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, 2022 and 2021

WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Balance Sheets (unaudited)

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

September 30, 2022 and December 31, 2021

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents (including restricted cash)	$ 86,501	$ 124,892
Accounts receivable (note 4)	90,882	101,508
Inventories (note 5)	82,854	83,128
Prepaid expenses	8,952	6,997
Assets held for sale	—	22,039
Total current assets	269,189	338,564
Long-term investments	4,441	3,824
Property, plant and equipment (note 7)	56,900	64,420
Operating lease right-of-use assets	22,123	28,830
Intangible assets (note 8)	7,531	9,286
Deferred income tax assets	9,136	11,653
Goodwill	2,707	3,121
Other long-term assets	20,940	11,615
Total assets	$ 392,967	$ 471,313
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 82,369	$ 99,238
Current portion of operating lease liabilities (note 10)	3,460	4,190
Short-term debt (note 11)	8,702	13,652
Current portion of long-term debt (note 12)	10,582	10,590
Current portion of long-term royalty payable (note 13)	1,320	5,200
Current portion of warranty liability (note 14)	8,960	13,577
Total current liabilities	115,393	146,447
Long-term operating lease liabilities (note 10)	18,432	24,362
Long-term debt (note 12)	32,850	45,125
Long-term royalty payable (note 13)	4,250	4,747
Warranty liability (note 14)	1,615	5,214
Deferred income tax liabilities	3,182	3,392
Other long-term liabilities	4,809	5,607
Total liabilities	180,531	234,894
Shareholders' equity:		
Share capital (note 15):		
Unlimited common and preferred shares, no par value		
171,296,279 (2021 - 170,799,325) common shares issued and outstanding	1,243,250	1,242,006
Other equity instruments	9,140	8,412
Additional paid in capital	11,516	11,516
Accumulated deficit	(1,007,817)	(992,021)
Accumulated other comprehensive loss	(43,653)	(33,494)
Total shareholders' equity	212,436	236,419
Total liabilities and shareholders' equity	$ 392,967	$ 471,313
Commitments and contingencies (note 17)		

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, 2022 and 2021

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	$ 71,182	$ 74,343	$ 227,690	$ 229,794
Cost of revenue and expenses:				
Cost of revenue	59,910	64,214	195,986	190,905
Research and development	6,473	6,207	17,661	20,419
General and administrative	8,649	9,058	26,853	27,581
Sales and marketing	3,351	3,176	10,914	9,828
Foreign exchange (gain) loss	2,648	(893)	5,985	(2,495)
Depreciation and amortization	1,074	1,224	3,342	4,188
Gain on sale of assets	—	—	—	(146)
	82,105	82,986	260,741	250,280
Loss from operations	(10,923)	(8,643)	(33,051)	(20,486)
Income from investments accounted for by the equity method	202	4,098	953	18,738
Gain on sale of investment (note 6)	—	—	19,119	—
Interest on long-term debt and accretion on royalty payable	(796)	(1,380)	(2,695)	(4,437)
Bargain purchase gain from acquisition	—	—	—	5,856
Interest and other income, net of bank charges	555	482	793	1,212
Income (loss) before income taxes	(10,962)	(5,443)	(14,881)	883
Income tax expense (recovery)	965	325	915	(7,438)
Net income (loss) for the period	(11,927)	(5,768)	(15,796)	8,321
Other comprehensive income (loss):				
Cumulative translation adjustment	(5,514)	(4,067)	(10,159)	(7,864)
Comprehensive income (loss)	$ (17,441)	$ (9,835)	$ (25,955)	$ 457
Income (loss) per share:				
Net income (loss) per share - basic and diluted	$ (0.07)	$ (0.03)	$ (0.09)	$ 0.05
Weighted average common shares outstanding:				
Basic	171,246,067	169,500,461	171,200,403	156,673,290
Diluted	171,246,067	169,500,461	171,200,403	158,533,077

