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

# WESTPORT FUEL SYSTEMS INC.

For the three and nine months ended September 30, 2021 and 2020

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Balance Sheets (unaudited)

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

September 30, 2021 and December 31, 2020

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents (including restricted cash) | $ 141,899 | $ 64,262 |
| Accounts receivable (note 5) | 86,729 | 90,467 |
| Inventories (note 6) | 78,087 | 51,402 |
| Prepaid expenses | 9,100 | 11,767 |
| Short-term investment (note 7) | 7,585 | — |
| **Total current assets** | 323,400 | 217,898 |
| Long-term investments (note 8) | 3,516 | 13,954 |
| Property, plant and equipment (note 9) | 63,385 | 57,507 |
| Operating lease right-of-use assets (note 12) | 30,204 | 27,962 |
| Intangible assets (note 10) | 9,863 | 11,784 |
| Deferred income tax assets | 11,380 | 2,140 |
| Goodwill | 3,067 | 3,397 |
| Other long-term assets | 12,069 | 11,621 |
| **Total assets** | $ 456,884 | $ 346,263 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 11) | $ 95,203 | $ 84,599 |
| Current portion of operating lease liabilities (note 12) | 4,845 | 4,476 |
| Short-term debt (note 13) | 11,028 | 23,445 |
| Current portion of long-term debt (note 14) | 19,168 | 16,302 |
| Current portion of long-term royalty payable (note 15) | 5,657 | 7,451 |
| Current portion of warranty liability (note 16) | 11,718 | 10,749 |
| **Total current liabilities** | 147,619 | 147,022 |
| Long-term operating lease liabilities (note 12) | 25,010 | 23,486 |
| Long-term debt (note 14) | 33,315 | 45,651 |
| Long-term royalty payable (note 15) | 4,449 | 8,591 |
| Warranty liability (note 16) | 5,640 | 8,187 |
| Deferred income tax liabilities | 3,507 | 3,250 |
| Other long-term liabilities | 5,754 | 6,017 |
| **Total liabilities** | 225,294 | 242,204 |
| Shareholders' equity: | | |
| Share capital (note 17): | | |
| Unlimited common and preferred shares, no par value | | |
| 170,754,085 (2020 - 144,069,972) common shares issued and outstanding | 1,241,854 | 1,115,092 |
| Other equity instruments | 7,983 | 7,671 |
| Additional paid in capital | 11,516 | 11,516 |
| Accumulated deficit | (997,358) | (1,005,679) |
| Accumulated other comprehensive loss | (32,405) | (24,541) |
| **Total shareholders' equity** | 231,590 | 104,059 |
| **Total liabilities and shareholders' equity** | $ 456,884 | $ 346,263 |
| Commitments and contingencies (note 19) | | |

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board: **Anthony Guglielmin** Director **Brenda J. Eprile** Director

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss) (unaudited)

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

Three and nine months ended September 30, 2021 and 2020

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Revenue | $ 74,343 | $ 65,407 | $ 229,794 | $ 168,594 |
| Cost of revenue and expenses: | | | | |
| Cost of revenue | 64,214 | 55,368 | 190,905 | 142,091 |
| Research and development | 6,207 | 4,721 | 20,419 | 14,611 |
| General and administrative | 9,058 | 5,619 | 27,581 | 18,360 |
| Sales and marketing | 3,176 | 3,087 | 9,828 | 8,790 |
| Foreign exchange (gain) loss | (893) | (2,291) | (2,495) | 978 |
| Depreciation and amortization | 1,224 | 1,540 | 4,188 | 4,547 |
| Gain on sale of assets | — | — | (146) | — |
| Impairment of long-lived assets | — | 479 | — | 479 |
| | 82,986 | 68,523 | 250,280 | 189,856 |
| Loss from operations | (8,643) | (3,116) | (20,486) | (21,262) |
| | | | | |
| Income from investments accounted for by the equity method | 4,098 | 4,625 | 18,738 | 14,113 |
| Interest on long-term debt and accretion on royalty payable | (1,380) | (1,679) | (4,437) | (4,698) |
| Bargain purchase gain from acquisition (note 4) | — | — | 5,856 | — |
| Interest and other income, net of bank charges | 482 | 395 | 1,212 | 654 |
| Income (loss) before income taxes | (5,443) | 225 | 883 | (11,193) |
| Income tax expense (recovery) | 325 | (597) | (7,438) | 284 |
| Net income (loss) for the period | (5,768) | 822 | 8,321 | (11,477) |
| Other comprehensive income (loss): | | | | |
| Cumulative translation adjustment | (4,067) | 72 | (7,864) | (392) |
| Comprehensive income (loss) | $ (9,835) | $ 894 | $ 457 | $ (11,869) |
| | | | | |
| Income (loss) per share: | | | | |
| Net income (loss) per share - basic and diluted | $ (0.03) | $ 0.01 | $ 0.05 | $ (0.08) |
| Weighted average common shares outstanding: | | | | |
| Basic | 169,500,461 | 136,879,478 | 156,673,290 | 136,625,262 |
| Diluted | 169,500,461 | 145,549,940 | 158,533,077 | 136,625,262 |

See accompanying notes to condensed consolidated interim financial statements.

