

0001370416-24-0000226-K WESTPORT FUEL SYSTEMS INC. 2024111220241112172939172940172940 0 0001370416-24-000022 6-K 4 20240930 20241112 20241112 WESTPORT FUEL SYSTEMS INC. 0001370416 3510 000000000 6-K 30 001-34152 241450068 1691 West 75TH AVENUE VANCOUVER A1 V6P6G2 6047182000 1691 WEST 75TH AVENUE VANCOUVER A1 V6P6G2 WESTPORT INNOVATIONS INC 20060726 6-K 1 a6kq32024wrapper.htm 6-K DocumentUNITED STATESSECURITIES AND EXCHANGE COMMISSIONWashington, D.C. 20549A FORM 6-K A REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934A For the month of November 2024A Commission File Number: 001-34152A WESTPORT FUEL SYSTEMS INC.A (Translation of registrant's name into English)A 1691 West 75th Avenue, Vancouver, British Columbia, Canada, V6P 6P2AA (Address of principal executive offices)A A Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F: A AEA A A Form 20-F A A SA A A A Form 40-F Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): oA Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): oEXHIBIT INDEXA Exhibit Description99.1A MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD END SEPTEMBER 30, 202499.2CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2024A SIGNATURESA Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.A A WESTPORT FUEL SYSTEMS INC.A A By:/s/ William E. LarkinA Name:A William E. LarkinA Title:Chief Financial OfficerA Date: November 12, 2024 EX-99.1 2 wrpt-09302024xexhibit991.htm EX-99.1 DocumentManagement's Discussion and AnalysisBASIS OF PRESENTATIONA This Managementâm's Discussion and Analysis (ââM&A&e) for Westport Fuel Systems Inc. (ââWestport&e, the ââCompany&e, ââwe&e, ââus&e, ââour&e) for the three and nine months ended September 30, 2024, provides an update to our annual MD&A dated March 25, 2024 for the fiscal year ended December 31, 2023. This information is intended to assist readers in analyzing our financial results and should be read in conjunction with the audited consolidated financial statements, including the accompanying notes, for the fiscal year ended December 31, 2023 and our unaudited condensed consolidated interim financial statements ("interim financial statements") for the three and nine months ended September 30, 2024. Our interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States (ââU.S. GAAP&e). The Companyâm's reporting currency is the United States dollar ("U.S. dollar"). This MD&A is dated as of November 12, 2024.Additional information relating to Westport, including our Annual Information Form (ââAIF&e) and Form 40-F each for the year ended December 31, 2023, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov, respectively. All financial information is reported in U.S. dollars unless otherwise noted.FORWARD-LOOKING STATEMENTSA This MD&A contains forward-looking statements that are based on the beliefs of management and reflects our current expectations as contemplated under the safe harbor provisions of Section 21E of the United States Securities Act of 1934, as amended. Such forward-looking statements include, but are not limited to, the orders or demand for our products and our HPDI joint venture's products (including from the HPDI 2.0TM fuel systems), the supply agreement with Weichai Westport Inc. ("WWI"), the timing for the launch of WWI's engine equipped with HPDI 2.0 fuel systems, the variation of gross margins from the HPDI 2.0 fuel systems product and causes thereof, and the timing for relief of supply chain issues (including those related to semiconductor supply restrictions), opportunities available to sell and supply our products in North America, consumer confidence levels, the recovery of our revenues and the timing thereof, our ability to strengthen our liquidity, growth in our HPDI joint venture and improvements in our light-duty original equipment manufacturer ("OEM") business and timing thereof, improved aftermarket revenues, our capital expenditures, our investments, cash and capital requirements, the intentions of our partners and potential customers, monetization of joint venture intellectual property, the performance of our products, our future market opportunities, our ability to continue our business as a going concern and generate sufficient cash flows to fund operations, the availability of funding and funding requirements, our future cash flows, our estimates and assumptions used in our accounting policies, our accruals, including warranty accruals, our financial condition, the timing of when we will adopt or meet certain accounting and regulatory standards and the alignment of our business segments. These forward-looking statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these forward-looking statements. These risks include risks related to revenue growth, operating results, liquidity, our industry and products, the general economy, conditions of the capital and debt markets, government or accounting policies and regulations, regulatory investigations, climate change legislation or regulations, technology innovations, as well as other factors discussed below and elsewhere in this report, including the risk factors contained in the Companyâm's most recent AIF filed on SEDAR at www.sedar.com. The forward-looking statements contained in this MD&A are based upon a number of material factors and assumptions which include, without limitation, market acceptance of our products, product development delays in contractual commitments, the ability to attract and retain business partners, competition from other technologies, conditions or events affecting cash flows or our ability to continue as a going concern, price differential between compressed natural gas, liquefied natural gas, and liquefied petroleum gas relative to petroleum-based fuels, unforeseen claims, exposure to factors beyond our control as well as the additional factors referenced in our AIF. Readers should not place undue reliance on any such forward-looking statements, which are pertinent only as of the date they were made.The forward-looking statements contained in this document speak only as of the date of this MD&A. Except as required by applicable legislation, Westport 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.1Management's Discussion and AnalysisBUSINESS OVERVIEWWestport is a global company focused on engineering, manufacturing, and supplying alternative fuel systems and components for transportation applications. Our diverse product offerings, sold under a wide range of established global brands, enable the use of a number of alternative fuels in the transportation sector that provide environmental and/or economic advantages as compared to diesel, gasoline, batteries or fuel cell powered vehicles. The Company's fuel systems and associated components control the pressure and flow of these alternative fuels, including liquefied petroleum gas ("LPG"), compressed natural gas ("CNG"), liquified natural gas ("LNG"), renewable natural gas ("RNG") or biomethane, and hydrogen. We supply our products in approximately 70 countries through a network of distributors, service providers for the aftermarket and directly to OEMs and Tier 1 and Tier 2 OEM suppliers. We also provide delayed OEM (ââDOEM&e) offerings and engineering services to our customers and partners globally. Today, our products and services are available for passenger car and light-, medium- and heavy-duty truck and off-road applications.The majority of our revenues are generated through the following four business lines:Cespira (formerly the HPDI Joint Venture)Westport owns a 55% interest in Cespira with Volvo Group owning the remaining 45%. Cespira sells systems and components, including LNG HPDI 2.0 fuel system products, to engine OEMs and commercial vehicle OEMs. Cespira's fully integrated LNG HPDI 2.0 fuel systems enable diesel engines using primarily natural gas fuel to match the power, torque, and fuel economy benefits found in traditional compression ignition engines, resulting in reduced greenhouse gas emissions and the capability to cost-effectively run on renewable fuels. Also, the joint venture is adapting their HPDI fuel systems to use hydrogen or hydrogen/natural gas blends in internal combustion engines.Light-Duty BusinessOur Light-Duty segment manufactures LPG and CNG solutions and supply fuel storage tanks to the aftermarket, OEM, and other market segments across a wide range of