

DARREN SEED SPEAKING**VICE PRESIDENT, INVESTOR RELATIONS AND
COMMUNICATIONS, WESTPORT**

Thank you and good afternoon.

Welcome to our Second Quarter Conference Call for fiscal 2013. It's being held to coincide with the disclosure of our financial results earlier this afternoon. For those who haven't seen the release and financial statements yet, they can be found on Westport's website at www.westport.com.

Speaking on behalf of the Company will be Westport's Chief Executive Officer, David Demers, and Westport's Chief Financial Officer, Bill Larkin. Attendance at this call is open to the public and to media, but for the sake of brevity, we're restricting questions to analysts.

You are reminded that certain statements made in this conference call and our responses to various questions may constitute forward-looking statements within the meaning of U.S. and applicable Canadian securities law and such forward-looking statements are made based on our current expectations and involve certain risks and uncertainties. Actual results may differ materially from those projected in the forward-looking statements. Information contained in this conference call is subject to and qualified in its entirety by information contained in the Company's public filings, and except as required by applicable securities laws, we do not have any intention or obligation to update forward-looking information after this conference call. You are cautioned not to place undue reliance on any forward-looking statements.

Now, I will turn the call over to David Demers,

DAVID DEMERS SPEAKING**CHIEF EXECUTIVE OFFICER, WESTPORT**

Thanks, Darren, and good afternoon, everyone.

As I said on our last call, 2013's a transition year for us, as we see the rapid development of markets for natural gas in transportation. We're rapidly moving from our proof of concept and market creation phase of the last few years to full commercial operations with a broad product portfolio. As the numbers show, we're seeing great progress in two key initiatives, LNG trucks and the China market generally.

So trucking first. Launch of Cummins Westport's new ISX 12

G is off to a good start this quarter, and with the higher ratings that are available this month, we expect very strong growth in CWI with this new product over the next year. I think we have the right product at the right time to see a breakthrough that will establish LNG as a major fuel for trucks around the world.

We're still at the beginning in this market. We estimate we're at about 1% market penetration this year in LNG trucks. We'll see a lot of new products entering the market over the few years. Later this year, we'll launch our Westport iCE PACK LNG tank system and, of course, the fully-integrated next generation HPDI trucks will be coming from Volvo next year.

Most analysts are calling for 5% to 20% market penetration in North America within five years, assuming that infrastructure investment keeps up, but basic arithmetic tells us that even the low end of those numbers would yield great value for our shareholders. So, we're pleased to say that the start is behind us and we're confident in the growth trajectory over the next few years. We intend to continue to lead this industry with new technology and new products in partnership with the leading truck OEMs.

And China also continues on its spectacular growth, with over 144% growth year-over-year so far in 2013, with our joint venture.

Our two other major market initiatives are, first, the light duty space, particularly commercial fleet vehicles and off-road, and in particular, the rail opportunity. Our Westport WiNG products have established market-leading positions for performance, quality and value in that light duty space. With the merger with BAF and their product line in June, we've got a significant position in this marketplace and an attractive business model as we look at what we think is significant global growth opportunity emerging over the next few years. Ford's announcement of the availability of CNG-ready engines for the F-150 is just another example of how this is going mainstream, and we believe we're positioned to deliver great products in this market. As we announced this afternoon, we expect to begin shipping of the Westport WiNG F-150s in Q1 of 2014.

In Sweden, uncertainty with the availability of government incentives slowed sales of our Volvo car business substantially in the first half of this year, but the recent announcement by the Swedish government that NGV credits would continue for three years has revived sales. The new V60 product has been very well received, and in the short term, this may mean some customers

will wait for the new model, but I think the medium- and long-term opportunity remains very promising.

Now our work with Ford and Volvo is under a long-term complete product business model, where we sell an entire system, but we're also increasingly active in the light duty space with our applied technology business, where we supply components all the way and up to completely integrated systems to OEMs. The WP580 product announcement with GAZ this quarter -- the system's also in development for Tata -- marks a new generation of price and performance of systems that are aimed at the light duty market. But in the not-too-distant future, we expect a technology leap as gasoline direct injection engines become predominant around the world. We believe this offers an exciting new opportunity for natural gas, and we're working to launch next generation technology systems with key customers.

The third area I wanted to highlight is use of LNG in the rail industry. Interest continues to build in North America and around the world in this sector. We launched the LNG fuel tender product this quarter. First units will be going to CN Rail later this year. As you know, we've been working with Caterpillar to develop locomotives and mining applications that use our HPDI technology for high performance and fuel economy that matches diesel. These programs are going well and we're seeing high commitment to building an LNG fuel distribution system that will be dedicated to these applications and, in particular, the rail industry.

Now, each of our joint ventures is positioned for great growth this year and expecting more success into 2014 with products like the ISX12 G. We're in a position to capture our share of this emerging opportunity by leveraging our first mover advantage and our technologies and our asset light business model. Our balance sheet has enabled us to continually invest in new products and innovative technologies that we believe will fundamentally change the transportation sector, and as we launch new products and we shift our operations to support the newly emerging commercial businesses, we expect the financial strength of our business model will also become apparent. Look for operating profitability in our business units next year and continued profitable growth in 2015.

So I'll turn this over to Bill to go through some of the details.

BILL LARKIN SPEAKING

CHIEF FINANCIAL OFFICER, WESTPORT

Thank you, David, and good afternoon, everyone.

This year is a transition year for Westport, as David has mentioned, but we continue to reiterate our expectations that our consolidated operating business units will all be generating positive cash flows by the end of 2014. Today, our Applied Technologies business is generating positive cash flows and we plan to launch new products that generate cash flows in each of our businesses.

Just to remind everyone about our asset light business model, we do not expect to make significant investments in facilities or equipment to support products to be launched over the next few years. Also, we expect our SG&A expense as a percentage of revenues to decrease over time as we grow our businesses and top line. We expect the operating business units, plus contributions from our joint venture interests, to generate sufficient cash flow to cover our corporate and technology investments by the end of 2015. We do have a few paths that can accelerate this timeline by either managing the level of investments in new products and technology or increasing our revenues and contribution margin if we see acceleration of the adoption of natural gas as a transportation fuel.