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Statements of Shareholders' Equity (unaudited)

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

Three and nine months ended September 30, 2021 and 2020

| | Common Shares Outstanding | Share capital | Other equity instruments | Additional paid in capital | Accumulated deficit | Accumulated other comprehensive income (loss) | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| | Three months ended September 30, 2020 | | | | | | |
| July 1, 2020 | 136,757,404 | $ 1,095,147 | $ 7,523 | $ 10,079 | $ (1,010,619) | $ (24,354) | $ 77,776 |
| Issuance of common shares on exercise of share units | 283,074 | 439 | (439) | — | — | — | — |
| Change in fair value of the embedded conversion feature on convertible debt | — | — | — | 1,302 | — | — | 1,302 |
| Stock-based compensation | — | — | 820 | — | — | — | 820 |
| Net loss for the period | — | — | — | — | 822 | — | 822 |
| Other comprehensive income | — | — | — | — | — | 72 | 72 |
| September 30, 2020 | 137,040,478 | $ 1,095,586 | $ 7,904 | $ 11,381 | $ (1,009,797) | $ (24,282) | $ 80,792 |
| | Nine months ended September 30, 2020 | | | | | | |
| January 1, 2020 | 136,416,981 | $ 1,094,633 | $ 6,857 | $ 10,079 | $ (998,320) | $ (23,890) | $ 89,359 |
| Issuance of common shares on exercise of share units | 623,497 | 953 | (953) | — | — | — | — |
| Change in fair value of the embedded conversion feature on convertible debt | — | — | — | 1,302 | — | — | 1,302 |
| Stock-based compensation | — | — | 2,000 | — | — | — | 2,000 |
| Net loss for the period | — | — | — | — | (11,477) | — | (11,477) |
| Other comprehensive income | — | — | — | — | — | (392) | (392) |
| September 30, 2020 | 137,040,478 | $ 1,095,586 | $ 7,904 | $ 11,381 | $ (1,009,797) | $ (24,282) | $ 80,792 |
| | Three months ended September 30, 2021 | | | | | | |
| July 1, 2021 | 168,801,162 | $ 1,238,856 | $ 7,773 | $ 11,516 | $ (991,590) | $ (28,338) | $ 238,217 |
| Issuance of common shares on exercise of share units | 116,173 | 389 | (389) | — | — | — | — |
| Issuance of common shares on conversion of convertible debt | 1,836,750 | 2,609 | — | — | — | — | 2,609 |
| Stock-based compensation | — | — | 599 | — | — | — | 599 |
| Net income for the period | — | — | — | — | (5,768) | — | (5,768) |
| Other comprehensive loss | — | — | — | — | — | (4,067) | (4,067) |
| September 30, 2021 | 170,754,085 | $ 1,241,854 | $ 7,983 | $ 11,516 | $ (997,358) | $ (32,405) | $ 231,590 |
| | Nine months ended September 30, 2021 | | | | | | |
| January 1, 2021 | 144,069,972 | $ 1,115,092 | $ 7,671 | $ 11,516 | $ (1,005,679) | $ (24,541) | $ 104,059 |
| Issuance of common shares on exercise of share units | 282,534 | 849 | (849) | — | — | — | — |
| Issuance of common shares on conversion of convertible debt | 3,651,867 | 5,186 | — | — | — | — | 5,186 |
| Issuance of common shares on at-the-market public offering, net of costs incurred | 1,819,712 | 12,806 | — | — | — | — | 12,806 |
| Issue of common shares on public offering, net of costs incurred | 20,930,000 | 107,921 | — | — | — | — | 107,921 |
| Stock-based compensation | — | — | 1,161 | — | — | — | 1,161 |
| Net income for the period | — | — | — | — | 8,321 | — | 8,321 |
| Other comprehensive loss | — | — | — | — | — | (7,864) | (7,864) |
| September 30, 2021 | 170,754,085 | $ 1,241,854 | $ 7,983 | $ 11,516 | $ (997,358) | $ (32,405) | $ 231,590 |

See accompanying notes to condensed consolidated interim financial statements.

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in thousands of United States dollars)

Three and nine months ended September 30, 2021 and 2020

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Cash flows from (used in) operating activities: | | | | |
| Net income (loss) for the period | $ (5,768) | $ 822 | $ 8,321 | $ (11,477) |
| Items not involving cash: | | | | |
| Depreciation and amortization | 3,309 | 3,460 | 10,485 | 10,231 |
| Stock-based compensation expense | 629 | 852 | 1,252 | 2,093 |
| Unrealized foreign exchange (gain) loss | (893) | (2,291) | (2,495) | 978 |
| Deferred income tax | 69 | (645) | (9,606) | (1,328) |
| Income from investments accounted for by the equity method | (4,098) | (4,625) | (18,738) | (14,113) |
| Interest on long-term debt and accretion on royalty payable | 1,380 | 1,679 | 4,437 | 4,698 |
| Change in inventory write-downs to net realizable value | 87 | 414 | 409 | 478 |
| Bargain purchase gain from acquisition | — | — | (5,856) | — |
| Change in bad debt expense | 178 | 143 | 152 | 395 |
| Impairment of long-lived assets | — | 479 | — | 479 |
| Gain on sale of assets | — | — | (146) | — |
| Net cash from (used) before working capital changes | (5,107) | 288 | (11,785) | (7,566) |
| Changes in non-cash operating working capital: | | | | |
| Accounts receivable | 7,574 | (12,621) | 2,532 | (8,003) |
| Inventories | (11,851) | 1,110 | (23,794) | (6,946) |
| Prepaid and other assets | (1,717) | (2,145) | 4,639 | (3,704) |
| Accounts payable and accrued liabilities | (2,154) | 8,308 | 4,134 | (7,482) |
| Warranty liability | (1,136) | 736 | (1,423) | 10,517 |
| Net cash used in operating activities | (14,391) | (4,324) | (25,697) | (23,184) |
| Cash flows from (used in) investing activities: | | | | |
| Purchase of property, plant and equipment | (5,084) | (1,339) | (7,946) | (4,525) |
| Sale of investments, net | — | — | 600 | — |
| Acquisition, net of acquired cash | — | — | (5,948) | — |
| Dividends received from joint ventures | 7,229 | 4,592 | 21,502 | 13,835 |
| Net cash from (used in) investing activities | 2,145 | 3,253 | 8,208 | 9,310 |
| Cash flows from (used in) financing activities: | | | | |
| Repayments of short and long-term facilities | (17,191) | (14,661) | (56,606) | (33,554) |
| Drawings on operating lines of credit and long-term facilities | 13,987 | 34,201 | 39,985 | 56,267 |
| Payment of royalty payable | — | — | (7,451) | (5,948) |
| Proceeds from share issuance, net | — | — | 120,727 | — |
| Net cash from (used in) financing activities | (3,204) | 19,540 | 96,655 | 16,765 |
| Effect of foreign exchange on cash and cash equivalents | (3,362) | (1,075) | (1,529) | (2,581) |
| Increase (decrease) in cash and cash equivalents | (18,812) | 17,394 | 77,637 | 310 |
| Cash and cash equivalents, beginning of period (including restricted cash) | 160,711 | 28,928 | 64,262 | 46,012 |
| Cash and cash equivalents, end of period (including restricted cash) | $ 141,899 | $ 46,322 | $ 141,899 | $ 46,322 |