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, 2022 and 2021

	Common Shares Outstanding	Share capital	Other equity instruments	Additional paid in capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholders' equity
	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 loss 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
	Three months ended September 30, 2022						
July 1, 2022	171,219,038	$ 1,243,143	$ 8,516	$ 11,516	$ (995,890)	$ (38,139)	$ 229,146
Issuance of common shares on exercise of share units	77,241	107	(107)	—	—	—	—
Stock-based compensation	—	—	731	—	—	—	731
Net loss for the period	—	—	—	—	(11,927)	—	(11,927)
Other comprehensive loss	—	—	—	—	—	(5,514)	(5,514)
September 30, 2022	171,296,279	$ 1,243,250	$ 9,140	$ 11,516	$ (1,007,817)	$ (43,653)	$ 212,436
	Nine months ended September 30, 2022						
January 1, 2022	170,799,325	$ 1,242,006	$ 8,412	$ 11,516	$ (992,021)	$ (33,494)	$ 236,419
Issuance of common shares on exercise of share units	496,954	1,244	(1,244)	—	—	—	—
Stock-based compensation	—	—	1,972	—	—	—	1,972
Net loss for the period	—	—	—	—	(15,796)	—	(15,796)
Other comprehensive loss	—	—	—	—	—	(10,159)	(10,159)
September 30, 2022	171,296,279	$ 1,243,250	$ 9,140	$ 11,516	$ (1,007,817)	$ (43,653)	$ 212,436

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, 2022 and 2021

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Cash flows from (used in) operating activities:				
Net income (loss) for the period	$ (11,927)	$ (5,768)	$ (15,796)	$ 8,321
Items not involving cash:				
Depreciation and amortization	2,900	3,309	9,040	10,485
Stock-based compensation expense	815	629	2,210	1,252
Unrealized foreign exchange (gain) loss	2,648	(893)	5,985	(2,495)
Deferred income tax	531	69	—	(9,606)
Income from investments accounted for by the equity method	(202)	(4,098)	(953)	(18,738)
Interest on long-term debt and accretion on royalty payable	796	1,380	2,695	4,437
Change in inventory write-downs to net realizable value	476	87	1,025	409
Bargain purchase gain from acquisition	—	—	—	(5,856)
Change in bad debt expense	219	178	278	152
Gain on sale of assets	—	—	—	(146)
Gain on sale of investment	—	—	(19,119)	—
Net cash used before working capital changes	(3,744)	(5,107)	(14,635)	(11,785)
Changes in non-cash operating working capital:				
Accounts receivable	3,342	7,574	5,813	2,532
Inventories	(387)	(11,851)	(12,270)	(23,794)
Prepaid expenses	(2,555)	(1,717)	(3,743)	4,639
Accounts payable and accrued liabilities	(3,055)	(2,154)	(10,489)	4,134
Warranty liability	(2,192)	(1,136)	(6,671)	(1,423)
Net changes in non-cash operating working capital	(4,847)	(9,284)	(27,360)	(13,912)
Net cash used in operating activities	(8,591)	(14,391)	(41,995)	(25,697)
Cash flows from (used in) investing activities:				
Purchase of property, plant and equipment and other assets	(2,467)	(5,084)	(8,450)	(7,946)
Sale of investments, net	—	—	—	600
Purchase of intangible assets	(78)	—	(374)	—
Acquisition, net of acquired cash	—	—	—	(5,948)
Proceeds on sale of investments and assets	—	—	31,949	—
Dividends received from joint ventures	—	7,229	—	21,502
Net cash from (used in) investing activities	(2,545)	2,145	23,125	8,208
Cash flows from (used in) financing activities:				
Repayments of short and long-term facilities	(13,353)	(17,191)	(49,952)	(56,606)
Drawings on operating lines of credit and long-term facilities	9,707	13,987	35,099	39,985
Payment of royalty payable	—	—	(5,200)	(7,451)
Proceeds from share issuance, net	—	—	—	120,727
Net cash from (used in) financing activities	(3,646)	(3,204)	(20,053)	96,655
Effect of foreign exchange on cash and cash equivalents	3,109	(3,362)	532	(1,529)
Increase (decrease) in cash and cash equivalents	(11,673)	(18,812)	(38,391)	77,637
Cash and cash equivalents, beginning of period (including restricted cash)	98,174	160,711	124,892	64,262
Cash and cash equivalents, end of period (including restricted cash)	$ 86,501	$ 141,899	$ 86,501	$ 141,899

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, 2022 and 2021

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Supplementary information:				
Interest paid	$ 578	$ 625	$ 2,212	$ 2,987
Taxes paid, net of refunds	406	1,880	1,245	2,554

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. Westport Fuel Systems is a global company focused on engineering, manufacturing, and supplying alternative fuel systems and components for transportation applications. The Company's 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 which 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 liquid petroleum gas ("LPG"), compressed natural gas ("CNG"), liquified natural gas ("LNG"), renewable natural gas ("RNG") or biomethane, and hydrogen. The Company supplies its products in more than 70 countries through a network of distributors, service providers for the aftermarket and directly to original equipment manufacturers ("OEMs") and Tier 1 and Tier 2 OEM suppliers. The Company's products and services are available for passenger car and light-, medium- and heavy-duty truck and off-road applications.