We are seeing a change in product mix with the launch of the Cummins Westport ISX12 G in trucking, for which we recognize the income stream only. We are negotiating supply agreements for Westport HPDI products in the China markets. There continues to be economic uncertainty in some of our key markets and the launch of the Volvo V60 resulting in some customers deferring orders until the new model is delivered. As a result, we are changing Westport's revenue outlook for 2013, and this is excluding our joint ventures revenues, to \$160 million to \$180 million from the previous range of \$180 million to \$200 million.

Now moving on to our financial results for the quarter, so for the quarter ended June 30th, 2013, our current quarter, we recorded consolidated revenue, excluding our joint ventures revenue, of \$34.9 million, compared to \$49.1 million in the prior year period. Our prior year period revenue included \$14.1 million of service and other revenue, including one-time license revenue of \$8 million. This is compared to \$1.3 million this quarter. As you may have noticed in our press release and regulatory filings, we will no longer disclose unit breakdowns for our On-Road business due to competitive reasons.

Our consolidated gross margin and gross margin percentage for the current quarter was \$8.3 million and 23.8%, compared \$23.1 million and 47%, respectively, in the prior year period. Prior year's gross margin was

positively impacted from the \$14.1 million service and other revenue earned at 100% gross margin.

Research and development expenses were \$23.9 million for the current quarter, an increase of \$5.8 million from \$18.1 million in the same period last year. The increase is primarily due to our investments in new proprietary technologies and long-term product development, in addition to our development agreements with global OEMs.

Selling, general and administrative expenses increased by \$4.9 million to \$20.9 million for the current quarter, compared with \$16 million in the prior year period.

For the current quarter, net loss was \$33.9 million, or \$0.61 loss per share, compared with a net loss of \$6.1 million, or \$0.11 loss per share, in the prior year period. The increase in net loss is primarily due to a reduction in service and other revenue, increased net investments in product development activities and higher operating costs to support facilities expansion and resources globally, along with our OEM development efforts.

As of June 30th, 2013, our cash, cash equivalents and short-term investments balance was \$135.3 million, compared to \$173.9 million at the end of March.

To wrap up here, as new product launch and as critical mass begins to develop across our markets, we expect revenue to become less volatile. We are reiterating our outlook for breakeven on an EBITDA basis for our business units by the end of 2014, and for Westport overall by 2015.

I will now pass the call back to the operator to open the call for questions. Operator?

OPERATOR

Thank you. We will now begin the question and answer session. Analysts who wish to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Again, analysts who have a question may press star and one at this time.

The first question is from Lawrence Alexander of Jeffries. Please go ahead.

Laurence Alexander - Jeffries & COMPANY

Good afternoon.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Hi, Laurence.

BILL LARKIN - WESTPORT INNOVATIONS, CFO

Hi, Laurence.

LAURENCE ALEXANDER - JEFFRIES &
COMPANY

I guess, the first question, can you discuss a little bit the, sort of, you know, the pushback that you're seeing in order patterns? What gives -- you know, I guess, how are you seeing -- like, what's going to be the impact on the Volvo volumes into next year? Are you going to get a bulge that would distort the first half or next year, or is that getting pushed back?

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

You're talking Volvo cars?

LAURENCE ALEXANDER - JEFFRIES &
COMPANY

Yes.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Yes, it's one of these things where we really think there's strong market opportunity for each of these products but there's some -- you know, there's always some short-term issues or challenges. In this case, there was a lot of people waiting for that announcement of subsidies coming back, that was expected, but, you know, as we've talked before, people have this expectation that if it's coming, they're not going to look stupid by buying a product when they're about to get credit, so you immediately see that pause while people are waiting. Then we announced the V60; a lot of people very excited about the V60 and they want to wait for that. So it's anyone's guess what the actual order patterns are.

We need to get the volume up to the point where some of this stuff averages out. We want to get the product into more markets than just Sweden, that's obviously going to have a big impact on smoothing the curve, but at this point, it's so early that any small change in market sentiment is going to distort the number from quarter to quarter.

So long term, we think the product is going to grow in volume substantially, and long term, we think the quarter-to-quarter lumpiness is going to smooth out, but in the short term, yes, you're going to see some ups and downs quarter-to-quarter.

That's partly why we're not disclosing units by product this quarter. I may as well flash that one out because I know it's going to cause some consternation, but again, part of this is because we think it's quite meaningless and, at the same time, it's giving pretty valuable competitive data out to specific markets. So what we want to do is to try and aggregate some of these numbers to give people a little better indication on how to think about the future in a specific market, and that's going to be based on the aggregate of a few products in a few markets so that we can average of the short-term stuff out.

Does that make sense, Laurence?

LAURENCE ALEXANDER - JEFFRIES & COMPANY

Yes. Then, secondly, on the cash burn, can you give a little bit more color on how you're thinking about that, given the lumpiness in the business, and if there's any risk for the 2015 target slipping and how Nancy might change that?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

I think the -- you know, I'll weigh in and Bill's itching to jump in too, and I hope it's clear that cash burn's down sequentially. We expect cash burn to continue to decline for a bunch of reasons, partly, as Bill says, we are expecting more cash contribution from sales. What a great concept. But, secondly, we've got levers to pull on how much of our cash we are investing on our own. We know a lot of our projects -- you know, the quantum of products that we're working on is rising, there's lots of new projects, but a lot of these are being supported or fully funded by our partners, so our cash burn from investments is also going to shrink as a percentage of new product development.

So we're pretty confident that we're on track to do this. I wouldn't say that we're going to have a completely smooth curve down to that cash flow breakeven, but we're comfortable that the cash burn is dropping and that that's going to come for good reasons. That's more sales and more contribution to our expense line.

Bill, do you want to elaborate?

BILL LARKIN - WESTPORT INNOVATIONS, CFO

No, I think, you know, if we look at where -- you know, we're confident or comfortable with, you know, what we're communicating is. We do see kind of the timeline that we're going to be launching these products. As you've mentioned, we've got Volvo coming out next year, which we have very high expectations, plus several other new product launches in which, you know, I think we have some visibility on what we think that revenue stream's going to be and the profit stream that's going to come from that.

And as I mentioned, we're not going to have to make significant investments in our facilities to produce and sell these products, so we're going to be able to leverage our existing footprint while we continue to expand the top line, which will drive all those earnings and margins down to the bottom line and help drive our cash flow to breakeven for all of our businesses.

LAURENCE ALEXANDER - JEFFRIES & COMPANY

Thank you.

OPERATOR

The next question is from Rob Brown of Lake Street Capital. Please go ahead.