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in thousands of United States dollars)

Three and nine months ended September 30, 2021 and 2020

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Supplementary information: | | | | |
| Interest paid | $ 1,053 | $ 1,435 | $ 4,701 | $ 3,825 |
| Taxes paid, net of refunds | 1,880 | 385 | 2,554 | 365 |

Refer to note 17 for non-cash transactions.

See accompanying notes to condensed consolidated interim 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 markets on a global basis. The Company's components and systems control the pressure and flow of gaseous alternative fuels, such as propane, natural gas and hydrogen used in internal combustion engines and fuel cells.

## 2. Liquidity and impact of COVID-19:

The COVID-19 pandemic has impacted the Company's business since March 2020. The extent, duration and impact of COVID-19 is uncertain, however since the second half of 2020, the Company's sales and customer demand have continued to recover, but face ongoing challenges from supply chain management issues, and more recently rising prices for natural gas and liquid petroleum gas. The production plants located in Northern Italy closed temporarily during the first half of 2020 due to the COVID-19 pandemic but have since remained open and are in full production in the three quarters of 2021.

The Company is closely monitoring and making efforts to mitigate the impact of COVID-19 and the impact of the global shortage of semiconductors on the business. The Company has significant operations in Italy where there had been a high number of cases of COVID-19. The Company also sources components from China, which has been impacted by the global supply chain for semiconductors and other materials. At this time, management does not expect a material impact to its business, however, the situation is evolving daily and could become material in case of a prolonged supply chain disruption that results in production delays or end-customer demand declines.

During the year, the Company raised $107,921 through an equity offering which further strengthened the Company's liquidity position. Besides these financing activities, the Company is also participating in government wage-subsidy and other support programs in the countries where it operates. The Company has received $215 and $643 in the three and nine months ended September 30, 2021, respectively ($1,161 and $5,349 in the three and nine months ended September 30, 2020, respectively), related to these programs.

The Company believes that it has considered all possible impacts of known events arising from the COVID-19 pandemic in the preparation of the condensed consolidated interim financial statements ("interim financial statements"); however, changes in circumstances due to COVID-19 could impact management's judgments and estimates associated with the liquidity and impact of COVID-19 assessment and other critical accounting assessments.

The Company continues to sustain operating losses and negative cash flows from operating activities. As at September 30, 2021, the Company has cash and cash equivalents of $141,899 and during the nine months ended September 30, 2021, the Company used cash in operating activities of $25,697. The ability to continue as a going concern beyond November 2022 will depend on the Company's ability to generate sufficient positive cash flows from operations specifically through profitable, sustainable growth of High Pressure Direct Injection ("HPDI") business, and on the Company's ability to finance its long term strategic objectives and operations. In addition, the Company's Cummins Westport Inc. joint venture, which pays significant dividends to the joint venture partners, is scheduled to end on December 31, 2021. As per the joint venture agreement, both Cummins Inc. and the Company have equal rights to the joint venture's intellectual property, which the Company intends to monetize. 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. 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 consolidated financial statements and the adjustments could be material.

**3. Basis of preparation:**

(a) Basis of presentation:

These interim financial statements have been prepared in accordance with U.S. GAAP.

These interim financial statements do not include all note disclosures required on an annual basis, and therefore, should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2020, filed with the appropriate securities regulatory authorities. The Company followed the same policies and procedures as in the annual audited consolidated financial statements for the year ended December 31, 2020.

In the opinion of management, all adjustments, which include reclassifications and normal recurring adjustments necessary to present fairly the condensed consolidated interim balance sheets, condensed consolidated interim results of operations and comprehensive income and loss, condensed consolidated interim statements of shareholders' equity and condensed consolidated interim cash flows as at September 30, 2021 and for all periods presented, have been recorded. The results of operations for the three and nine months ended September 30, 2021 are not necessarily indicative of the results for the Company's full year.

(b) Foreign currency translation:

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

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

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

| | Period ended | | Average for the three months ended | | Average for the nine months ended | |
|---|---|---|---|---|---|---|
| | September 30, 2021 | December 31, 2020 | September 30, 2021 | September 30, 2020 | September 30, 2021 | September 30, 2020 |
| Canadian Dollar | 1.27 | 1.27 | 1.26 | 1.33 | 1.25 | 1.35 |
| Euro | 0.86 | 0.82 | 0.85 | 0.85 | 0.84 | 0.89 |
| Argentina Peso | 98.93 | 84.06 | 97.26 | 72.01 | 105.35 | 66.72 |
| RMB | 6.47 | 6.53 | 6.47 | 6.91 | 6.47 | 6.99 |
| Swedish Krona | 8.78 | 8.19 | 8.65 | 8.86 | 8.48 | 9.39 |
| Indian Rupee | 74.29 | 73.00 | 74.08 | 74.32 | 73.59 | 74.17 |
| Polish Zloty | 4.00 | 3.72 | 3.88 | 3.80 | 3.84 | 3.94 |

## 4. Business combinations:

Acquisition of Stako sp. z.o.o ("Stako"):

On May 28, 2021, the Company entered into an agreement to acquire all of the issued and outstanding shares of Stako from Worthington Industries Inc. for a total purchase price of $7,130. The transaction was completed on May 30, 2021.