brands. The Light-Duty segment includes the consolidated results from our delayed OEM, independent aftermarket, light-duty OEM operations, electronics and fuel storage businesses.The light-duty OEM business line sells systems and components to OEMs that are used to manufacture new, LPG or CNG-fueled vehicles. The Independent Aftermarket (ââIAM&e) business sells 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. The Delayed OEM (ââDOEM&e) business line directly or indirectly converts 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. The Electronics business line designs, industrializes and assembles electronic control modules. The Fuel Storage business line manufactures LPG fuel storage solutions and supplies fuel storage tanks to the aftermarket, OEM, and other market segments.High-Pressure Controls & SystemsOur High-Pressure Controls & Systems business designs, develops, produces and sells components for transportation and industrial applications.We partner with the worldâm's leading fuel cell and hydrogen engine manufacturers and other companies committed to decarbonizing transport, offering solutions for a variety of fuel types.Heavy-Duty OEM BusinessOur Heavy-Duty OEM business represents historical results from our heavy-duty business for the period January 1 until the formation of the joint venture which occurred on June 3, 2024, and for comparative purposes, for the period January 1 to September 30, 2023. Following the close of Cespira in June 2024, the results of this business are reflected in the Cespira business segment. Going forward, the Heavy-Duty OEM segment will reflect revenue earned from a transitional services agreement in place with Cespira. This transitional services agreement is intended to support Cespira in the short-term as the organization transitions to its own operating entity.2Management's Discussion and AnalysisRISKS, LONG-TERM PROFITABILITY & LIQUIDITYGovernment Regulation and Inflationary EnvironmentGovernment regulation is a key factor in driving accelerated global demand and adoption of reduced emission vehicles. Supportive government policy combined with rising corporate adherence to emission reduction goals are creating growth catalysts for Westport in some of its key markets. While we have benefited historically from certain government environmental policies, mandates and regulations around the world, there can be no assurance that these policies, mandates, and regulations will be continued. If these are discontinued, if current requirements are relaxed, or if other regulations are implemented that may impact our business, we may experience a material impact on our competitive position.While OEM production is back on track, inflationary pressure on production input costs continued to affect the automotive industry and will continue to impact our business for the foreseeable future.Fuel PricesTo date, there have been continued global gaseous price fluctuations including for LNG and CNG but also for liquid fuels including crude oil, diesel, and gasoline, which continue to persist, giving uncertainty in supply levels, European geopolitical risk due to the Russia-Ukraine conflict, and ongoing conflict in the Middle East impacting commodity prices. Higher gaseous fuel price negatively impacts the price differential of gaseous fuels versus diesel and gasoline, which may impact our customers' decisions to adopt such gaseous fuels as a transportation energy solution in the short-term. Despite the uncertainty with CNG and LNG prices, the increased LPG price differential to gasoline in Europe continued in 2023 and to date in 2024 and was favourable to customer demand for LPG components and kits.Long-term Profitability and LiquidityWe continue to observe inflationary pressures in some countries we operate in, global supply chain disruptions, higher interest rates and volatile fuel prices, which negatively affect customer demand going forward and have an adverse impact on our production and cost structure. We believe that we have considered all possible impacts of known events arising from the risks discussed above related to supply chain and fuel prices in the preparation of the interim financial statements for the three and nine months ended September 30, 2024. However, changes in circumstances due to the forementioned risks could affect our judgments and estimates associated with our liquidity and other critical accounting assessments. We continue to sustain operating losses and use cash to support our operating activities primarily driven by increases in working capital investments in our Light-Duty segment and lack of scale in our High-Pressure Controls & Systems segment. Cash used in operating activities was \$8.3 million for the nine months ended September 30, 2024. As at September 30, 2024, we had cash and cash equivalents of \$33.3 million. Although we believe we have sufficient liquidity to continue as a going concern beyond November 2025, the long-term financial sustainability of the Company will depend on our ability to generate sufficient positive cash flows from all of our operations specifically through profitable, sustainable growth and on the ability to finance our long-term strategic objectives and operations. In addition to new contract announcements, entering new markets, and formation of the HPDI joint venture with the Volvo Group, we are focused on improving profitability through growth in our Light-Duty and High-Pressure Controls & Systems segments, driving economies of scale and improvements in our manufacturing operations including pricing measures, cost reductions, and manufacturing strategies driving margin expansion. If, as a result of future events, we determine we were no longer able to continue as a going concern, significant adjustments would be required to the carrying value of assets and liabilities in the accompanying interim financial statements and the adjustments could be material.3Management's Discussion and AnalysisTHIRD QUARTER 2024 RESULTS Revenues for the three months ended September 30, 2024 decreased by 14% to \$66.2 million compared to \$77.4 million in the same quarter last year, primarily driven by the transition of the Heavy-duty OEM business into the HPDI joint venture. Cespira earned revenues of \$16.2 million for the three months ended September 30, 2024. This business was reported as our Heavy-Duty OEM segment in the third quarter of 2023 and earned \$13.5 million in revenue during that period, representing an increase in the third quarter of 2024 of \$3.3 million.We reported a net loss of \$3.9 million for the three months ended September 30, 2024 compared to a net loss of \$11.9 million for the prior year quarter. This was primarily driven by:ââimprovement in gross margin for the three months ended September 30, 2024 of \$1.3A million compared to the prior year quarterââreductions in operating expenditures and depreciation and amortization due to continuation of the HPDI business in Cespiraââchange in foreign exchange gains and losses of \$2.5A million from fluctuations in the Euro and Canadian Dollar against the U.S. DollarCash and cash equivalents were \$33.3 million at the end of the third quarter 2024. Cash used in operating activities was \$9.9 million primarily from an increase in working capital of \$11.4 million. Cash provided by investing activities included the sale of investments for \$9.6 million related to the collection of \$8.4A million from the formation of Cespira and sale of our ownership interest in WWI, partially offset by the purchase of capital assets of \$2.1 million. Cash used in financing activities were debt repayments of \$7.0 million in the quarter.We reported negative adjusted EBITDA of \$0.8 million, (see "Non-GAAP Measures" section in this MD&A) during the third quarter as compared to negative adjusted EBITDA of \$3.0 million for the same quarter last year.4Management's Discussion and AnalysisSELECTED FINANCIAL INFORMATIONThe following table sets forth a summary of our financial results:Selected Consolidated Statements of Operations Data A Three months ended September 30,Nine months ended September 30,Â 2024202320242023(in millions of U.S. dollars, except for per share amounts and shares outstanding)Revenues\$66.2A \$77.4A \$227.2A \$244.7A Gross margin\$14.5A \$13.2A \$43.3A \$40.9A Gross margin %12.2A %17.