ROB BROWN - LAKE STREET CAPITAL MARKETS

Good afternoon.

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Hi, Rob.

ROB BROWN - LAKE STREET CAPITAL MARKETS

You mentioned, a couple of reasons for the push out to revenue, one of which was the HPDI in China. I wanted to get a sense of sort of what's going on there. Is that just timing of shipments, or do you feel that there's been a delay in negotiations there?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

I think the -- I mean, obviously, we're not going to comment on negotiations or pricing or what's going on. I think it's a case we've always said there'd be a handful of products going out in 2013 for early testing. We don't think that's going to happen in 2013 in any meaningful

way. We are still -- we still have units in the field for testing, but we're not going to see incremental revenue. So I don't think there's any change in the market sentiment. There's no change in the product plan. I think it's just a case of timing for when we're actually going to launch and see revenue recognition in that market. So, nothing to report other than that.

ROB BROWN - LAKE STREET CAPITAL MARKETS

Okay, but based on ...

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

You know, we can get Bill to weigh in because he's on that joint venture Board.

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

I think the point is, if you look at what's going on in China, which is, you know, very evident in the sales numbers and the growth numbers, the demand for high performance trucks is very obvious, and so this is going to be a very interesting market. Investment in infrastructure is well ahead of the investment rate, even what we've seen in North America, and that's been going great. So I think the real challenge is getting the right long-term deals with everyone so that the distribution and support networks are ready for a major launch of an important product.

ROB BROWN - LAKE STREET CAPITAL MARKETS

Okay, but no end market demand issue there at all?

BILL LARKIN - WESTPORT INNOVATIONS, CFO

No, quite the contrary, we've seen a lot of enthusiasm for it.

ROB BROWN - LAKE STREET CAPITAL MARKETS

Okay, great, and then second question on the -- you talked about the 12-liter launching, you had a very strong launch and they may have pulled in some 15-liter -- or disrupted a little 15-liter shipments, but what's sort of the long-term demand profile you see for the 15-liter? Should that, you know, sort of stabilize once the 12-liter's in the market, or should that continue to sort of be cannibalized by the 12-liter?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Well, you know, I'll just reiterate what we've been saying for some time. We really see the class 8 truck market is going to need a wide range of products, different trucks, different engines, to fit all the different segments that are there in the market today, so there's no one size fits all product that anybody is going to see. We have been asked, you know, are we going to see cannibalization of the 9-liter sales in CWI now that the 12-liter's out? Because, as you know, we've been pushing 9-liters into the bottom end of the class 8 market.

I think, you know, what we're seeing, in fact, is that that segment's going to continue and continue to grow, and the 12-liter product is finding its own niche that really wasn't being properly served up until now. People were either buying 9-liters or 15s, which weren't right. So the 12-liter market is substantial and I think it's going to do very well because it's available in a wide range of trucks at a good price, good service, so that segment's going to do really well.

The heavy haul, long-haul market is still there above the 12-liter segment, so we might launch, you know, the 400-horsepower with the higher torque readings this month, but there's still a segment above that. We think that's going to be served by HPDI products that Kenworth and Peterbilt are shipping today. It's also going to be served by the 13-liter Volvo HPDI products. You know, there's going to be a range of products in that space as well.

So I think that the market demand for each of these segments is strong and going to get better, but the next generation products obviously benefit from better pricing, better service, latest generation technology. The 15, as we've been saying for some time, is now five years old and, you know, it needs a refresh of hardware if it's going to be competitive for too much longer, and I think people are recognizing that there's going to be a range of product that serves that market over the next few years too.

So are we going to reinvest in it? Only if the market demand is there and if our partners are there, of course, we will, but I think there's going to be a lot more than just the 15 in that segment, you know, two or three years from now too.

ROB BROWN - LAKE STREET CAPITAL MARKETS

Okay. Thanks for the color.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

That make sense, Rob? I realize it was lots of content in it.

ROB BROWN - LAKE STREET CAPITAL MARKETS

Yes, that was perfect. Thank you.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Great.

OPERATOR

The next question is from Ann Duignan of JPMorgan. Please go ahead.

ANN DUIGNAN - JPMORGAN CHASE & CO.

Hi, guys, good evening.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Hi, Ann.

BILL LARKIN - WESTPORT INNOVATIONS, CFO

Hi, Ann.

ANN DUIGNAN - JPMORGAN CHASE & CO.

Hi. Just a couple of follow-ups. You noted in the press release that part of the reason for lowering your revenue guidance was the delay in the ISX12-liter, but why would that ever have been in your revenue guidance? What am I missing? That was always part of the JV.

DARREN SEED - WESTPORT INNOVATIONS, VP,
INVESTOR RELATIONS & COMMUNICATIONS

No, I -- sorry, Ann, if that was how it come across. What we were saying is that there was a delay in the production of -- expected production of the Weichai Westport 12-liter. This is the negotiating that's going on right now with -- for our products in China, for our HPDI products in China. What we did say in the press release was that just the product mix right now is just heavily weighted to the Cummins Westport 12-liter, and to your point, we don't recognize the revenue of that. It's just -- it's a -- right now, we've got a strong product mix, shipping 12-liter Cummins Westport engines, where we recognize the income on our P&L but not the revenue. But, the change

in revenue outlook, to be clear, was more about pushing out our revenue in China and some other factors.

ANN DUIGNAN - JPMORGAN CHASE & CO.

Okay, and just to be clear, do you have a contract with Weichai for the HPDI, or is this still in testing mode and they could turn around and say, "Yes, we like it but it's too expensive"? Do we have a contract, or are we too early to have a contract yet?

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Yes, no, there is no contract with the joint venture yet. They have a contract -- obviously, we've had a contract to jointly develop the technology. We do not have a supply agreement where they get to say, you know, "Here's the price we pay for the components and here's the volumes that we're going to deliver," and that's what we're talking about.

ANN DUIGNAN - JPMORGAN CHASE & CO.

Okay, thanks for the clarification. Then, on not releasing the heavy duty numbers anymore because of competitive reasons, I don't understand that. I mean, this is -- well, it's supposed to be like your bread and butter and how are we supposed to figure out what the penetration rate is for the industry or how that business is doing, and I don't fully understand the competitive reasons since you really...

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Well, I think the competitive ...

ANN DUIGNAN - JPMORGAN CHASE & CO.