Stako is a leading manufacturer of liquid petroleum gas fuel ("LPG") storage, supplying the aftermarket and Original Equipment Manufacturer ("OEM") market segments through a worldwide network of dealers. Stako's current product range includes over 1,000 models of LPG storage tanks. Over the last 30 years, Stako has supplied tanks to leading automobile manufacturers worldwide.

The business combination resulted in a bargain purchase transaction, as the fair value of assets acquired, and liabilities assumed exceeded the total of the transaction date fair value of consideration paid by $5,856. The Company was able to acquire Stako for less than its fair value due to the decision of the seller to divest their non-core LPG business. The following table summarizes the preliminary allocation of the purchase price to the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition.

| **Consideration allocated to:** | | |
|---|---|---|
| Cash and cash equivalents | $ | 1,180 |
| Accounts receivable (1) | | 5,609 |
| Inventory (2) | | 4,217 |
| Property, plant and equipment (3) | | 6,435 |
| Other assets | | 319 |
| Accounts payable and accrued liabilities | | (4,678) |
| Deferred income tax liabilities | | (96) |
| Total net identifiable assets | $ | 12,986 |
| Bargain purchase gain | | (5,856) |
| Total consideration | $ | 7,130 |

(1) The fair value of $5,609 of accounts receivable reflects the cash flows expected to be collectible.

(2) The fair value of inventory of $4,217 assigned to inventory was based on estimated selling prices net of selling costs associated with finished goods, and replacement value for raw materials and unassembled components.

(3) Property, plant and equipment of $6,435 was determined based on their fair market values.

The amounts included in the Stako acquisition provisional purchase price allocation are preliminary in nature and are subject to adjustment as additional information is obtained about the facts and circumstances that existed at the date of the acquisition. The final determination of the fair values of certain assets and liabilities will be completed within the measurement period of up to one year from the acquisition date and will be finalized upon the determination of closing working capital. Therefore, the preliminary measurements of accounts receivable, inventory, property, plant and equipment reflected are subject to change and such changes could be significant due to the completion of the final valuation. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable and no later than one year from the acquisition date.

**4. Business combinations (continued):**

*Proforma Results*

The following unaudited supplemental proforma information presents the consolidated financial results as if the acquisition of Stako had occurred on January 1, 2020. This supplemental proforma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been made on January 1, 2020, nor are they indicative of any future results. Included in revenue and net income for the nine months ended September 30, 2021 are $9,441 and $1,225, respectively.

| | Three months ended September 30, | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Revenue** | | | | |
| Revenue for the period | $ 74,343 | $ 65,407 | $ 229,794 | $ 168,594 |
| Stako for the period | — | 5,331 | 10,217 | 13,623 |
| **Proforma revenue for the period** | $ 74,343 | $ 70,738 | $ 240,011 | $ 182,217 |
| | | | | |
| **Net income (loss)** | | | | |
| Net income (loss) for the period | $ (5,768) | $ 822 | $ 8,321 | $ (11,477) |
| Stako for the period | — | 417 | 722 | 894 |
| Proforma adjustments (1) | — | — | (5,577) | — |
| **Adjusted proforma net income (loss) for the period** | $ (5,768) | $ 1,239 | $ 3,466 | $ (10,583) |

(1) Includes adjustment of the bargain purchase gain and transaction costs incurred for the acquisition in the second quarter.

**5. Accounts receivable:**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Customer trade receivables | $ 80,455 | $ 81,968 |
| Other receivables | 12,498 | 14,967 |
| Income tax receivable | 172 | 52 |
| Due from related parties (note 7) | 34 | 74 |
| Allowance for expected credit losses | (6,430) | (6,594) |
| | $ 86,729 | $ 90,467 |

**6. Inventories:**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Purchased parts | $ 58,482 | $ 36,066 |
| Work-in-process | 3,559 | 3,203 |
| Finished goods | 16,046 | 12,133 |
| | $ 78,087 | $ 51,402 |

During the three and nine months ended September 30, 2021, the net change in inventory provision comprises increases of $87 and $409, respectively (three and nine months ended September 30, 2020 - increases of $414 and $478, respectively).

## 7. Short-term investment:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Cummins Westport Inc. | $ 7,585 | $ — |

The Company and Cummins Inc. ("Cummins") each own 50% of the common shares of Cummins Westport Inc. ("CWI"). For the three and nine months ended September 30, 2021, the Company recognized its share of CWI's income of $3,831 and $18,222, respectively (three and nine months ended September 30, 2020 - $4,874 and $14,389, respectively) in income from investments accounted for by the equity method. The CWI joint venture term is scheduled to end on December 31, 2021 and therefore, it is classified as short-term investment.

As at September 30, 2021, the Company has a related party accounts receivable balance of $34 due from CWI.

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

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Current assets: | | |
| Cash and short-term investments | $ 90,631 | $ 94,984 |
| Accounts receivable | 6,628 | 5,681 |
| | 97,259 | 100,665 |
| Long-term assets: | | |
| Property, plant and equipment | 359 | 605 |
| Deferred income tax assets | 23,416 | 21,651 |
| | 23,775 | 22,256 |
| Total assets | $ 121,034 | $ 122,921 |
| | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 4,454 | $ 5,557 |
| Current portion of warranty liability | 24,192 | 19,485 |
| Current portion of deferred revenue | 12,395 | 13,628 |
| | 41,041 | 38,670 |
| Long-term liabilities: | | |
| Warranty liability | 41,372 | 34,737 |
| Deferred revenue | 21,200 | 23,802 |
| Other long-term liabilities | 2,240 | 3,969 |
| | 64,812 | 62,508 |
| Total liabilities | $ 105,853 | $ 101,178 |