2. Liquidity, global supply chain challenges and inflationary environment:

The Company is closely monitoring and making efforts to mitigate the impact on the business from global supply chain shortages of semiconductors, raw materials and other parts. Besides shortages, the Company is incurring inflationary pressure on production input costs from sourcing semiconductors, raw materials, and parts, and higher energy costs in operating the Company's factories that are impacting margins. Like other automotive manufacturers or suppliers, the Company sources components globally and has been impacted along with its customers by global supply chain disruptions and inflation.

The Company believes that it has considered all possible impacts of known events arising from inflation and supply chain disruptions 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 going concern assessment, and other critical accounting assessments.

The Company continues to sustain operating losses and negative cash flows from operating activities. As at September 30, 2022, the Company has cash and cash equivalents of $86,501 and used cash in operating activities for the three months ended September 30, 2022 of $8,591 primarily driven by the operating losses of $10,923 and the net changes in working capital. The ability to continue as a going concern beyond November 2023 will depend on the Company's ability to generate sufficient positive cash flows from all its operations, specifically through profitable, sustainable growth, and on the Company's ability to finance its long-term strategic objectives and operations.

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, 2021, 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, 2021.

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, 2022 and for all periods presented, have been recorded. The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results for the Company's full year.

3. Basis of preparation (continued):

(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, 2022	December 31, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Canadian Dollar	1.37	1.27	1.31	1.26	1.28	1.25
Euro	1.02	0.88	0.99	0.85	0.94	0.84
RMB	7.13	6.35	6.85	6.47	6.60	6.47
Polish Zloty	4.95	4.04	4.71	3.88	4.38	3.84
Swedish Krona	11.22	9.05	10.55	8.65	9.88	8.48
Indian Rupee	81.64	74.45	79.79	74.08	77.35	73.59
Argentina Peso	146.83	102.54	135.30	97.26	118.67	105.35

4. Accounts receivable:

	September 30, 2022	December 31, 2021
Customer trade receivables	$ 75,223	$ 90,324
Other receivables	16,511	14,504
Income tax receivable	797	872
Due from related parties (note 16)	2,598	1,651
Allowance for expected credit losses	(4,247)	(5,843)
	$ 90,882	$ 101,508

5. Inventories:

	September 30, 2022	December 31, 2021
Purchased parts	$ 58,536	$ 62,896
Work-in-process	3,228	3,681
Finished goods	21,090	16,551
	$ 82,854	$ 83,128

During the three and nine months ended September 30, 2022, the Company recorded write-downs to net realizable value of approximately $476 and $1,025, respectively (three and nine months ended September 30, 2021 - $87 and $409, respectively).

6. Sale of investment: :

	September 30, 2022	December 31, 2021
Cummins Westport Inc.	$ —	$ 22,039

On February 7, 2022, the Company sold 100% of its shares in Cummins Westport Inc. ("CWI") to Cummins Inc. ("Cummins") for proceeds of $22,200, with Cummins continuing to operate the business as the sole owner. As part of the agreement, Cummins agreed to purchase the Company's interest in the intellectual property with proceeds to the Company of $20,000. The Company received proceeds of $31,445, net of a $10,800 holdback, after the closing date. 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.

	September 30, 2022
Proceeds from sale of investment	$ 31,445
Holdback receivable[1]	9,713
Carrying value of investment	(22,039)
Gain on sale of investment	$ 19,119

[1]Holdback receivable is included in Other long-term assets in the condensed consolidated interim balance sheet.

7. Property, plant and equipment:

September 30, 2022	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 7,819	$ 1,959	$ 5,860
Computer equipment and software	8,748	6,578	2,170
Furniture and fixtures	6,597	5,596	1,001
Machinery and equipment	109,139	64,205	44,934
Leasehold improvements	13,014	10,079	2,935
	$ 145,317	$ 88,417	$ 56,900

7. Property, plant and equipment (continued):

December 31, 2021	Cost	Accumulated depreciation	Net book value
Land and buildings	$ 8,843	$ 1,883	$ 6,960
Computer equipment and software	7,965	6,054	1,911
Furniture and fixtures	6,223	5,149	1,074
Machinery and equipment	113,479	62,320	51,159
Leasehold improvements	13,502	10,186	3,316
	$ 150,012	$ 85,592	$ 64,420