... have had no competitors.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Well, I think it's a very broad product array that we're talking about here, Ann. If you look at the acquisition of BAF, we've got all of our Ford products, we've got all of the Volvo products and now we've got all the heavy duty products. It just isn't practical for us to continue to break down units by product.

Now, what we are going to do -- and we haven't done it this quarter, partly because wanted to get your input on how we want to do this -- is we do want to be able to show you unit shipments by major segment. So, whether that's

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LNG trucks in class 8 or medium-duty pickup trucks or something like that, that doesn't break out specific product units that does give -- you know, I think you'll agree, it does give very good competitive information in specific segments. We don't want to be giving people our prices or margins by product, that's just not realistic.

So we are going to come up with some segmented disclosure that is more than we're doing, but frankly, you know, I think we give people a fairly transparent view of how these markets are going with the market segmentation data that we are disclosing, and that should give people a pretty good idea of what's happening in the On-Road Systems business unit where these things fall, and we don't think there is a good reason for us to disclose product-specific data, you know, and we don't see anybody in the industry that does that either. So, we do want to come up with some aggregate numbers that make it easy for the financial community to do some modeling and expectations on things like market penetration. That's absolutely what we want to help you to do.

ANN DUIGNAN - JPMORGAN CHASE & CO.

Well, we do get market share data from Lords on engines by ... (cross talking).

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Yes, exactly.

ANN DUIGNAN - JPMORGAN CHASE & CO.

... class of engine so, you know. But the HPDI, I would argue, is so important that that will be important to give us at least units going forward.

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Well, yes, we'll take a look at how that gets disclosed.

ANN DUIGNAN - JPMORGAN CHASE & CO.

Okay, and if I could sneak in one final one. Congratulations on hiring -- I was going to say a female President and COO, but I won't. I was just curious on Nancy's role when she takes over in operations. I mean, will she be given the scope and the responsibility to look at the strategic rationale for some of Westport's businesses, or is she simply just going to be responsible for sort of making the best of what she's handed? I'm thinking, like, you know, will she be able to look at why are we building components in Italy, and you know, will

she have the breadth and the scope to really look at the fundamentals of the manufacturing footprint and make recommendations?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

That's exactly why she's jumped in, Ann, and you'll be meeting her soon, I'm sure, so you can ask her that, but I think she's got very broad scope, she's got a great career in the automotive business, and I think she's pretty excited to be rolling up her sleeves and diving into it. But, yes, that's exactly what it's about, is how do we pull together, you know, all these disparate partners and suppliers, and how do we optimize our own operational commitments to this in conjunction with our partners so that we really do something pretty interesting? So I think Nancy's background and experience is exactly what we need at this time in our development and we're really excited that she's decided to jump in.

ANN DUIGNAN - JPMORGAN CHASE & CO.

Yes, I agree. I'll leave it there, guys. Thanks very much.

OPERATOR

The next question is from Jerry Revich of Goldman Sachs. Please go ahead.

RAVI GILL - GOLDMAN SACHS

Hi, good afternoon and good evening. This is Ravi Gill on for Jerry.

DARREN SEED - WESTPORT INNOVATIONS, VP, INVESTOR RELATIONS & COMMUNICATIONS

Hi, Ravi.

RAVI GILL - GOLDMAN SACHS

Can you say more about the warranty issues you're having on the 15-liter product? You've spoken before about being able to reduce the incident rates, so could you just expand on the issues that you've recently had with that product, what's driving the issues?

BILL LARKIN - WESTPORT INNOVATIONS, CFO

Yes. Look, we're not going to get into specific details on here, but just, very similar to what we experienced in the CWI business, we have a process that we have to go through and look at our warranty experience and then, ultimately, how does that translate into our accruals. So we've got a very rigorous process that we go through on each quarterly basis, and so through that process, based

on the warranty experience, we had to go through and make an adjustment to our warranty, which ultimately impacted our margins for the On-Road business.

It's a broad array of -- just based on how these trucks are used, their applications. It's very similar to what we're seeing in CWI. You know, as we've talked about before, the engine was originally designed for refuse transits, and it's been putting out other applications, and we're seeing some challenges; and based on that warranty experience, we've had to increase our accrual and it's just a very similar process that we go through on our 15-liter. So it's nothing very specific that's driving that increase in the warranty provision.

RAVI GILL - GOLDMAN SACHS

Okay, and then just on cash again, can you frame for us in this way, you know, your view of the minimum amount of cash you'd like to have on hand, just so we can gauge how much you need to turn back R&D or at what point you'd think you'd want to go to the market for capital?

BILL LARKIN - WESTPORT INNOVATIONS, CFO

Well, you know, as we sit here today and we look at our business plans going forward, and we reiterated that we expect to be cash flow positive by the end of 2014, I think we have sufficient cash to fund our operations, and we do have some levers to dial back that cash burn through reducing our investments in new programs, or you know, there -- on the flip side is if we start seeing significant adoption or acceleration of adoption of this technology, we see opportunities to increase our cash flows.

You know, as we talked about, we have several products that we're going to be launching over the next 12 months which will ultimately be generating cash flows which will help fund the business going forward, so I don't think there's any specific amount, and so we continue to sit down every day, or at least monthly and kind of go through what our cash burn rate is and what do we see coming down the pipeline and adjust accordingly, if we need to.

DARREN SEED - WESTPORT INNOVATIONS, VP, INVESTOR RELATIONS & COMMUNICATIONS

You've got some pretty strong income streams coming from the joint ventures, Ravi, which also help offset a fair amount of capital burn and usage there too.

RAVI GILL - GOLDMAN SACHS

Okay. Then, just lastly, when do you expect to be able to utilize the Cummins facility, and I just wanted to know to

what extent is your 2014 free cash flow neutral target for the business unit, how much of that is driven by being able to leverage the Jamestown facility?

DARREN SEED - WESTPORT INNOVATIONS, VP, INVESTOR RELATIONS & COMMUNICATIONS

Well, I don't think, at the moment, Ravi, we're talking -- the 12-liter Cummins Westport is actually built in the Jamestown -- expected to be built in the Jamestown facility. So, in terms of, say, the 15-liter products, that we had previously had commented, you know, several quarters ago that there's an opportunity to do some production there at certain volumes and certain numbers were set, I think, you know, we've just got at the right strategy right now, which is we'll make sure that we right size the production capacity for the product demand, and as our belief the market is going to a vertically integrated solution, we're obviously going to continue to push for a more vertically integrated solution with that, whether it's in Jamestown or some other solution.