**7. Short-term investment (continued):**

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Product revenue | $ 53,858 | $ 59,293 | $ 172,513 | $ 148,338 |
| Parts revenue | 29,478 | 25,114 | 83,277 | 79,169 |
| | 83,336 | 84,407 | 255,790 | 227,507 |
| Cost of revenue and expenses: | | | | |
| Cost of product and parts revenue | 66,768 | 65,452 | 195,872 | 168,712 |
| Research and development | 1,650 | 2,186 | 4,514 | 10,838 |
| General and administrative | 360 | 358 | 1,088 | 1,152 |
| Sales and marketing | 4,304 | 3,904 | 9,120 | 10,173 |
| | 73,082 | 71,900 | 210,594 | 190,875 |
| Income from operations | 10,254 | 12,507 | 45,196 | 36,632 |
| Interest and investment income | 123 | 183 | 407 | 911 |
| Income before income taxes | 10,377 | 12,690 | 45,603 | 37,543 |
| Income tax expense | 2,715 | 2,942 | 9,160 | 8,764 |
| Net income | $ 7,662 | $ 9,748 | $ 36,443 | $ 28,779 |

**8. Long-term investments:**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Cummins Westport Inc. (note 7) | $ — | $ 10,866 |
| Weichai Westport Inc. | 1,824 | 1,824 |
| Minda Westport Technologies Limited | 1,544 | 1,116 |
| Other equity-accounted investees | 148 | 148 |
| | $ 3,516 | $ 13,954 |

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 WWI. In April 2016, the Company sold to the Cartesian Capital Group ("Cartesian"), a global private equity firm, a derivative economic interest granting it the right to receive an amount of future income received by Westport HK from WWI equivalent to having an 18.78% equity interest in WWI and concurrently granted a Cartesian entity an option to acquire all of the equity securities of Westport HK for a nominal amount. The Company retained the right to transfer any equity interest held by Westport HK in WWI that was in excess of an 18.78% interest in the event that such option was exercised. As a result of such transactions, the Company's residual 23.33% equity interest in WWI currently corresponds to an economic interest in WWI equivalent to just 4.55%.

Cartesian had financing arrangements with the Company through convertible debt and a royalty payable described in notes 14(b) and 15. 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 as "Cartesian". In addition, Peter Yu, the founder and managing partner of Cartesian, was elected as a Director of the Company in January 2016 and resigned as a Director of the Company in July 2020. See notes 14(b), and 15 for additional details of Cartesian's investments in the Company.

## 9. Property, plant and equipment:

| September 30, 2021 | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| Land and buildings | $ 8,899 | $ 1,769 | $ 7,130 |
| Computer equipment and software | 7,575 | 5,815 | 1,760 |
| Furniture and fixtures | 5,972 | 4,937 | 1,035 |
| Machinery and equipment | 109,442 | 59,432 | 50,010 |
| Leasehold improvements | 13,367 | 9,917 | 3,450 |
| | $ 145,255 | $ 81,870 | $ 63,385 |

From the acquisition of Stako, the Company had additions in land and buildings, furniture and fixtures, and machinery and equipment of $4,155, $75 and $2,205, respectively.

| December 31, 2020 | Cost | Accumulated depreciation | Net book value |
|---|---|---|---|
| Land and buildings | $ 5,303 | $ 1,701 | $ 3,602 |
| Computer equipment and software | 7,045 | 5,570 | 1,475 |
| Furniture and fixtures | 4,968 | 4,148 | 820 |
| Machinery and equipment | 102,834 | 54,387 | 48,447 |
| Leasehold improvements | 12,479 | 9,316 | 3,163 |
| | $ 132,629 | $ 75,122 | $ 57,507 |

## 10. Intangible assets:

| September 30, 2021 | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Brands, patents and trademarks | $ 23,845 | $ 14,401 | $ 9,444 |
| Technology | 4,300 | 3,963 | 337 |
| Customer contracts | 12,234 | 12,152 | 82 |
| | $ 40,379 | $ 30,516 | $ 9,863 |

| December 31, 2020 | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Brands, patents and trademarks | $ 21,763 | $ 11,513 | $ 10,250 |
| Technology | 6,040 | 5,613 | 427 |
| Customer contracts | 13,234 | 12,283 | 951 |
| Other intangibles | 477 | 321 | 156 |
| | $ 41,514 | $ 29,730 | $ 11,784 |

## 11. Accounts payable and accrued liabilities:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Trade accounts payable | $ 70,577 | $ 57,307 |
| Accrued payroll | 17,509 | 14,737 |
| Taxes payable | 4,216 | 3,905 |
| Deferred revenue | 2,901 | 8,008 |
| Accrued interest | — | 137 |
| Other payables | — | 505 |
| | $ 95,203 | $ 84,599 |

## 12. 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 2021 and 2033. 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 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, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Operating lease cost: | | | | |
| Amortization of right-of-use assets | $ 850 | $ 1,294 | $ 2,491 | $ 2,770 |
| Interest | 197 | 377 | 621 | 600 |
| Total lease cost | $ 1,047 | $ 1,671 | $ 3,112 | $ 3,370 |

The maturities of lease liabilities as at September 30, 2021 are as follows:

| | |
|---|---|
| The remainder of 2021 | $ 1,772 |
| 2022 | 4,098 |
| 2023 | 3,549 |
| 2024 | 3,135 |
| 2025 | 2,599 |
| Thereafter | 19,889 |
| Total undiscounted cash flows | 35,042 |
| Less: imputed interest | (5,187) |
| Present value of operating lease liabilities | 29,855 |
| Less: current portion | (4,845) |
| Long term operating lease liabilities | $ 25,010 |

**13. Short-term debt:**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Revolving financing facility (a) | $ 5,013 | $ 17,428 |
| Credit facility (b) | 6,015 | 6,017 |
| | $ 11,028 | $ 23,445 |

(a) The Company has a revolving financing facility with HSBC. This facility is secured by certain receivables of the Company and the maximum draw amount is $20,000 based on the receivables outstanding. As the Company collects these secured receivables, the facility is repaid. The interest rate for this facility is the Libor rate plus 2.5%.