(14)%\$227.2Å \$244.7Å \$(17.5)(7)%Light-DutyRevenue for the three and nine months ended September 30, 2024 was \$61.5 million and \$194.2 million, respectively, compared with \$60.2 million and \$200.4 million for the three and nine months ended September 30, 2023.Light-Duty revenue increased by \$1.3 million for the three months ended September 30, 2024 compared to the prior year quarter. This was primarily driven by an increase in sales in our light-duty OEM and IAM businesses, partially offset by a decrease in sales in our fuel storage, OEM and electronics businesses.6Management's Discussion and AnalysisLight-Duty revenue decreased by \$6.2 million for the nine months ended September 30, 2024 compared to the prior year period. This was primarily driven by a decrease in sales in our OEM and fuel storage businesses, partially offset by an increase in sales in our light-duty OEM, electronics and IAM businesses.High-Pressure Controls & SystemsRevenue for the three and nine months ended September 30, 2024 was \$1.6 million and \$7.4 million, respectively, compared with \$3.7 million and \$9.4 million for the three and nine months ended September 30, 2023.The decrease in revenue for the three and nine months ended September 30, 2024 compared to the prior year periods was primarily driven by the general slowdown in the hydrogen infrastructure development, leading to a slower adoption of automotive and industrial applications powered by hydrogen.Heavy-Duty OEMRevenue for the three and nine months ended September 30, 2024 includes revenue until the closing of the transaction to form Cespira, which occurred on June 03, 2024. Revenue for the three and nine months ended September 30, 2024 was \$3.1 million and \$25.6 million, respectively, compared with \$13.5 million and \$34.9 million for the three and nine months ended September 30, 2023.The decrease in revenue for the three and nine months ended September 30, 2024 is a result of the continuation of the business in Cespira. Refer to the "Selected Cespira Financial information" for more information on the performance of the business. Revenue earned in the three months ended September 30, 2024 reflects revenue earned from a transitional services agreement in place with Cespira.Gross Margin for the three months ended September 30, 2024 (in millions of U.S. dollars)Three months ended September 30,% ofThree months ended September 30,% ofChangeÅ 2024Revenue2023Revenue\$%Light-Duty\$13.9Å 23Å %\$12.0Å 20Å %\$1.9Å 16Å %High-Pressure Controls & Systems0.4Å 25Å %1.027Å % (0.6)(60)%Heavy-Duty OEM0.2Å 6Å %0.2Å 1Å %6Å Å Å 2Å %Total gross margin\$14.5Å 22Å %\$13.2Å 17Å %\$1.3Å 10Å %Light-DutyGross margin increased by \$1.9 million to \$13.9 million, or 23% of revenue, for the three months ended September 30, 2024 compared to \$12.0 million, or 20% of revenue, for the three months ended September 30, 2023. This was primarily driven by a change in sales mix with an increase in sales to European customers and a reduction in sales to developing regions along with a slight increase in sales volumes.High-Pressure Controls & SystemsGross margin decreased by \$0.6 million to \$0.4 million, or 25% of revenue, for the three months ended September 30, 2024 compared to \$1.0 million or 27% of revenue, for the three months ended September 30, 2023. This was primarily driven by lower sales volume in the quarter.Heavy-Duty OEMGross margin remained at \$0.2 million, or 6% of revenue, for the three months ended September 30, 2024 compared to 1% of revenue, for the three months ended September 30, 2023.7Management's Discussion and AnalysisGross Margin for the nine months ended September 30, 2024(in millions of U.S. dollars)Nine months ended September 30,% of RevenueNine months ended September 30,% of RevenueChangeÅ 20242023\$%Light-Duty\$41.4Å 21Å %\$37.1Å 19Å %\$4.3Å 12Å %High-Pressure Controls & Systems1.5Å 20Å %2.4Å 26Å % (0.9)(38)%Heavy-Duty OEM0.4Å 2Å %1.4Å 4Å % (1.0)(71)%Total gross margins\$43.3Å 19Å %\$40.9Å 17Å %\$2.4Å 6Å %Light-DutyGross margin increased by \$4.3 million to \$41.4 million, or 21% of revenue, for the nine months ended September 30, 2024 compared to \$37.1 million, or 19% of revenue, for the nine months ended September 30, 2023. This was primarily driven by a change in sales mix with an increase in sales to European customers and a reduction in sales to developing regions.High-Pressure Controls & SystemsGross margin decreased by \$0.9 million to \$1.5 million, or 20% of revenue, for the nine months ended September 30, 2024 compared to \$2.4 million, or 26% of revenue, for the nine months ended September 30, 2023. The decrease in gross margin was primarily driven by decrease in sales volume for the period.Heavy-Duty OEMGross margin decreased by \$1.0 million to \$0.4 million, or 2% of revenue, for the nine months ended September 30, 2024 compared to \$1.4 million, or 4% of revenue, for the nine months ended September 30, 2023.Research and Development Expenses ("R&D")Å (in millions of U.S. dollars)Å Three months ended September 30,ChangeNine months ended September 30,ChangeÅ 20242023\$%Light-Duty\$41.0Å 21Å %\$37.1Å 19Å %\$4.3Å 12Å %High-Pressure Controls & Systems1.5Å 20Å %2.4Å 26Å % (0.9)(38)%Heavy-Duty OEM0.4Å 2Å %1.4Å 4Å % (1.0)(71)%Total gross margins\$43.3Å 19Å %\$40.9Å 17Å %\$2.4Å 6Å %Light-DutyGross margin increased by \$4.3 million to \$41.4 million, or 21% of revenue, for the nine months ended September 30, 2024 compared to \$37.1 million, or 19% of revenue, for the nine months ended September 30, 2023. This was primarily driven by a change in sales mix with an increase in sales to European customers and a reduction in sales to developing regions.High-Pressure Controls & SystemsGross margin decreased by \$0.9 million to \$1.5 million, or 20% of revenue, for the nine months ended September 30, 2024 compared to \$2.4 million, or 26% of revenue, for the nine months ended September 30, 2023. The decrease in gross margin was primarily driven by decrease in sales volume for the period.Heavy-Duty OEMGross margin decreased by \$1.0 million to \$0.4 million, or 2% of revenue, for the nine months ended September 30, 2024 compared to \$1.4 million, or 4% of revenue, for the nine months ended September 30, 2023.8Management's Discussion and AnalysisSelling, General and Administrative Expenses ("SG&A")Å (in millions of U.S. dollars)Å Three months ended September 30,ChangeNine months ended September 30,ChangeÅ 20242023\$%Light-Duty\$7.3Å 9.3Å \$(2.0)(22)%\$22.0Å \$24.5Å \$(2.5)(10)%High-Pressure Controls & Systems0.4Å 0.5Å (0.1)(20)%1.3Å 1.5Å (0.2)(13)%Heavy-Duty OEM0.1Å 2.4Å (2.3)(96)%3.9Å 7.1Å (3.2)(45)%Corporate2.6Å 4.8Å (2.2)(46)%11.9Å 12.7Å (0.8)(6)%Total SG&A expenses\$10.4Å \$17.0Å \$(6.6)(39)%\$39.1Å \$45.8Å \$(6.7)(15)%Light-DutySG&A expenses for the three and nine months ended September 30, 2024 were \$7.3 million and \$22.0 million, compared with \$9.3 million and \$24.5 million for the three and nine months ended September 30, 2023, respectively. The decrease in SG&A expenses were primarily driven by severance costs in India incurred in the same quarter last year.High-Pressure Controls & SystemsSG&A expenses for the three and nine months ended September 30, 2024 were \$0.4 million and \$1.3 million, compared with \$0.5 million and \$1.5 million for the three and nine months ended September 30, 2023, respectively.Heavy-Duty OEMSG&A expenses for the three and nine months ended September 30, 2024 were \$0.1 million and \$3.9 million, compared with \$2.4 million and \$7.1 million for the three and nine months ended September 30, 2023, respectively. The decrease in SG&A expenses were primarily driven by the transition of the HPDI business into Cespira on June 3, 2024.CorporateSG&A expenses for the three and nine months ended September 30, 2024 were \$2.6 million and \$11.9 million, compared