8. Intangible assets:

September 30, 2022	Cost	Accumulated amortization	Net book value
Brands, patents and trademarks	$ 18,259	$ 10,936	$ 7,323
Technology	3,614	3,406	208
Customer contracts	$ 10,282	$ 10,282	$ —
	$ 32,155	$ 24,624	$ 7,531

December 31, 2021	Cost	Accumulated amortization	Net book value
Brands, patents and trademarks	$ 20,748	$ 11,823	$ 8,925
Technology	4,202	3,894	308
Customer contracts	$ 11,954	$ 11,901	$ 53
	$ 36,904	$ 27,618	$ 9,286

9. Accounts payable and accrued liabilities:

	September 30, 2022	December 31, 2021
Trade accounts payable	$ 59,423	$ 73,388
Accrued payroll	15,140	16,591
Taxes payable	4,071	4,621
Deferred revenue	3,735	3,503
Other payables	—	1,135
	$ 82,369	$ 99,238

10. 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 2023 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 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.

10. Operating leases right-of-use assets and lease liabilities (continued):

The components of lease cost are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Operating lease cost:				
Amortization of right-of-use assets	$ 833	$ 850	$ 2,705	$ 2,491
Interest	170	197	556	621
Total lease cost	$ 1,003	$ 1,047	$ 3,261	$ 3,112

The maturities of lease liabilities as at September 30, 2022 are as follows:

The remainder of 2022	$ 1,139
2023	3,095
2024	2,514
2025	2,152
2026	2,082
Thereafter	14,576
Total undiscounted cash flows	25,558
Less: imputed interest	(3,666)
Present value of operating lease liabilities	21,892
Less: current portion	(3,460)
Long term operating lease	$ 18,432

11. Short-term debt:

	September 30, 2022	December 31, 2021
Revolving financing facilities	$ 8,702	$ 13,652

(a) The Company has a revolving financing facility with HSBC, which 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. On December 22, 2021, the Company and HSBC amended the interest rates for the revolving financing facility's advances denominated in U.S. Dollars and Euros to the secured overnight financing rate plus 2.66% per annum and the Euro short-term rate plus 2.5%, respectively. As at September 30, 2022, the amount outstanding for this loan was $7,714 (December 31, 2021 - $12,965).

The Company has a revolving financing facility with Santander. The maximum draw amount is $1,010 (zł5,000 Polish Zloty). The interest rates for the revolving financing facility's advances denominated in Polish Zloty and Euros are the Warsaw interbank offered rate plus 1.3% per annum and the Euro interbank offered rate plus 1.3%, respectively. As at September 30, 2022, the amount outstanding for this loan was nil (December 31, 2021 - $687).

The Company has a revolving financing facility with ING. The maximum draw amount is $1,212 (zł6,000 Polish Zloty). The interest rate for the revolving financing facility's advance denominated in Polish Zloty is the Warsaw interbank offered rate plus 1.2% per annum. As at September 30, 2022, the amount outstanding for this loan was $988 (December 31, 2021 - nil).

12. Long-term debt:

	September 30, 2022	December 31, 2021
Term loan facilities, net of debt issuance costs (a)	$ 41,849	$ 53,516
Other bank financing (b)	469	544
Capital lease obligations (c)	1,114	1,655
Balance, end of period	43,432	55,715
Current portion	(10,582)	(10,590)
Long-term portion	$ 32,850	$ 45,125

(a) On December 13, 2021, the credit facility and non-revolving term facility with Export Development Canada ("EDC") were refinanced into one $20,000 term loan. The refinanced term loan provides an extension of the maturity of the indebtedness to EDC to September 15, 2026 and reduced the interest rate to U.S. Prime Rate plus 2.01% per annum, both principal and interest repayments are quarterly. The Company incurred costs of $300 related to this amendment, which are being amortized over the remainder of the loan term from the debt modification date using the effective interest rate method. As at September 30, 2022, the amount outstanding for this loan was $15,672, net of transaction costs, compared to $18,583, net of transaction costs, as at December 31, 2021. 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 two Euro denominated loan agreements with UniCredit S.p.A. (“UniCredit”). 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 was removed after the amendment. As at September 30, 2022, the amount outstanding for this loan was $7,338 compared to $8,470 as at December 31, 2021.