(b) On July 23, 2020, the Company entered into a one-year $10,000 non-revolving term credit facility with EDC to provide working capital support in response to short-term liquidity shortfalls as a result of the COVID-19 pandemic. This credit facility's interest rate is the U.S. Prime Rate plus 3.0% per annum on amounts drawn and has no prepayment penalty or standby charge. On February 16, 2021, the Company and EDC amended the credit facility such that the Company was not able to draw any additional funds from this facility after February 16, 2021. As at September 30, 2021, the amount outstanding for this facility was $6,000. On July 21, 2021, the Company received a Second Waiver and Amending Agreement from EDC to extend the principal repayment of $6,000 due on July 21, 2021 to September 15, 2021. On September 14, 2021, the Company received a Third Waiver and Amending Agreement from EDC to extend the principal repayment of $6,000 due on September 15, 2021 to December 15, 2021 as an interim step in the renewal of a long-term credit facility.

**14. Long-term debt:**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Term loan facilities, net of debt issuance costs (a) | $ 49,767 | $ 53,731 |
| Convertible debt (b) | — | 4,362 |
| Other bank financing (c) | 819 | 1,325 |
| Capital lease obligations (d) | 1,897 | 2,535 |
| Balance, end of period | 52,483 | 61,953 |
| Current portion | (19,168) | (16,302) |
| Long-term portion | $ 33,315 | $ 45,651 |

(a) 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 the 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, at 9% plus monitoring fees), payable quarterly, as well as quarterly principal repayments. On March 23, 2020, the Company and EDC amended the terms of the secured term loan to defer $6,000 in principal payments in 2020, to recommence payment of $2,000 quarterly starting March 15, 2021 and to extend the term of the loan until September 30, 2022. During the third quarter, the Company received a waiver letter from EDC which waived the $2,000 principal repayment obligations due on June 15, 2021 and September 15, 2021. As at September 30, 2021, the amount outstanding for this loan was $11,846, net of issuance costs, compared to $13,618, net of issuance costs, as at December 31, 2020. The loan is secured by share pledges over Westport Fuel Systems Canada Inc., Fuel Systems Solutions, Inc., Westport Luxembourg S.a.r.l and by certain of the Company's property, plant and equipment.

On October 9, 2018, and November 28, 2019, the Company entered into Euro denominated loan agreements with UniCredit S.p.A. (“UniCredit”). These loans bear interest at an annual rate of 2.3% and 1.8%, respectively, and interest is paid quarterly. The loans mature on December 31, 2023 and September 30, 2023, respectively. On April 29, 2021, the Company and UniCredit amended the terms of the above Euro denominated loan agreements to combine the facilities into one $8,803 loan facility. This loan matures on March 31, 2027, bears interest at an annual rate of 1.65% and interest is paid quarterly. The cash pledge as security is removed after the amendment. As at September 30, 2021, the amount outstanding for these loans was $8,724 compared to $7,246 as at December 31, 2020.

**14. Long-term debt (continued):**

On May 20, 2020, the Company entered into a third Euro denominated loan agreement with UniCredit. The effective interest rate of this loan is 1.82% with a maturity date of May 31, 2025. As at September 30, 2021, the amount outstanding for this loan was $4,414 compared to $5,558 as at December 31, 2020. There is no security on the loan as it was made as part of the Italian government's COVID-19 Decreto Liquidità to help Italian companies to secure liquidity to continue operating while mitigating some of the impact of COVID-19.

On July 17, 2020, the Company entered into a fourth Euro denominated loan agreement with UniCredit. The effective interest rate of this loan is 1.75% with a maturity date of July 31, 2026. As at September 30, 2021, the amount outstanding for this loan was $16,599 compared to $18,650 as at December 31, 2020. There is no security on the loan as it was made as part of the Italian government's COVID-19 Decreto Liquidità.

On August 11, 2020, the Company entered into a Euro denominated loan agreement with Deutsche Bank. The effective interest rate of this loan is 1.7% with a maturity date of August 31, 2026. As at September 30, 2021, the amount outstanding for this loan was $8,184 compared to $8,659 as at December 31, 2020. There is no security on the loan as it was made as part of the Italian government's COVID-19 Decreto Liquidità.

(b) On January 11, 2016, the Company entered into a financing agreement ("Tranche 2 Financing") with Cartesian. As part of the agreement, on June 1, 2016, convertible debt was issued in exchange for 9.0% convertible unsecured notes due June 1, 2021, which are convertible into common shares of the Company in whole or in part, at Cartesian's option, at any time following the twelve-month anniversary of the closing at a conversion price of $2.17 per share. Interest is payable annually in arrears on December 31 of each year during the term. On July 24, 2020, Westport restructured the Tranche 2 Financing agreement and entered into a new financing agreement with Cartesian. Under the terms of the agreement, the Company agreed to pay down the principal amount of the existing convertible notes from $17,500 to $10,000. Concurrent with such repayment, the maturity of the remaining amended notes was extended three years to July 31, 2023, the coupon rate was reduced from 9.0% annually to 6.5% annually, and the conversion price was revised from $2.17 per share to $1.42 per share.

During the first quarter of 2021, Cartesian exercised its option to convert a principal amount of $2,500, plus accrued and unpaid interest on such principal amount, into 1,815,117 common shares of the Company. To date, Cartesian has exercised its option to convert a total principal amount of $7,500, plus accrued and unpaid interest on such principal amount, into 5,422,585 common shares of the Company.

On August 31, 2021, the Company exercised its option to convert the final principal balance of $2,500, plus accrued and unpaid interest on such principal amount, into 1,836,750 common shares of the Company. As at September 30, 2021, the convertible note was fully repaid and converted into common shares of the Company.

(c) 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 2025 and thereafter. Security includes a building owned by the Company in the Netherlands and certain accounts receivable.

(d) The Company has capital lease obligations with terms of two to five years at interest rates ranging from 1.3% to 5.7%.