with \$4.8 million and \$12.7 million for the three and nine months ended September 30, 2023, respectively. The decrease in SG&A expenses were primarily driven by severance costs incurred in North America and higher consulting costs in the same quarter last year.9Management's Discussion and AnalysisSelected Cespira Statement of Operations informationÅ We account for Cespira using the equity method of accounting. However, due to its significance to our long-term strategy and operating results, we disclose of certain Cespira's financial information in notes 8 and 19 in our interim financial statements for the three months ended September 30, 2024 and the period from June 3, 2024 to September 30, 2024.The following table sets forth a summary of the financial results of Cespira for the three months ended September 30, 2024 and the period between June 3, 2024 to September 30, 2024:Å Three months ended September 30,ChangePeriod ended September 30,ChangeÅ (in millions of U.S. dollars)Å 20242023\$%20242023\$%Revenue\$16.2Å \$6.1Å \$10.1Å 162Å %\$16.2Å \$6.1Å \$10.1Å 162Å %Gross margin\$1.1Å 6.8Å %\$1.1Å 6.8Å %Gross margin %1(7)%Å 6.8Å % (4)%Å 6.8Å % Operating loss(5.3)Å 6.8Å % (5.3)Å 6.8Å % (7.3)Å 6.8Å % (7.3)Å 6.8Å % Net loss attributable to the Company(3.0)Å 6.8Å % (3.0)Å 6.8Å % (4.1)Å 6.8Å % (4.1)Å 6.8Å % Gross margin and gross margin % are non-GAAP financial measures. See the section "Non-GAAP Financial Measures" for explanations and discussions of these non-GAAP financial measures or ratios.RevenueCespira earned \$16.2 million for three months ended September 30, 2024. For the prior year quarter, the Heavy-Duty OEM segment included our HPDI business and earned \$13.5 million. The revenue increase was primarily driven by an increase in HPDI systems sold.Gross marginCespira had negative \$1.1 million on gross margin for three months ended September 30, 2024. For the prior year quarter, the Heavy-Duty OEM segment earned \$0.2 million.Operating lossCespira had operating losses of \$5.3 million three months ended September 30, 2024. For the prior year quarter, the Heavy-Duty OEM had operating losses of \$3.7 million. 10Management's Discussion and AnalysisOther significant expense and income items for the three and nine months ended September 30, 2024Å Foreign exchange gains and losses reflect net realized gains and losses on foreign currency transactions and net unrealized gains and losses on our net U.S. dollar denominated monetary assets and liabilities in our Canadian operations that were mainly comprised of cash and cash equivalents, accounts receivable and accounts payable. In addition, we have foreign exchange exposure on Euro denominated monetary assets and liabilities where the functional currency of the subsidiary is not the Euro. For the three and nine months ended September 30, 2024, we recognized foreign exchange gains of \$1.1 million and foreign exchange losses \$0.8 million, respectively, compared to foreign exchange losses of \$1.4 million and \$4.9 million for the three and nine months ended September 30, 2023, respectively. The gain recognized in the current quarter primarily relates to unrealized foreign exchange gains resulting from the translation of U.S. dollar denominated debt in our Canadian legal entities.Å Depreciation and amortization for the three and nine months ended September 30, 2024 was \$1.8 million and \$6.8 million, compared to \$3.2 million and \$9.3 million for the three and nine months ended September 30, 2023, respectively. The amounts included in cost of revenue for the three and nine months ended September 30, 2024 were \$1.0 million and \$4.2 million, respectively, compared with \$2.1 million and \$6.1 million for the three and nine months ended September 30, 2023. The decrease in depreciation and amortization expense for the three and nine months ended September 30, 2024 was primarily driven by the transition of the HPDI business into Cespira on June 3, 2024.Income (loss) from investments primarily relates to our 55% interest in Cespira's earnings and losses accounted for by the equity method and our 24% interest in Minda Westport Technologies Limited. See the "Selected Cespira Statement of Operations information" section in this MD&A for more detail.Interest on long-term debt and amortization of discountÅ (in millions of U.S. dollars)Å Three months ended September 30,Nine months ended September 30,Å 2024202320242023Interest expense on long-term debt\$0.9Å \$0.6Å \$2.1Å \$1.9Å Royalty payable accretion expense\$0.2Å \$0.2Å \$0.2Å \$0.2Å Total interest on long-term debt and accretion on royalty payable\$0.9Å \$0.6Å \$2.1Å \$2.1Å The increase in interest expense on long-term debt for the three months ended September 30, 2024 compared to the prior year quarter was primarily driven by the new loans in the fourth quarter of 2023 and the first quarter of 2024.Income tax expense was \$1.4 million and \$3.1 million for the three and nine months ended September 30, 2024 compared to income tax recovery of \$0.1 million and income tax expense of \$1.1 million for the three and nine months ended September 30, 2023, respectively. The increase in income tax expense was primarily driven by increase in taxes from higher profitability in our European operations.11Management's Discussion and AnalysisCAPITAL REQUIREMENTS, RESOURCES AND LIQUIDITYOur cash and cash equivalents position decreased by \$8.3 million during the third quarter of 2024 to \$33.3 million from \$41.5 million at June 30, 2024 and decreased by \$21.6 million in the nine months of 2024 from \$54.9 million at December 31, 2023. The decrease in cash during the three months ended September 30, 2024 was primarily driven by cash used in operating and financing activities, partially offset by cash provided by investing activities.Cash Flow from Operating ActivitiesFor the three months ended September 30, 2024, our net cash used in operating activities was \$9.9 million, a decrease of \$10.5 million from net cash provided of \$0.5 million in the three months ended September 30, 2023. The increase in net cash used in operating activities was primarily driven by net cash outflows for inventory, accounts payables and accrued liabilities, and prepaid expenses compared to the prior year quarter. They were partially offset by net cash inflows from reduction in trade accounts receivable in the Heavy-Duty OEM and Light-Duty segments.The global supply chain disruptions and inflation continue to challenge the automotive industry with rising manufacturer costs. We are responding with pricing and productivity countermeasures to manage our profitability. For further discussion, see the "Long-term Profitability and Liquidity" sections in this MD&A. These conditions continue to persist. Consequently, the duration and severity of the impact on future quarters is currently uncertain.Cash Flow from Investing Activities For the three months ended September 30, 2024, our net cash provided by investing activities was \$7.5 million compared to net cash used of \$4.1 million for the three months ended September 30, 2023. The increase in net cash provided by investing activities was primarily driven by proceeds from sale of investments of \$9.6 million, partially offset by capital investments of \$2.1 million in the three months ended September 30, 2024. Proceeds from sale of investments include \$8.4 million related to the formation of Cespira, and \$1.1 million for sale of investment in WWI.Cash Flow from Financing ActivitiesFor the three months ended September 30, 2024, our net cash used in financing activities was \$7.0 million compared to net cash used in financing activities of \$3.9 million for the three months ended September 30, 2023. In the current quarter, we fully repaid our revolving facility and continued to repay our existing term loan facilities.12Management's Discussion and AnalysisCONTRACTUAL OBLIGATIONS AND COMMITMENTS Carrying amountContractual cash flows<Å 1Å year1Å -3Å years4-5Å years>Å 5Å yearsAccounts payable and accrued liabilities\$88.8Å \$88.8Å \$88.8Å \$6.1Å \$6.1Å Long-term debt, principal, (1)38.7Å 34.1Å 3.5Å 27.1Å 3.5Å Å Å Long-term debt, interest (1)1Å 6.0Å 0.4Å 4.5Å 1.1Å Å Å Operating lease obligations (2)20.4Å 23.4Å 0.7Å 7.8Å 4.7Å 10.2Å 147.9Å 152.3Å 93.4Å 39.3Å 10.2Å Notes(1) For details of our long-term debt, principal and interest, see note 14 in our interim financial statements.