RAVI GILL - GOLDMAN SACHS

Okay. Thank you.

OPERATOR

The next question is from Sanjay Shrestha of Lazard Capital Markets. Please go ahead.

SANJAY SHRESTHA - LAZARD CAPITAL MARKETS

Great, thank you. Good afternoon, guys. I've got a couple of questions here. First on Volvo 13-liter, can you sort of give us an update on sort of the launch timing and any general update regarding that?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Probably not. Hopefully, it's the back half of '14 and ...

DARREN SEED - WESTPORT INNOVATIONS, VP, INVESTOR RELATIONS & COMMUNICATIONS

It would be a realistic expectation, Sanjay. Ultimately, it's Volvo's call ...

SANJAY SHRESTHA - LAZARD CAPITAL MARKETS

Sure.

DARREN SEED - WESTPORT INNOVATIONS, VP,
INVESTOR RELATIONS & COMMUNICATIONS

... when you get this close to product launch, but they're just not -- they're not sharing the exact quarter they're launching it.

SANJAY SHRESTHA - LAZARD CAPITAL
MARKETS

Okay, that's ... (cross talking).

BILL LARKIN - WESTPORT INNOVATIONS, CFO

I think the launch would be very similar to the ISX 12. That's going to be a slow, gradual launch of the product into the market.

SANJAY SHRESTHA - LAZARD CAPITAL
MARKETS

That's fair enough, fair enough. So along these lines, right. So, in terms of the -- any incremental update you guys can sort of share with us about the LNG tank opportunity and new customers, what sort of traction you're getting in the market? Can you talk about that a bit more?

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Yes, you're talking about the iCE PACK?

SANJAY SHRESTHA - LAZARD CAPITAL
MARKETS

Correct.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Yes, actually very interesting. You know, I think since we started to talk about cold LNG and the need to really deal with the fuel demand from these bigger engines, it's got people really focused on this whole issue and the demand is really good. I think the surprise to a lot of fleets has been the complexity, let's say, of rolling out LNG. I think everyone just assumes that it's just another liquid. In fact, there are things to learn, there are handling differences, there are metering challenges, you know, there's all kinds of things to learn, so we've been rolling out quite a bit of training and showing people and bringing them up to speed on what these issues are. I think once we're through that, people are quite enthused

because it gets -- you know, it becomes very clear here's how we can make money at this. But the idea of cold LNG is creating a lot of value, both from the people building infrastructure and from customers that are sorting out how they maximize their range and performance.

So, no, I think the product is being very well received. Obviously, we're in testing mode. We are taking advantage of the fact that these are components that have been well tested in previous programs, but we've got to get some miles on it and some accelerated testing. We'll be launching it later this year, but I think the demand is going to be really good.

SANJAY SHRESTHA - LAZARD CAPITAL
MARKETS

Okay, great. One final question for me then, guys, right. So, obviously, the 12-liter's going well and you guys got multiple things happening; you know, even the Weichai JV looks like it's going to expand pretty rapidly again next year and maybe margin even gets better. So when you guys talk about that EBITDA breakeven by, let's say, end of 2014, right, on a very high level, what's sort of your general expectation? What are you thinking about, right, like, on the 12-liter Cummins JV side, Weichai JV side and the margin targets, can you give us a big picture view of how do you sort of -- the puts and the takes of getting to that EBITDA breakeven by the end of '14?

BILL LARKIN - WESTPORT INNOVATIONS, CFO

Well, I think when we talk about EBITDA breakeven for '14, that's from our operating businesses, so that's the Applied Technology, the On-Road business, and we'll start seeing some revenues from our Off-Road business and some off LNG tender car. So, when we talk about that, that's our current core businesses. So we're going to expect our, you know, Applied Technology business continue to grow its top line. We expect to see increases from our existing Ford products, our Volvo products, as David talked about, with Volvo earlier.

So we think, you know -- based on how we look at future, we think we're going to see enough growth in those businesses where they're going to start to continue to leverage their existing footprint and fill into their existing capacity that we're going to see sufficient cash flows from those businesses falling to the bottom line.

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SANJAY SHRESTHA - LAZARD CAPITAL
MARKETS

Okay.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

I'll jump in on that, because it's obviously a very live issue.

SANJAY SHRESTHA - LAZARD CAPITAL
MARKETS

Right.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

... and from a history viewpoint, you know, what we talk about internally and what you can all see, is we went through this with Cummins Westport and it's still branded on a lot of people's memory. It took us some time. It was not just the early market. The first products out of Cummins Westport, remember, were transit buses, and we weren't able to make a profitable business just on transit bus. But the second product, refuse truck engines, we were able to get enough critical mass, so that business has become profitable and continued to be profitable ever since, funding all its own growth, funding its new R&D. You know, we're now into the trucking market based on that early discipline of getting the -- you know, that very early market segment to the point where it was cash flow breakeven and then generating cash and going. So we're trying to replicate that in each segment.

So, you know, as Bill's said pretty carefully, it is because we are focusing each of our management groups on individually getting to be healthy businesses, and that's we want the Applied Technology business funding its own R&D from its cash flow, and we want the On-Road business to get going. Now, it's got lots of products, none of which are really at the level that we think is maturity, you know, but it's moving along, it's getting there, we're going to build that critical mass and get it to the point where it's going to be generating a lot of cash and doing very well, and then we expect the financial leverage to start to really to kick in.

So that's how we are going to do it, is we are trying to be very disciplined about these individual businesses making sense, and we'll prune back where we need to and

we'll invest heavily where we see opportunities for short-term growth, so this isn't a static thing, but we do think all of our businesses now have the opportunity to move out of this R&D stage to be commercial businesses, and we intend to do that in the near term.

Now, obviously, breakeven is not success. What we want to do is generate, you know, really striking financial performance using this business model and on the back of this idea that natural gas is going to get some meaningful market penetration in big markets. So I think everybody's got their sights on, you know, two, three, five years out, here's what the strategy should let us deliver, but we're only going to get there if we push on quarter-to-quarter doing the things that we need to do. So, hopefully, you will see this year the evidence of that work and we'll start to see the returns very soon.

SANJAY SHRESTHA - LAZARD CAPITAL
MARKETS

Okay, good stuff. Thank you, guys.

OPERATOR

The next question is from Vishal Shah of Deutsche Bank. Please go ahead.