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, 2022, the amount outstanding for this loan was $2,710 compared to $4,000 as at December 31, 2021. 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, 2022, the amount outstanding for this loan was $11,015 compared to $15,335 as at December 31, 2021. 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, 2022, the amount outstanding for this loan was $5,114 compared to $7,128 as at December 31, 2021. There is no security on the loan as it was made as part of the Italian government’s COVID-19 Decreto Liquidità.

(b) Other bank financing consists of an unsecured bank financing arrangements with interest rate of 0.55% and matures in 2027.

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

Throughout the term of certain of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of September 30, 2022, the Company is in compliance with all covenants under the financing arrangements.

12. Long-term debt (continued):

The principal repayment schedule of long-term debt is as follows as at September 30, 2022:

	Term loan facilities	Other bank financing	Capital lease obligations	Total
Remainder of 2022	$ 2,227	$ —	$ 105	$ 2,332
2023	10,584	—	417	11,001
2024	11,077	117	378	11,572
2025	10,549	117	186	10,852
2026 and thereafter	7,412	235	28	7,675
	$ 41,849	$ 469	$ 1,114	$ 43,432

13. Long-term royalty payable:

	September 30, 2022	December 31, 2021
Balance, beginning of period	$ 9,947	$ 16,042
Accretion expense	823	1,356
Repayment	(5,200)	(7,451)
Balance, end of period	5,570	9,947
Current portion	(1,320)	(5,200)
Long-term portion	$ 4,250	$ 4,747

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. Pursuant to the sale of CWI, amounts due to Cartesian are solely secured by an interest in the Company's HPDI 2.0 fuel systems intellectual property.

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, 2022, 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 ended September 30:

2023	1,320
2024	1,848
2025	2,270
2026	2,851
	$ 8,289

14. Warranty liability:

A continuity of the warranty liability is as follows:

	September 30, 2022	December 31, 2021
Balance, beginning of period	$ 18,791	$ 18,936
Warranty claims and expenditures	(8,893)	(5,322)
Warranty accruals	3,058	7,025
Change in estimate	(3)	(337)
Impact of foreign exchange	(2,378)	(1,511)
Balance, end of period	10,575	18,791
Less: current portion	(8,960)	(13,577)
Long-term portion	$ 1,615	$ 5,214

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

During the three and nine months ended September 30, 2022, the Company issued 77,241 and 496,954 common shares, respectively, net of cancellations, upon exercises of share units (three and nine months ended September 30, 2021 – 116,173 and 282,534 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, 2022, the Company recognized $807 and $2,202, respectively (three and nine months ended September 30, 2021 - $629 and $1,252, 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, 2022 and September 30, 2021 are as follows:

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Number of units	Weighted average grant date fair value (CDN $)	Number of units	Weighted average grant date fair value (CDN $)
Outstanding, beginning of period	1,866,433	$ 2.98	1,452,378	$ 3.29
Granted	2,541,098	1.83	814,617	5.02
Exercised	(496,954)	3.18	(282,534)	3.79
Forfeited/expired	(42,160)	2.84	(124,674)	1.55
Outstanding, end of period	3,868,417	$ 2.21	1,859,787	$ 2.98
Units outstanding and exercisable, end of period	1,117	$ 6.50	—	$ —

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

During the nine months ended September 30, 2022, 2,541,098 share units were granted to certain employees and directors (2021 - 814,617). This included 1,319,700 restricted share units ("RSUs") (2021 - 814,617) and 1,221,398 performance share units ("PSUs") (2021 - nil). Values of RSU awards are generally determined based on the fair market value of the underlying common shares on the date of grant. RSUs typically vest over a three-year period so the actual value received by the individual depends on the share price on the day such RSUs are settled for common shares, not the date of grant. PSU awards do not have a certain number of common shares that will issue over time, but are based on future performance and other conditions tied to the payout of the PSU.

As at September 30, 2022, $4,688 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 share units at September 30, 2022 as follows:

	September 30, 2022 (CDN $)
Share units:	
Outstanding	$ 4,679
Exercisable	7

(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,	
	2022	2021	2022	2021
Cost of revenue	$ 63	$ 26	$ 160	$ 49
Research and development	110	80	291	135
General and administrative	558	494	1,558	994
Sales and marketing	76	29	193	74
	$ 807	$ 629	$ 2,202	$ 1,252

16. Related party transactions:

The Company enters into related party transactions with Minda Westport Technologies Limited and recognized $2,588 of accounts receivable as at September 30, 2022 (December 31, 2021 - $1,593). During the three and nine months ended September 30, 2022, the Company sold inventory to Minda Westport Technologies Limited for $310 and $2,891, respectively (three and nine months ended September 30, 2021 - nil and nil, respectively).