(2) For additional information on operating lease obligations, see note 12 of our interim financial statements.SHARES OUTSTANDING Å On September 13, 2024, we announced an at-the-market equity offering program (the "ATM Program") that allows us to issue up to \$35.0 million in common shares from treasury to the public from time to time, at our discretion and subject to regulatory requirements. As at September 30, 2024, no shares were issued from treasury.During the nine months ended September 30, 2024 and SeptemberÅ 30, 2023, the weighted average number of shares used in calculating the basic and diluted net loss per share was 17,241,469 and 17,172,429, respectively. The Common Shares and Share Units (comprising of performance share units, restricted share units and deferred share units) outstanding and exercisable as at the following dates are shown below:(weighted average exercise prices are presented in Canadian dollars)Å September 30, 2024November 12, 2024Å NumberNumberÅ Å Common Shares outstanding17,264,864Å 17,264,864Å Share UnitsÅ Å Å Outstanding557,717Å 553,650Å Å Å ExercisableÅ Å Å 13Management's Discussion and AnalysisCRITICAL ACCOUNTING POLICIES AND ESTIMATESÅ Our interim financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. We have identified several policies as critical to our business operations and in understanding our results of operations. These policies, which require the use of judgment, estimates and assumptions in determining their reported amounts, include the assessment of liquidity and going concern, warranty liability, revenue recognition, inventories and property, plant and equipment. The application of these and other accounting policies are described in note 3 of our annual consolidated financial statements and our MD&A, for the year ended DecemberÅ 31, 2023, filed on March 25, 2024. Actual amounts may vary significantly from estimates used. There have been no significant changes in accounting policies applied to the SeptemberÅ 30, 2024 interim financial statements and we do not expect to adopt any significant changes at this time.NEW ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTSIn November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," to enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC 280. The amendments are effective for fiscal years beginning in December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Retrospective adoption is required for all prior periods presented in the financial statements. We plan to adopt the standard beginning with our 2024 annual consolidated financial statements. We are currently assessing the impacts of this ASU and expects it to impact disclosures with no impact to its operations, cash flows or financial position.In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements in Income Tax Disclosures" to enhance the transparency and decision usefulness of income tax disclosures. This amendment requires public companies to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. Additionally, under the amendment entities are required to disclose the amount of income taxes paid disaggregated by federal, state and foreign taxes, as well as disaggregated by material individual jurisdictions. Finally, the amendment requires entities to disclose income from continuing operations before income tax expense disaggregated between domestic and foreign and income tax expense from continuing operations disaggregated by federal, state and foreign. The new rules are effective for annual periods beginning after December 15, 2024. We will adopt this standard on a prospective basis as allowed by the standard. We are currently assessing the impacts of this ASU and expects it to impact disclosures with no impact to its operations, cash flows or financial position.DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTINGDuring the nine months ended SeptemberÅ 30, 2024, 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.14Management's Discussion and AnalysisSUMMARY OF QUARTERLY RESULTSÅ Our revenues and operating results can vary significantly from quarter to quarter depending on 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

[illegible]

continue as a going concern within one year of the date the interim financial statements are issued. This includes judgments about the Company's future activities and the timing thereof and estimates of future cash flows. Significant assumptions used in the Company's forecasted model of liquidity include forecasted sales, forecasted costs and capital expenditures, amongst others. Changes in the assumptions could have a material impact on the forecasted liquidity and going concern assessment. On September 13, 2024, the Company announced an at-the-market equity offering program (the "ATM Program") that allows the Company to issue up to \$35,000 in common shares from treasury to the public from time to time, at the Company's discretion and subject to regulatory requirements. As at September 30, 2024, no shares were issued from treasury. Although the Company earned operating income during the three months ended September 30, 2024, the Company continues to sustain operating losses and to use cash to support its operating activities. As at September 30, 2024, the Company had cash and cash equivalents of \$33,257 and incurred operating losses of \$16,689 during the nine months ended September 30, 2024. The Company's short-term and long-term debt was \$38,743, net of deferred financing fees, of which \$15,260 was current. In 2023, the Company amended the minimum cash covenant under the term loan with Export Development Canada ("EDC") reducing the minimum cash requirement to \$15,000. If the Company's cash and cash equivalents fall below the minimum cash requirement, the Company may be required to repay the outstanding amount of the term loan, which was \$7,816 at September 30, 2024. WESTPORT FUEL SYSTEMS INC. Notes to Condensed Consolidated Interim Financial Statements (unaudited) (Expressed in thousands of United States dollars, except share and per share amounts) 3. Basis of preparation: (a) Basis of presentation: These interim financial statements have been prepared by the Company and do not include all of the information and disclosures required by accounting principles generally accepted in the United States ("GAAP"). In the opinion of management, all normal recurring accruals and adjustments considered necessary for a fair presentation have been included. The results for the three and nine months ended September 30, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements for the year ended December 31, 2023. