.4	0.3	0.3	0.5
Unrealized foreign exchange (gain) loss	—	5.2	2.2	1.6	0.1	(0.7)	0.7	(2.6)
Intangible impairment	—	—	—	—	—	—	—	0.7
Asset impairment	—	—	—	0.6	—	—	—	—
Restructuring, termination and other exit costs	0.6	0.2	—	—	0.8	—	—	—
Costs associated with SEC investigation	0.9	2.5	3.5	3.1	1.8	4.5	—	—
Other	0.2	(0.9)	1.0	(0.5)	—	—	(3.3)	—
Adjusted EBITDA	$ (3.4)	$ 8.5	$ 4.3	$ 0.2	$ 7.3	$ 8.1	$ 9.4	$ 3.6

Adjusted EBITDA decreased by $5.8 million from $9.4 million for the three months ended September 30, 2019 to $3.6 million in the three months ended December 31, 2019 primarily due to lower gross margin and higher operating expenses, which was partially offset by higher CWI net income attributed to the Company.

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, 2019 under the heading “Risk Factors” and is available on SEDAR at www.sedar.com.

Exhibit 99.4

CERTIFICATION

I, David M. Johnson, certify that:

1 I have reviewed this annual report on Form 40-F of Westport Fuel Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 17, 2020

By: /s/ David M. Johnson

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

Exhibit 99.5

CERTIFICATION

I, Richard Orazietti, certify that:

1 I have reviewed this annual report on Form 40-F of Westport Fuel Systems Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 17, 2020

By: /s/ Richard Orazietti

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

Exhibit 99.6

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Westport Fuel Systems Inc. (the “Company”) on Form 40-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David M. Johnson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

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

March 17, 2020 /s/ David M. Johnson

David M. Johnson
Chief Executive Officer

This certification accompanies this annual report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Exchange Act, be deemed filed by the Company for purposes of Section 18 of the Exchange Act. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Exhibit 99.7

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Westport Fuel Systems Inc. (the “Company”) on Form 40-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard Orazietti, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

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

March 17, 2020 /s/ Richard Orazietti

Richard Orazietti
Chief Financial Officer

This certification accompanies this annual report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Exchange Act, be deemed filed by the Company for purposes of Section 18 of the Exchange Act. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

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Consent of Independent Registered Public Accounting Firm

The Board of Directors of Westport Fuel Systems Inc.

We consent to the use of our reports, each dated March 17, 2020, 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.

As discussed in note 4(a) to the consolidated financial statements, the Company has changed its accounting policies for leases as of January 1, 2019, due to the adoption of ASC 842, Leases.

We also consent to the incorporation by reference of such reports in the Registration Statements (Nos. 333-165812, 333-168847 and 333-211726) on Form S-8, (No. 333-228551) on Form F-10/A and (No. 333-207523) on Form F-4/A of Westport Fuel Systems Inc.

/s/ KPMG LLP

Chartered Professional Accountants

March 17, 2020
Vancouver, Canada

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