17. Commitments and contingencies:

(a) Contractual commitments

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

(b) Contingencies

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.

18. Segment information:

The Company manages and reports the results of its business through three segments: OEM, Independent Aftermarket ("IAM"), and Corporate. This reflects the manner in which operating decisions and assessing business performance is currently managed by the Chief Operating Decision Maker ("CODM").

As discussed in note 6 of these interim financial statements, the Company's 50% share in the CWI joint venture was sold on February 7, 2022. The Company recorded the gain on sale of investment during the three months ended March 31, 2022 and no longer considered it as an operating segment, however the income from the investment in the CWI joint venture remained as the Corporate equity income in 2021. The comparative segment information below was adjusted.

Financial information by business segment as follows:

	Three months ended September 30, 2022			
	Revenue	Operating income (loss)	Depreciation & amortization	Equity income
OEM	$ 44,142	$ (7,265)	$ 2,073	$ 202
IAM	27,040	2,145	713	—
Corporate	—	(5,803)	114	—
Total Consolidated	$ 71,182	$ (10,923)	$ 2,900	$ 202

	Three months ended September 30, 2021			
	Revenue	Operating income (loss)	Depreciation & amortization	Equity income
OEM	$ 48,033	$ (7,385)	$ 2,431	$ 267
IAM	26,310	633	802	—
Corporate	—	(1,891)	67	3,831
Total Consolidated	$ 74,343	$ (8,643)	$ 3,300	$ 4,098

18. Segment information (continued):

	Nine months ended September 30, 2022			
	Revenue	**Operating income (loss)**	**Depreciation & amortization**	**Equity income**
OEM	$ 150,243	$ (19,179)	$ 6,367	$ 953
IAM	77,447	1,778	2,371	—
Corporate	—	(15,650)	302	—
Total Consolidated	$ 227,690	$ (33,051)	$ 9,040	$ 953

	Nine months ended September 30, 2021			
	Revenue	**Operating income (loss)**	**Depreciation & amortization**	**Equity income**
OEM	$ 138,198	$ (17,268)	$ 6,538	$ 516
IAM	91,596	3,377	3,756	—
Corporate	—	(6,595)	182	18,222
Total Consolidated	$ 229,794	$ (20,486)	$ 10,476	$ 18,738

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 total revenue			
	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Europe	61 %	67 %	65 %	66 %
Asia	15 %	12 %	15 %	11 %
Americas	15 %	12 %	12 %	12 %
Africa	5 %	4 %	4 %	7 %
Other	4 %	5 %	4 %	4 %

Total assets are allocated as follows:

	September 30, 2022	December 31, 2021
OEM	$ 218,341	$ 193,928
IAM	131,273	148,745
Corporate	43,353	128,640
Total consolidated assets	$ 392,967	$ 471,313

19. Financial instruments:

(a) Financial management risk

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company has a history of operating losses and negative cash flows from operations. At September 30, 2022, the Company had $86,501 of cash and cash equivalents.

The following are the contractual maturities of financial obligations as at September 30, 2022:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years	>5 years
Accounts payable and accrued liabilities	$ 82,369	$ 82,369	$ 82,369	$ —	$ —	$ —
Short-term debt (note 11)	8,702	8,702	8,702	—	—	—
Term loan facilities (note 12 (a))	41,849	48,169	12,765	24,676	10,728	—
Other bank financing (note 12 (b))	469	475	—	240	235	—
Long-term royalty payable (note 13)	5,570	8,289	1,320	4,118	2,851	—
Capital lease obligations (note 12 (c))	1,114	1,138	442	622	74	—
Operating lease obligations (note 10)	21,892	25,542	3,460	4,901	2,620	14,561
	$ 161,965	$ 174,684	$ 109,058	$ 34,557	$ 16,508	$ 14,561

(c) Fair value of financial instruments:

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

The long-term investments represent the Company's interests in Minda Westport Technologies Limited, Weichai Westport Inc. ("WWI") and other investments. Minda Westport Technologies Limited 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.

The carrying values of the term loan facilities, and other bank financing included in the long-term debt (note 12) do not materially differ from their fair value as at September 30, 2022.

19. Financial Instruments (continued):

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, 2022, cash and cash equivalents are measured at fair value on a recurring basis and are included in Level 1.