The principal repayment schedule of long-term debt is as follows as at September 30, 2021:

| | Term loan facilities | Other bank financing | Capital lease obligations | Total |
|---|---|---|---|---|
| Remainder of 2021 | $ 4,171 | $ 87 | $ 237 | $ 4,495 |
| 2022 | 16,066 | 174 | 550 | 16,790 |
| 2023 | 7,895 | — | 468 | 8,363 |
| 2024 | 8,455 | 139 | 407 | 9,001 |
| 2025 and thereafter | 13,180 | 419 | 235 | 13,834 |
| | $ 49,767 | $ 819 | $ 1,897 | $ 52,483 |

## 15. Long-term royalty payable:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Balance, beginning of period | $ 16,042 | $ 18,258 |
| Accretion expense | 1,515 | 3,732 |
| Repayment | (7,451) | (5,948) |
| Balance, end of period | 10,106 | 16,042 |
| Current portion | (5,657) | (7,451) |
| Long-term portion | $ 4,449 | $ 8,591 |

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

In January 2017, the Company and Cartesian signed a Consent Agreement which allows the Company to sell certain assets in exchange for prepayment of the Cartesian royalty. Cartesian was 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.

As at September 30, 2021, the total royalty prepayments paid to Cartesian as a result of the Consent Agreement was $11,912.

The repayments including interest are as follows, for the twelve months ending September 30:

| | |
|---|---|
| 2022 | $ 5,657 |
| 2023 | 1,795 |
| 2024 | 1,639 |
| 2025 | 2,270 |
| 2026 | 2,851 |
| | $ 14,212 |

## 16. Warranty liability:

A continuity of the warranty liability is as follows:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Balance, beginning of period | $ 18,936 | $ 8,901 |
| Warranty claims | (3,774) | (6,906) |
| Warranty accruals | 3,220 | 16,191 |
| Change in estimate | (1) | (291) |
| Impact of foreign exchange | (1,023) | 1,041 |
| Balance, end of period | 17,358 | 18,936 |
| Less: current portion | (11,718) | (10,749) |
| Long-term portion | $ 5,640 | $ 8,187 |

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

On June 8, 2021, the Company completed a marketed public offering of common shares for gross proceeds to the Company of $115,115. The Company issued a total of 20,930,000 common shares at $5.50 per common share, including 2,730,000 common shares following the exercise in full by the underwriters of their over-allotment option. Total transaction costs of $7,194 were incurred and deducted from the gross proceeds for net proceeds of $107,921.

On November 9, 2020, the Company filed a prospectus supplement to establish an At-the-Market equity program ("ATM Program") which allowed the Company to issue up to $50,000 of common shares from treasury to the public from time to time, at the Company's discretion and subject to regulatory requirements. In the first quarter of 2021, the Company issued 1,819,712 common shares at weighted average share price of $7.26 per share for gross proceeds of $13,211, net of total transaction costs of $405, including commission of $264 resulting in net proceeds of $12,806. The ATM Program was completed as of March 20, 2021 and the Company raised a total of $27,586 gross proceeds through this ATM Program.

On January 21, 2021, Cartesian exercised its option to convert a principal amount of $2,500, plus accrued and unpaid interest on such principal amount, into 1,815,117 common shares at $1.42 per share.

On August 31, 2021, the Company exercised its option to convert the final principal amount of $2,500, plus accrued and unpaid interest on such principal amount owed to Cartesian, into 1,836,750 common shares at $1.42 per share.

During the three and nine months ended September 30, 2021, the Company issued 116,173 and 282,534 common shares, respectively, net of cancellations, upon exercises of share units (three and nine months ended September 30, 2020 – 283,074 and 623,497 common shares, respectively). 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 vest and the underlying shares are issued from treasury of the Company, the value is reclassified to share capital.

During the three and nine months ended September 30, 2021, the Company recognized $629 and $1,252, respectively (three and nine months ended September 30, 2020 - $852 and $2,093, respectively) of stock-based compensation associated with the Westport Omnibus Plan.

A continuity of the Units issued under the Westport Omnibus Plan as at September 30, 2021 and September 30, 2020 are as follows:

| | Nine months ended September 30, 2021 | | Nine months ended September 30, 2020 | |
|---|---|---|---|---|
| | Number of units | Weighted average grant date fair value (CDN $) | Number of units | Weighted average grant date fair value (CDN $) |
| Outstanding, beginning of period | 1,452,378 | $ 3.29 | 1,777,941 | $ 3.19 |
| Granted | 814,617 | 5.02 | 487,781 | 1.87 |
| Exercised | (282,534) | 3.79 | (623,497) | 2.08 |
| Forfeited/expired | (124,674) | 1.55 | (14,017) | 2.65 |
| Outstanding, end of period | 1,859,787 | $ 2.98 | 1,628,208 | $ 3.22 |
| Units outstanding and exercisable, end of period | — | $ — | 66,222 | $ 2.14 |

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

During the nine months to September 30, 2021, 814,617 share units were granted to certain employees and directors (2020 - 487,781). This included 814,617 restricted share units ("RSUs") (2020 - 466,881) and nil performance share units ("PSUs") (2020 - 20,900). 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, but are based on future performance and other conditions tied to the payout of the PSU.

As at September 30, 2021, $3,624 of compensation cost related to Units awarded has yet to be recognized in results from operations and will be recognized ratably over two years.

(b) Aggregate intrinsic values:

The aggregate intrinsic value of the Company's Units at September 30, 2021 as follows:

| | September 30, 2021 (CDN $) |
|---|---|
| Share units: | |
| Outstanding | $ 7,573 |
| Exercisable | — |

(c) 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, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of revenue | $ 26 | $ 32 | $ 49 | $ 90 |
| Research and development | 80 | 130 | 135 | 236 |
| General and administrative | 494 | 607 | 994 | 1,587 |
| Sales and marketing | 29 | 83 | 74 | 180 |
| | $ 629 | $ 852 | $ 1,252 | $ 2,093 |

**18. Related party transactions:**

The Company enters into related party transactions with the CWI joint venture. Refer to note 7 for the related party transactions with CWI.

**19. 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.

**19. Commitments and contingencies (continued):**

(b) Contingencies

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

**20. Segment information:**

The Company manages and reports the results of its business through four segments: OEM, Independent Aftermarket ("IAM"), 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 the 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 matters.