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. In the statement of operations and comprehensive loss and the statement of cash flows, certain prior period figures have been adjusted to conform to current period presentation. (b) Foreign currency translation: The Company's functional currency is the Canadian dollar and its reporting currency for its interim financial statement presentation is the United States dollar ("U.S. Dollar"). The functional currencies for the Company's subsidiaries include the following: U.S. Dollar, Canadian Dollar, Euro, Argentina Peso, Chinese Renminbi (¥), Swedish Krona, Indian Rupee and Polish Zloty. The Company translates assets and liabilities of non-U.S. dollar functional currency operations using the period end exchange rates, and shareholders' equity balances using the weighted average of historical exchange rates, and revenues and expenses using the monthly average rate for the period with the resulting exchange differences recognized in other comprehensive income (loss). A Transactions that are denominated in currencies other than the functional currencies of the Company or its subsidiaries' operations are translated at the rates in effect on the date of the transaction. A Foreign currency denominated monetary assets and liabilities are translated to the applicable functional currency at the exchange rates in effect on the balance sheet date. Non-monetary assets and liabilities are translated at the historical exchange rate. All foreign exchange gains and losses are recognized in the condensed consolidated interim statements of operations, except for the translation gains and losses arising from available-for-sale instruments, which are recorded through other comprehensive income (loss) until realized through disposal or impairment. WESTPORT FUEL SYSTEMS INC. Notes to Condensed Consolidated Interim Financial Statements (unaudited) (Expressed in thousands of United States dollars, except share and per share amounts) 3. Basis of preparation: (continued) Except as otherwise noted, all amounts in these interim financial statements are presented in thousands of U.S. dollars. For the periods presented, the Company used the following exchange rates: A Period ended Average for the three months ended Average for the nine months ended September 30, 2024 December 31, 2023 September 30, 2024 September 30, 2023 September 30, 2023 September 30, 2023 Canadian Dollar 1.351 1.324 1.364 1.341 1.354 Euro 0.904 0.904 0.914 0.924 0.924 RMB 0.147 0.147 0.147 0.147 0.147 Polish Zloty 3.834 3.924 3.894 4.134 3.964 Swedish Krona 10.094 10.044 10.424 10.804 10.504 Indian Rupee 83.694 83.184 83.764 82.694 83.404 Argentina Peso 966.544 806.724 940.224 306.514 884.414 234.074 4. Recently issued accounting standards: Recently issued accounting guidance, not yet adopted: In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," to enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC 280. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Retrospective adoption is required for all prior periods presented in the financial statements. The Company is currently assessing the impacts of this ASU and expects it to impact disclosures with no impact to its operations, cash flows or financial position. In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements in Income Tax Disclosures" to enhance the transparency and decision usefulness of income tax disclosures. This amendment requires public companies to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. Additionally, under the amendment entities are required to disclose the amount of income taxes paid disaggregated by federal, state and foreign taxes, as well as disaggregated by material individual jurisdictions. Finally, the amendment requires entities to disclose income from continuing operations before income tax expense disaggregated between domestic and foreign and income tax expense from continuing operations disaggregated by federal, state and foreign. The new rules are effective for annual periods beginning after December 15, 2024. The Company is currently assessing the impacts of this ASU and expects it to impact disclosures with no impact to its operations, cash flows or financial position. WESTPORT FUEL SYSTEMS INC. Notes to Condensed Consolidated Interim Financial Statements (unaudited) (Expressed in thousands of United States dollars, except share and per share amounts) 3. Basis of preparation: (continued) Formation of joint venture: Cespira On June 3, 2024, the Company entered into a joint venture agreement with Volvo Group ("Volvo") and contributed certain net assets of its former HPDI business to a newly formed joint venture ("Cespira" formerly the HPDI Joint Venture), consisting of two legal entities, HPDI Technology LP and HPDI Technology AB, in which the Company retained a 55% non-controlling interest. Volvo acquired the remaining 45% interest in Cespira for cash consideration of \$27,328. Cespira is jointly controlled by both parties. The Company's former HPDI business continues to operate through the joint venture. The Company deconsolidated the HPDI business and accounted for the Company's investment in Cespira under the equity method as it is now jointly controlled. Under this accounting method, the Company's initial investment in Cespira was recognized at the fair value of the Company's non-controlling interest. Subsequently, this cost basis will be adjusted for the Company's share of Cespira's net income or loss and other comprehensive income or loss, net of any dividends or distributions received from Cespira. This table summarizes the preliminary fair values of the proceeds received, net assets contributed at carrying value to Cespira, estimated tax liabilities incurred in certain jurisdictions for the net assets transferred, and gain on deconsolidation: June 3, 2024 Cash proceeds \$27,328 Ownership interest in HPDI Technology LP \$23,597 Ownership interest in HPDI Technology AB \$9,677 Total proceeds \$60,622 Net assets contributed to Cespira \$45,435 Other liabilities \$1,901 Gain on deconsolidation \$13,266 6. Accounts receivable: A September 30, 2024 December 31, 2023 Customer trade receivables \$51,306 \$83,175 Allowance for expected credit losses (\$4,557) (\$4,847) A \$70,344 \$88,077 In 2022, a holdback receivable was recorded as part of the sale of the Company's interest in Cummins Westport Inc. to Cummins Inc. ("Cummins") (the holdback will be retained by Cummins for a term of three years to satisfy any extended warranty obligations in excess of the recorded extended warranty obligation. Any unused amounts will be repaid to the Company at the end of three-year term and, in the event that the holdback is not sufficient to cover the extended warranty obligations, the Company may also be required to supplement this holdback amount to cover valid extended warranty claims. As at September 30, 2024, the Company estimates to receive the full amount from Cummins based on the historical warranty claims. WESTPORT FUEL SYSTEMS INC. Notes to Condensed Consolidated Interim Financial Statements (unaudited) (Expressed in thousands of United States dollars, except share and per share amounts) 3. Basis of preparation: (continued) Inventories: A September 30, 2024 December 31, 2023 Purchased parts \$48,929 \$50,770 Work-in-process 1,475 2,801 Finished goods 15,918 13,959 A \$66,322 \$67,530 During the three and nine months ended September 30, 2024, the Company recorded changes in write-downs to net realizable value of approximately \$594 and \$2,030, respectively (three and nine months ended September 30, 2023 - \$500 and \$2,078, respectively). As part of the formation of the Cespira, the Company contributed \$13,850 of inventory. 8. Long-term investments: A September 30, 2024 December 31, 2023 HPDI Technology LP (a) \$28,891 A HPDI Technology AB (a) 9,863 A WeiChai Westport Inc. (b) 1,411 A Minda Westport Technologies Limited (c) 4,211 A 3,234 A Other equity-accounted investees 1474 1474 A \$41,322 A \$41,322 (a) For the three and nine months ended September 30, 2024, the Company recognized its share of Cespira's losses of \$3,001 and \$4,104, respectively, as a loss from investment accounted for by the equity method. (b) On July 8, 2024, the Company sold its remaining interest in WeiChai Westport Inc. ("WWI") to WeiChai Holding Group Co. Ltd ("WeiChai") for net proceeds of \$1,124 and recognized a loss on sale of investment of \$352. This sale was pursuant to an equity transfer agreement signed with WWI in December 2023. (c) On April 18, 2024, the Company completed a share purchase agreement with Uno Minda Limited ("Minda") and sold 26% of Minda Westport Technologies Limited's shares to Minda for net proceeds of \$1,542. 