SUSIE MIN - DEUTSCHE BANK

Hi, this is Susie Min for Vishal Shah. Thanks for taking the question. I wanted to get a little bit more detail on the 15-liter. I know you said you weren't going to disclose volumes, but I think last quarter you had mentioned that you were expecting to at least exceed the 2012 level, so I wanted to get a sense of how that's tracking and as you look towards the end of the year, and then how that kind of -- how On-Road revenues kind of shape up in terms of, you know, the 15-liter, as well as some of your other products, and then would love to hear about your recent acquisition, you know, BAF Technologies, Servo and how that kind of fits into that whole -- sorry, a bit of a long question.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Yes. I mean, I think the short answer is that's partly why, you know, we're not giving forward-looking numbers on the 15, so we're not giving forward-looking numbers on the 15. The real issue here is we think you've got to look at what's happening in class 8 trucks. So we expect that

we're going to see revenue from iCE PACK, which is a product that's targeted at 12-liter customers, and the 15 is only available in Peterbilt and Kenworth. Peterbilt and Kenworth have also been launch partners for the 12-liter.

Honestly, we're quite indifferent at our level, Bill and my level, quite indifferent whether it's a sale of a Kenworth or a Peterbilt with a 12-liter engine with an iCE PACK or a 15-liter system. They really are you know, quite different. I mean, it's whatever the customer makes sense. I think we are going to more 12-liters with iCE PACKs than we are 15s. I think that's inevitable. Whether the number is meaningful or not shouldn't really make any difference. We're going to see both the On-Road business and Cummins Westport benefit from the sale of LNG trucks.

15-liter product, you know, we keep saying is now five years old and we've been saying for some time it's going to need a reinvestment at some point to give it another five years of life, and whether we do that or Paccar does that or Cummins does that, you know, someone is going to have to make that expense, and we think there's lots of opportunity in the class 8 market to invest in new truck and engine product, so it's one that's on the list, but it's certainly not something that's certain. We'll play that out as it plays out in the marketplace and depending on what customers tell us they think they want to do.

SUSIE MIN - DEUTSCHE BANK

Okay. Then, as it relates to the BAF Technologies and, you know, your acquisition, how should we think about kind of the Ford products and how that fits in your entire mix for On-Road?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

I think the Ford -- I mean, the Ford business is obviously a core part of the On-Road business. We're working with other OEMs with other business models, as we've said, there's a long list of names, but the Ford business and the QVM program has been very successful in North America, I think Ford's quite satisfied with how it's working, and, of course, we've invested heavily in that process and we think it's going to be a strong business.

The decision to put our business and BAF together is something that we're tying to Clean Energy for some time. It's no secret that Clean wants to focus on fuel and building out infrastructure and selling fuel, and our expertise is engineering and vehicles and technologies, so we think that this makes a lot of sense, and, obviously,

there is going to be some synergies between the two operations and there's going to be some product line changes, and we're going to apply our own procedures and technologies, so that product line will likely shift over the next 12 to 18 months, but, directionally, I think it gives us some critical mass and, you know, I think a very successful business where we can collaborate with Ford to our mutual benefit. I hope that make sense?

SUSIE MIN - DEUTSCHE BANK

Yes. Okay, great. Thank you.

OPERATOR

The next question is from Eric Stine of Craig-Hallum Capital Group. Please go ahead.

ERIC STINE - CRAIG-HALLUM CAPITAL GROUP

Hi, everyone. Thanks for taking the questions.

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Hi, Eric.

BILL LARKIN - WESTPORT INNOVATIONS, CFO

Hey, Eric.

ERIC STINE - CRAIG-HALLUM CAPITAL GROUP

Maybe I can just go back to one of the earlier questions -- well, and David, you just mentioned it, the product refresh for the HD system. I know for some time, you have been talking about or working on rightsizing the after-treatment portion of it, you know, just based on using 5% diesel instead of needing the whole system. I'm wondering where you stand on that; and then second part, you know, I guess, it's going to be hard to track going forward, but just where you stand in the cost reduction strategy?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Cost reduction strategy on that product. A big part of the cost reduction strategy would be working with Kenworth and Peterbilt on, you know, just the straight logistics. As you know, because you've seen it, it's a hand-built engine today. We take an engine from Cummins in New York, we ship it across the continent to Vancouver, where we strip it down and put it back together, and then we ship it

to the Paccar plants, so there's a bunch of rationalization opportunity, but that would require investment and infrastructure and investment in product and doing some product engineering, and at this point the volumes are such that we're doing just fine with it the way it is. To take it to the next level, we want to reengineer, and to take it to the next level, we'd want to change the production strategy.

So the real question, you know, is working with our partners, at Paccar frankly, what do you want to do, and right now, everybody's focused on launching the 12-liter. I think that was the right choice of resources and the right place to invest our mutual time and energy. So we put a lot of engineering, time and work into getting those products out the door and getting iCE PACK out the door. We're quite enthused about that opportunity.

Fifteen is what it is. It's priced where it is. We've got customers who are buying it. It's quite successful. Obviously, we've got a lot benefit of getting those miles in the field and getting the support and the feedback from those customers, you know, but we've also got product from Volvo coming up real soon now, and so there's going to be competition for it. Those are all the factors that go into the product planning process with all of our OEM partners, and much as we'd like to do everything, you know, there are going to be choices to be made on where we want to put our investment.

I think, it's also no secret, we've said, over the next few years, we think that all of the OEMs are going to need vertically integrated product in their own product line, and natural gas strategies for everybody are under examination, that's no secret, and we're working with a lot of different OEMs on those strategies and we just can't comment on what people are up to or what their investment priority is.

The last line I'd give you -- I'm just looking at Bill -- is we have said quite clearly that we don't think it's our place necessarily to fund all of the R&D for other people's products going forward. So our priority are deals like we've done with Volvo and Caterpillar, where the product development expenses are being covered by our OEM partner. So, if you put all that together, I hope you get a very clear idea on where we're going.

DARREN SEED - WESTPORT INNOVATIONS, VP, INVESTOR RELATIONS & COMMUNICATIONS

I think, generally, their costs are coming down, I think what we've said publicly too is our current HPDI system

sale price is in the \$45,000 to \$50,000 range, and obviously we expect that number next year to be much lower on a different OEM, as a result of the benefits of vertical integration and new generation and cost -- call it cost reduction activities. So there's no doubt the prices are coming down. Call it payback periods are improving. There's no doubt that it's on the track for the next 12 months.