Financial information by business segment as follows:

| | Three months ended September 30, 2021 | | | |
|---|---|---|---|---|
| | Revenue | Operating income (loss) | Depreciation & amortization | Equity income (loss) |
| OEM | $ 48,033 | $ (7,385) | $ 2,431 | $ 267 |
| IAM | 26,310 | 633 | 802 | — |
| Corporate | — | (1,891) | 67 | 3,831 |
| CWI - 50% | 41,668 | 5,126 | 66 | — |
| Total segment | 116,011 | (3,517) | 3,366 | 4,098 |
| Less: CWI - 50% | (41,668) | (5,126) | (66) | — |
| Total Consolidated | $ 74,343 | $ (8,643) | $ 3,300 | $ 4,098 |

| | Three months ended September 30, 2020 | | | |
|---|---|---|---|---|
| | Revenue | Operating income (loss) | Depreciation & amortization | Equity income |
| OEM | $ 37,429 | $ (4,884) | $ 2,060 | $ (249) |
| IAM | 27,978 | 1,718 | 1,346 | — |
| Corporate | — | 50 | 54 | 4,874 |
| CWI - 50% | 42,204 | 6,254 | 30 | — |
| Total Segment | 107,611 | 3,138 | 3,490 | 4,625 |
| Less: CWI - 50% | (42,204) | (6,254) | (30) | — |
| Total Consolidated | $ 65,407 | $ (3,116) | $ 3,460 | $ 4,625 |

**20. Segment information (continued):**

| | Nine months ended September 30, 2021 | | | |
|---|---|---|---|---|
| | **Revenue** | **Operating income (loss)** | **Depreciation & amortization** | **Equity income (loss)** |
| OEM | $ 138,198 | $ (17,268) | $ 6,538 | $ 516 |
| IAM | 91,596 | 3,377 | 3,756 | — |
| Corporate | — | (6,595) | 182 | 18,222 |
| CWI - 50% | 127,895 | 22,598 | 123 | — |
| Total Segment | 357,689 | 2,112 | 10,599 | 18,738 |
| Less: CWI - 50% | (127,895) | (22,598) | (123) | — |
| Total Consolidated | $ 229,794 | $ (20,486) | $ 10,476 | $ 18,738 |

| | Nine months ended September 30, 2020 | | | |
|---|---|---|---|---|
| | **Revenue** | **Operating income (loss)** | **Depreciation & amortization** | **Equity income** |
| OEM | $ 90,780 | $ (18,251) | $ 6,054 | $ (277) |
| IAM | 77,814 | 5,292 | 3,991 | — |
| Corporate | — | (8,303) | 186 | 14,390 |
| CWI - 50% | 113,754 | 18,316 | 91 | — |
| Total Segment | 282,348 | (2,946) | 10,322 | 14,113 |
| Less: CWI - 50% | (113,754) | (18,316) | (91) | — |
| Total Consolidated | $ 168,594 | $ (21,262) | $ 10,231 | $ 14,113 |

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

| | % of revenue | | | |
|---|---|---|---|---|
| | Three months ended September 30, | | Nine months ended September 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Europe | 67 % | 73 % | 66 % | 70 % |
| Americas | 12 % | 13 % | 12 % | 13 % |
| Asia | 12 % | 7 % | 11 % | 9 % |
| Africa | 4 % | 3 % | 7 % | 3 % |
| Other | 5 % | 4 % | 4 % | 5 % |

As at September 30, 2021, total long-term investments of $1,972 (December 31, 2020 - $12,838) were allocated to the Corporate segment and $1,544 (December 31, 2020 - $1,116) were allocated to the OEM segment.

**20. Segment information (continued):**

Total assets are allocated as follows:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| OEM | $ 169,789 | $ 148,959 |
| IAM | 154,240 | 156,967 |
| Corporate | 132,855 | 40,337 |
| CWI - 50% | 60,517 | 61,461 |
| Total segment assets | 517,401 | 407,724 |
| Less: CWI - 50% | (60,517) | (61,461) |
| Total consolidated assets | $ 456,884 | $ 346,263 |

**21. Financial instruments:**

**Financial management risk**

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

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company has a history of losses and negative cash flows from operations. At September 30, 2021, the Company had $141,899 of cash and cash equivalents.

The following are the contractual maturities of financial obligations as at September 30, 2021:

| | Carrying amount | Contractual cash flows | < 1 year | 1-3 years | 4-5 years | >5 years |
|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 95,203 | $ 95,203 | $ 95,203 | $ — | $ — | $ — |
| Short-term debt (note 13) | 11,028 | 11,028 | 11,028 | — | — | — |
| Term loan facilities (note 14 (a)) | 49,767 | 51,905 | 17,960 | 16,393 | 15,622 | 1,930 |
| Other bank financing (note 14 (c)) | 819 | 827 | 90 | 178 | 140 | 419 |
| Long-term royalty payable (note 15) | 10,106 | 14,212 | 5,657 | 3,434 | 5,121 | — |
| Capital lease obligations (note 14 (d)) | 1,897 | 1,907 | 237 | 1,081 | 407 | 182 |
| Operating lease obligations (note 12) | 29,855 | 35,093 | 4,845 | 7,709 | 2,599 | 19,940 |
| | $ 198,675 | $ 210,175 | $ 135,020 | $ 28,795 | $ 23,889 | $ 22,471 |

(a) 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 short-term and long-term investments represent the Company's interests in CWI, WWI, Minda Westport Technologies Limited, and other investments. CWI is the most significant of the investments and is accounted for using the equity method. WWI and other investments are accounted for at fair value.

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

**21. Financial instruments (continued):**

The carrying values of the term loan facilities and other bank financing included in the long-term debt (note 14) do not materially differ from their fair value as at September 30, 2021, as the majority of the term loan facilities and other bank financing were raised or amended recently.

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 September 30, 2021, cash and cash equivalents are measured at fair value on a recurring basis and are included in Level 1.