10. WESTPORT FUEL SYSTEMS INC. Notes to Condensed Consolidated Interim Financial Statements (unaudited) (Expressed in thousands of United States dollars, except share and per share amounts) 3. Basis of preparation: (continued) Property, plant and equipment: A Accumulated Net A Book September 30, 2024 Cost Depreciation Value Land and buildings \$9,401 A \$2,902 A \$6,499 Computer equipment and software 7,534 5,429 A Furniture and fixtures 5,859 A 4,066 A 1,853 Machinery and equipment 69,188 A 40,185 A 29,003 Leasehold improvements 11,831 A 8,630 A 3,201 A \$103,817 A \$61,152 A \$42,665 A As part of the formation of the Cespira, the Company contributed \$32,728 of property, plant, and equipment. A Accumulated Net Book December 31, 2023 Cost Depreciation Value Land and buildings \$9,206 A \$2,635 A \$6,571 Computer equipment and software 9,386 A 6,773 A 2,613 Furniture and fixtures 8,326 A 6,103 A 2,223 Machinery and equipment 129,642 A 75,111 A 54,531 Leasehold improvements 13,212 A 9,670 A 3,551 A \$169,781 A \$100,292 A \$69,489 A 10. Intangible assets: A Accumulated Intangible September 30, 2024 Cost Amortization Assets, net Patents and trademarks \$20,566 A 14,678 A \$5,888 Technology 4,134 A 4,069 A 65 A Customer contracts 11,762 A 11,762 A A \$36,462 A \$30,509 A \$5,953 A A Accumulated Intangible December 31, 2023 Cost Amortization Assets, net Patents and trademarks \$20,417 A 13,724 A 6,693 A Technology 4,094 A 3,965 A 129 A Customer contracts 11,646 A 11,646 A A \$36,157 A \$29,335 A \$6,822 A 11. Accounts payable and accrued liabilities: A September 30, 2024 December 31, 2023 Trade accounts payable \$59,324 A \$70,567 Accrued payroll 19,261 A 18,129 A Taxes payable 6,050 A 4,302 A Deferred revenue 4,125 A 2,376 A A \$88,760 A \$95,374 A 11. WESTPORT FUEL SYSTEMS INC. Notes to Condensed Consolidated Interim Financial Statements (unaudited) (Expressed in thousands of United States dollars, except share and per share amounts) 3. Basis of preparation: (continued) Operating leases right-of-use assets and lease liabilities: The Company has entered into various non-cancellable operating lease agreements primarily for its manufacturing facilities and offices. The Company's leases have lease terms expiring between 2025 and 2038. Many leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. The average remaining lease term is approximately seven years and the present value of the outstanding operating lease liability was determined applying a weighted average discount rate of 3.0% based on incremental borrowing rates applicable in each location. The components of lease cost are as follows: Three months ended September 30, Nine months ended September 30, 2024 2023 2024 2023 Operating lease cost: Amortization of right-of-use assets \$525 A \$753 A \$1,811 A \$2,388 A Interest 133 A 143 A 439 A 493 A Total lease cost \$658 A \$896 A \$2,250 A \$2,881 A The maturities of lease liabilities as at September 30, 2024 are as follows: The remainder of 2024 \$678 A 2025 636 A 2026 2

Commercio Estero ("SACE").13WESTPORT FUEL SYSTEMS INC.Notes to Condensed Consolidated Interim Financial Statements (unaudited)(Expressed in thousands of United States dollars, except share and per share amounts)Â Three and nine months ended SeptemberÂ 30, 2024 and 202314. Long-term debt (continued):On November 29, 2023, the Company entered into a Euro denominated loan agreement with Deutsche Bank with quarterly principal and interest payments. There is no security provided on the loan as the loan was made as part of the Italian government's SACE guarantee program.On December 4, 2023, the Company entered into a Euro denominated loan agreement with Rabobank and principal and interest are paid monthly. The loan is secured by certain property owned by the Company.On January 10, 2024, the Company entered into a Euro denominated loan agreement with UniCredit with quarterly principal and interest payments, and the first payment is due in 2025. There is no security provided on the loan as the loan was made as part of the Italian government's SACE guarantee program.The Company has entered into interest rate swaps with UniCredit and Deutsche Bank, which are directly associated with the UniCredit (2020 and 2021), Deutsche Bank (2020), Deutsche Bank (2023) and UniCredit (2024) term loans. These interest rate swaps serve as a hedging mechanism against potential fluctuations in future interest rates ensuring stability in loan repayments. As of SeptemberÂ 30, 2024, the UniCredit interest rate swaps have maturity dates ranging from 2025 to 2028 and a total notional value of \$15,868. Additionally, the Deutsche Bank interest rate swaps have a maturity dates ranging from 2026 and 2029, with a notional value of \$9,843. The notional value of these interest rate swaps is adjusted concurrently with scheduled principal payments on the corresponding loans. These interest rate swaps have been designated as cash flow hedges and have been structured to be highly effective. As of SeptemberÂ 30, 2024, the fair value of the interest rate swaps amounted to \$204, which is included in other long-term assets (DecemberÂ 31, 2023 - \$822).Throughout the term of certain of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of SeptemberÂ 30, 2024, the Company is in compliance with all covenants under the financing arrangements. The principal repayment schedule of long-term debt is as follows as at SeptemberÂ 30, 2024: Term loan facilitiesOther bank financingCapital lease obligationsTotalRemainder of 2024\$3,569Â \$68Â \$129Â \$3,766Â 202514,804Â 134Â 394Â 15,332Â 202610,752Â 134Â 199Â 11,085Â 20273,814Â 134Â 186Â 4,134Â 2028 and thereafter2,233Â â€"Â 193Â 4,426Â \$37,172Â \$470Â \$1,101Â \$38,743Â 14WESTPORT FUEL SYSTEMS INC.Notes to Condensed Consolidated Interim Financial Statements (unaudited) (Expressed in thousands of United States dollars, except share and per share amounts)Â Three and nine months ended SeptemberÂ 30, 2024 and 202315. Warranty liability: A continuity of the warranty liability is as follows:Â September 30, 2023December 31, 2023Balance, beginning of period\$8,506Â \$14,299Â Warranty claims(3,142)Â (6,826)Warranty accruals1,812Â 5,152Â Change in estimate258Â (2,204)Impact of foreign exchange changes(197)Â (1,915)Transfer to Cespiral(1,842)Â â€"Â Balance, end of period5,395Â 8,506Â Less: current portion4,045Â 6,892Â Long-term portions1,350Â \$1,614Â 16. Share capital, stock options and other stock-based plans: During the three and nine months ended September 30, 2024, the Company issued 6,500 and 90,362 common shares, respectively, net of cancellations, upon exercises of share units (three and nine months ended September 30, 2023 â€" nil and 44,656 common shares, respectively). The Company issuesÂ shares from treasury to satisfy share unit exercises.(a)Â Â Â Â Share Units (â€œUnitsâ€œ):The value assigned to issued Units and the amounts accrued are recorded as other equity instruments. As Units are exercised or vest and the underlying shares are issued from treasury of the Company, the value is reclassified to share capital.