ERIC STINE - CRAIG-HALLUM CAPITAL GROUP

Okay, that's helpful. Maybe -- and maybe this is not a number. I know you've been asked this a few times, but just as far as volumes for the ISX12 G, is that, I mean, a high level kind of number, just to know -- I mean, that was a big CWI number, and I would think that the 12-liter is a nice portion of that.

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

No, actually, you know -- I mean, to give CWI credit, this was the launch quarter and, no, the 12 was not a material part of those numbers. It will be going forward, and I think everybody's got very, very strong expectations for that product, that it will be the strongest product CWI's ever launched, by a long shot. But, no, the business -- the core business is strong.

The engine -- the 12-liter engine got launched, but you know, I hope you're -- we're not lying when we said it was a constrained launch. It was small volume and we were getting a rolling start last quarter. First production was really March, April, this isn't all that recent, and we're just picking up with the new ratings this August. By the end of the year, we'll be at what we expect to be on a commercial run rate capacity, but that will be higher than where we're at today.

So, no, I'm pretty optimistic going forward that we'll see some strong growth in CWI with that product just because the demand is so high.

ERIC STINE - CRAIG-HALLUM CAPITAL GROUP

Okay. Just one last one from me. So locomotive, I'm just curious, you know, how you think -- and I know this plays out over many years, but how you think this develops? Do you think it's CN or BNSF, that they do it and lead the market, or do you think that because the market's so interconnected that it kind of has to be, you know, on the seven Class I railroads, that they kind of have to do it together? Thanks a lot.

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Yes, it's a good question. You know, as we got started on this and the first concept discussions with CN -- as you know, they've been working with us on a SDTC project for some time. You know, it was a concept of a walled garden. You'd have to have a corridor or an LNG part of the business that was sort of walled off, because the railways do share all their hardware. So it has been really interesting to see that everyone is collaborating and getting together to roll out LNG across the system.

So, no, it's not going to be an overnight switch from diesel to LNG, but I think it's going to come much more rapidly than people think. The economics are just so compelling and the opportunity to the rail industry to drop their operating costs so substantially, and you know, and, frankly, it's not as if we're talking about millions of units. We would have to change few thousand locomotives and build a few thousand tenders, but it's nowhere near the capital investment that we've been talking about in the trucking industry and the many thousands of fleets and actors that would have to get engaged to turn over the entire trucking industry.

So, no, I think the rail industry's very engaged in doing a rapid adoption of LNG across the system and that's very exciting. There's just no other word for it.

ERIC STINE - CRAIG-HALLUM CAPITAL GROUP

Okay. Thanks.

OPERATOR

The next question is from Colin Rusch of Marathon Capital Market. Please go ahead.

COLIN RUSCH - NORTHLAND CAPITAL MARKETS

I think it's Northland Capital Markets. Could you guys just talk about your working capital needs? You're launching a number of products. You know, how much do you think you're going to need to grow working capital, and how far along are you in establishing the working -- or the credit lines that you'll need to support that?

BILL LARKIN - WESTPORT INNOVATIONS, CFO

Well, as we mentioned -- talked earlier, you know, we are an asset-like business model and if you look at the CWI business, they don't carry any inventory, so for ramping

up, you know, there's -- they don't consume working capital. As we launch future products, we are working with suppliers and I don't foresee where we need to invest heavily in working capital to support the launch of lot of these products because we aren't physically building a lot of the components ourselves. So I don't foresee, you know, where we need to go to get discrete capital to go fund the working capital for the launch of these products in the future.

COLIN RUSCH - NORTHLAND CAPITAL MARKETS

And just so I'm clear, it sounded like you said, particularly, that you don't think you're going to need additional capital to get to the breakeven point. Did I hear that correctly?

BILL LARKIN - WESTPORT INNOVATIONS, CFO

Correct.

COLIN RUSCH - NORTHLAND CAPITAL MARKETS

Okay, great. And then can you just give us a quick update on the marine opportunities and where you're at with development with those guys?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Yes, lots of talk in the marine industry. As you know, there's been LNG ships for quite a long time, and those big low speed engines, you know, it's pretty easy to build an engine that will run on LNG at that speed. It's more, you know, shipping that uses more of the engine types that you see in trucks and buses and off-road equipment that would see a real benefit for the technologies that we're talking about.

I'd say a very clear interest, particularly for things like tugboats and river and coastal shipping. The people who make engines for that market are all the same people, you know, that we know. So it's another very promising opportunity and products will need to be developed for that segment, and as and when they're ready for announcement, you'll be the first to know.

COLIN RUSCH - NORTHLAND CAPITAL MARKETS

All right, so nothing really concrete, just a lot more discussion is -- just to sum it up.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Yes, nothing we can tell you today.

COLIN RUSCH - NORTHLAND CAPITAL
MARKETS

Okay, perfect. Thanks a lot, guys.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Thanks, Colin.

OPERATOR

The next question is from Matthew Blair of Macquarie.
Please go ahead.

MATTHEW BLAIR - MACQUARIE RESEARCH
EQUITIES

Hey, good afternoon. David, on these new hours of service restrictions in U.S. trucking, do you think this is going to be a headwind for natural gas adoption because of, I guess, lower utilization of the trucks, or do you think it actually might help because range concerns will be reduced? Any thoughts here?

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Actually, I think it's a bit the other way around. Certainly, what we're seeing from our fleets is that that's helping people get more hours on the trucks but -- because they're going with multiple drivers. You know, so people are going fixed routes and home, but that allows the truck to have a driver jump into the seat and keep it going, and so most fleets, I think, are trying to up their utilization rates on the hardware while they drop their hours of service on the drivers.

So, no, I think that what we're seeing is a trend in the industry, or at least in some of the leading fleets, to put more miles on their trucks per year, which is a great incentive to move to natural gas because, as you know, it's all about payback on the mileage. So low mileage trucks or low hour trucks are not good candidates for natural gas, and as the industry goes to higher hours on the hardware, you know, I think those are the places you're going to see natural gas adopted first.

So I think all of these issues are going to affect the overall business, but you just can't argue with the economics of going to the cheaper fuel. So it's a question of who and where can we match up the infrastructure and the hardware with the economic need, and that's what we're doing today.