Â During the three and nine months ended September 30, 2024, the Company recognized a recovery of \$140 and expense of \$1,352, respectively (three and nine months ended September 30, 2023 - recovery of \$265 and expense of \$1,238, respectively) of stock-based compensation associated with the Westport Omnibus Plan. The Westport Omnibus Plan aims to advance the Company's interests by encouraging employees, consultants and non-employee directors to receive equity-based compensation and incentives. The plan outlines the stock-based options types, eligibility and vesting terms.A continuity of the Units issued under the Westport Omnibus Plan are as follows:Â Nine months ended September 30, 2024Nine months ended September 30, 2023Â NumberÂ of UnitsWeightedaveragegrantdateÂ fair value(CDN \$)NumberÂ of UnitsWeightedaveragegrantdateÂ fair value(CDN \$)Outstanding, beginning of period478,643Â \$15.68Â 317,432Â \$24.10Â Granted224,050Â 8,234 435,128Â 13.78Â Exercised(90,362)17.58Â (44,656)38.56Â Forfeited/expired(54,614)22.15Â (216,227)19.44Â Outstanding, end of period557,717Â \$11.73Â 491,677Â \$15.73Â Units outstanding and exercisable, end of periodâ€œÂ \$â€œÂ â€œÂ \$â€œÂ 15WESTPORT FUEL SYSTEMS INC.Notes to Condensed Consolidated Interim Financial Statements (unaudited)(Expressed in thousands of United States dollars, except share and per share amounts)Â Three and nine months ended SeptemberÂ 30, 2024 and 202316. Share capital, stock options and other stock-based plans (continued):During the nine months ended September 30, 2024, 224,050 share units were granted to certain employees and directors (nine months ended September 30, 2023 - 435,128). This included 104,215 restricted share units (â€œRSUsâ€œ) (nine months ended September 30, 2023 - 147,557), nil performance share units (â€œPSUsâ€œ) (nine months ended September 30, 2023 - 185,365) and 119,835 deferred share units ("DSUs") (nine months ended September 30, 2023 - 102,206). Values of PSUs are determined using the MonteÂ Carlo Simulation Model. RSUs typically vest over a three-year period so the actual value received by the individual depends on the share price on the day such RSUs are settled for common shares, not the date of grant. Vesting of DSUs shall occur immediately prior to the resignation, retirement or termination of directorship, in accordance with the terms of Westport's Omnibus Plan.As at SeptemberÂ 30, 2024, \$1,532Â of compensation expense related to Units awarded has yet to be recognized in results from operations and will be recognized ratably over 3.2 years.(b)Â Â Â Aggregate intrinsic values:The aggregate intrinsic value of the Companyâ€™s share units at SeptemberÂ 30, 2024 as follows:Â September 30, 2024(CDN \$)Share units:Outstanding\$3,456Â Exercisableâ€œÂ Exercised558Â (c)Â Â Â Stock-based compensation:Stock-based compensation associated with the Unit plans is included in operating expenses as follows:Three Months Ended September 30,Nine Months Ended September 30,Â 2024202320242023Cost of revenue\$36Â \$(34)\$113Â \$58Â Research and development53Â 133Â 216Â 397Â General and administrative(269)(441)875Â 567Â Sales and marketing407Â 77Â 148Â 216Â \$(140)\$(265)\$1,352Â \$1,238Â Of the stock-based compensation recovery and expense recognized in the three and nine months ended September 30, 2024, expense of \$267 and \$900 will settle in shares, respectively, and a recovery of \$407 and expense of \$452 will settle in cash, respectively (three and nine months ended September 30, 2023 - recovery of \$310 and expense of \$1,065 will settle in shares and expense of \$45 and \$173 will settle in cash, respectively). Units settled in cash were fair value adjusted according to the closing share price at the end of each period.16WESTPORT FUEL SYSTEMS INC.Notes to Condensed Consolidated Interim Financial Statements (unaudited)(Expressed in thousands of United States dollars, except share and per share amounts)Â Three and nine months ended SeptemberÂ 30, 2024 and 202317. Related party transactions:The Company's related parties are Cespiral, Minda Westport Technologies Limited, directors, officers and shareholders that own greater than 10% of the Company's shares.The Company engages in transactions with Cespiral primarily through providing services and sale of inventory under the transitional services agreement and cross-charges.The Company engages in transactions with Minda Westport Technologies Limited primarily through sales of inventory.Sales of goods, services and other incomeThree Months Ended September 30,Nine Months Ended September 30,2024202320242023Cespiral\$2,677Â \$â€œÂ \$3,338Â \$â€œÂ Minda Westport Technologies Limited\$2,490Â 1,519Â 7,261Â 5,581Â Receivables (note 6)September 30,December 31,20242023Cespiral\$4,808Â \$â€œÂ Minda Westport Technologies Limited\$3,331Â \$1,671Â Total\$8,139Â \$1,671Â 18. Commitments and contingencies: (a)Â Â Â Contractual commitmentsThe 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 Companyâ€™s product to customers where the Company provides indemnification against losses arising from matters such as product liabilities. The potential impact on the Companyâ€™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)Â Â Â ContingenciesThe Company is engaged in certain legal actions and tax audits in the ordinary course of business and believes that, based on the information currently available, the ultimate outcome of these actions will not have a material adverse effect on the Company's operating results, liquidity or financial position.17WESTPORT FUEL SYSTEMS INC.Notes to Condensed Consolidated Interim Financial Statements (unaudited)(Expressed in thousands of United States dollars, except share and per share amounts)Â Three and nine months ended SeptemberÂ 30, 2024 and 202319. Segment information: On June 3, 2024, the Company entered into a joint venture agreement with Volvo to form Cespiral and deconsolidated its former HPDI business. As a result, the Company changed how it reviews and manages its business through five reportable segments: Light-Duty, High-Pressure Controls & Systems, Heavy-Duty OEM, Corporate, and Cespiral. This reflects the manner in which operating decisions and assessing business performance is currently managed by the Chief Operating Decision Maker (â€œCODMâ€œ). The prior year comparatives were restated to reflect this change in reportable segments in the current period.Financial information by business segment as follows:Three months ended September 30, 2024RevenueOperating income (loss)Depreciation & amortizationEquity income (loss)Light-Duty\$61,466Â \$2,320Â \$1,565Â \$220Â High-Pressure Controls & Systems1,672Â (1,159)146Â â€œÂ Heavy-Duty OEM3,113Â 856Â 8Â â€œÂ Corporateâ€œÂ (975)71Â (3,001)Cespiral16,209Â (5,257)938Â â€œÂ Total segment82,460Â (4,215)728Â (2,781)Less: Cespiral16,209Â (5,257)938Â â€œÂ Total consolidated\$66,251Â \$1,042Â \$1,790Â \$(2,781)Three months ended September 30, 2023RevenueOperating lossDepreciation & amortizationEquity incomeLight-Duty\$60,181Â \$(3,033)1,696Â \$448Â High-Pressure Controls & Systems3,702Â (409)93Â â€œÂ Heavy-Duty OEM13,508Â (3,707)1,321Â â€œÂ Corporateâ€œÂ (4,982)140Â â€œÂ Total consolidated\$77,391Â \$(12,131)\$3,250Â \$448Â Nine months ended September 30, 2024RevenueOperating income (loss)Depreciation & amortizationEquity income (loss)Light-Duty\$194,171Â \$7,191Â \$4,661Â \$666Â High-Pressure Controls & Systems7,439Â (3,580)372Â â€œÂ Heavy-Duty OEM25,601Â (7,711)1,399Â â€œÂ Corporateâ€œÂ (12,589)321Â (4,104)Cespiral20,268Â (7,269)1,203Â â€œÂ Total segment247,479Â (23,958)7,956Â (3,438)Less: Cespiral20,268Â (7,269)1,203Â â€œÂ Total consolidated\$227,211Â \$(16,689)\$6,753Â \$(3,438)18WESTPORT FUEL SYSTEMS INC.Notes to Condensed Consolidated Interim Financial Statements (unaudited)(Expressed in thousands of United States dollars, except share and per share amounts)Â Three and nine months ended SeptemberÂ 30, 2024 and 202319. Segment information (continued):Nine months ended September 30, 2023RevenueOperating lossDepreciation & amortizationEquity incomeLight-Duty\$200,329Â \$(4,965)\$5,122Â \$633Â High-Pressure Controls & Systems9,416Â (1,645)255Â â€œÂ Heavy-Duty OEM34,908Â (12,240)3,491Â â€œÂ Corporateâ€œÂ (12,936)402Â â€œÂ Total consolidated\$244,653Â \$(31,786)\$9,270Â \$633Â Revenues are attributable to geographical regions based on the

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