MATTHEW BLAIR - MACQUARIE RESEARCH
EQUITIES

Okay, thanks. And then, Bill, on the service revenue, given that it comes through your results as such a high margin line item, could you talk about your outlook here over the next couple of quarters, as well as into 2014; and then could you also confirm the 2Q service payment, was that from Volvo?

BILL LARKIN - WESTPORT INNOVATIONS, CFO
We ... (cross talking).

DARREN SEED - WESTPORT INNOVATIONS, VP,
INVESTOR RELATIONS & COMMUNICATIONS
The 2Q Volvo payment ... (cross talking).

BILL LARKIN - WESTPORT INNOVATIONS, CFO

We have, you know, multiple kind of development agreements and the timing of that service revenue and the related accounting, because, you know, really this is accounting that's kind of dictating how we recognize revenue on each of these development programs which, frankly, is they're different. And so, you know, historically, we haven't given any guidance on what we think service revenue's going to be, just because it could fluctuate from quarter-to-quarter, just depending on, you know, if we're using percentage completion or if we're using milestone accounting.

DAVID DEMERS - WESTPORT INNOVATIONS,
CEO

Now, that said, I think in the press release, you can dig out a note that says we've accrued -- it's roughly \$6 million this quarter is going to be refundable and that will get paid, I am reasonably confident, at a milestone payment in the future, but we just can't tell you when or where because, again, that's confidential. Yes, it'll be when it happens. But, you know, it wouldn't hurt to take \$6 million and build it into the burn rate this quarter as there's a \$6 million refundable that's going to come, because that is really what's going on here.

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We're trying to get our accounting lining up with our contractual process going forward, because it really would make a lot more sense for us to accrue these expenses and get paid on a more regular basis, but that really requires, you know, specific language in the contract to meet the accounting standards. So, Bill is helping guide our corporate development guys on how to write your contracts.

BILL LARKIN - WESTPORT INNOVATIONS, CFO

(Cross talking) correct.

**MATTHEW BLAIR - MACQUARIE RESEARCH
EQUITIES**

Okay, and then just to clarify, is the \$6 million the total accrued service income that has yet to be paid, out or is that just what was ... (cross talking).

**DAVID DEMERS - WESTPORT INNOVATIONS,
CEO**

Well, be careful. It's not accrued. What we noted was that there is \$6 million of expense that is expensed this quarter that we expect to be recoverable in the future. So, yes, it creates for lumpy quarter-to-quarter financials that are hard to predict, but again, overall, these programs we will see our R&D expenses refunded.

**MATTHEW BLAIR - MACQUARIE RESEARCH
EQUITIES**

Okay. Thank you very much.

OPERATOR

The next question is from Alex Potter of Piper Jaffray. Please go ahead.

ALEX POTTER - PIPER JAFFRAY

Hi, guys.

**DAVID DEMERS - WESTPORT INNOVATIONS,
CEO**

Hi, Alex.

ALEX POTTER - PIPER JAFFRAY

I'm going to ask another question on the 15, and I know you're probably sick of hearing it, but I was looking over some of my notes and through some the old transcripts from, you know, multiple-multiple quarters ago, and the tone on the 15 seems to have changed quite materially.

Would you say -- you know, put yourself two years ago looking forward to today; would you say that the 15-liter HPDI has not met expectations?

**DAVID DEMERS - WESTPORT INNOVATIONS,
CEO**

No, I'm not going to say that. I mean, the 15 -- the whole point of the 15 was to demonstrate that natural gas works in trucking, so I think it's been resounding success at that. I mean, remember when we launched this five years ago at the Port in Los Angeles, it was a heavily subsidized environmental program, which was the first time people had used LNG in trucks. So that was step one and it was only five years ago.

Then we agreed with Kenworth and Peterbilt that there were some customers outside the Port that we could offer the product to, but it was still the hand-built product, and that was whenever that was, 2010, 2011. So that's what got us customers like Vedder and Robert Transport and UPS and Heckmann, and that's been a tremendous experience. I think if you talked to any of those fleets, they'd say it's been a huge success at building awareness with LNG, but I don't think we've ever said it was the last product to be held in the market or that it would meet all the needs of everybody. We're going to need a whole range of truck products, trucks and engines to meet the needs of this entire segment, so you know -- and I also think it's not fair to say that we've said that it's going to continue unchanged.

Every product in this industry needs continuous reinvestment just to meet emission standards, so companies are always looking at where they put their R&D investment, and this is not something that we can do on our own because there are so many people involved in this specific product. And as the market opportunities expanded, we've got way more places to look at where we're going to put our investment dollars as well. It used to be this was the product for LNG trucks, but now we're spread across many different OEMs and many different platforms, and going forward, I think -- what we hope you got out today and what I hope I can pound home now is there is going to be a whole range of engines and truck products hit the market over the next five years. That's a prediction, not a -- you know, not some sort of disclosure. We're going to see every manufacturer of trucks have to have a product or they're going to lose market share. It's as simple as that.

So that's the context that we're in now. I think we can declare victory on LNG and trucking, it's going to take a significant part of the market and now we need to let all

the product planners and all those different truck companies come up with what they're going to do to grab their share of the industry. But the 15-liter product is what it is today and we are continuing to sell it and customers continue to buy it, and you know, I don't think we need to really get into a lot more detail than that.

ALEX POTTER - PIPER JAFFRAY

Okay, fair enough. And then last question here, again on the guidance, a \$20 million cut on the top and bottom line. I'm just wondering if you can get in a little bit to the puts and takes there. Presumably, you're going to get some positive contribution from BAF that was not included in the original guidance that you gave last quarter. So is it fair to say that that's reflected in this guidance, or is BAF excluded from it? Is it apples-to-apples, or is there actually a bigger revenue cut than what it seem like ... (cross talking)?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Well, to that, I just want to jump in. We didn't say it changed the bottom line. In fact, we're reiterating that the bottom line isn't changing. Part of this is product mix, and part of this is, you know, we'll see revenue from a product like the 12-liter where we don't recognize revenue, but we're going to see a contribution. So what we're saying is the Westport revenue guidance we're taking down.

On BAF, yes, there hasn't been any guidance for some time. As I said, this has been in the works for a while, and so when we gave you revenue guidance for Westport, you know, there was an allowance in there for BAF. So what we're taking down I think is just what we said today, is we're pushing out revenue for shipments into China because that's not going to happen this year. Some of the product mix in some of the markets, just because, you know, at the half, we're considerably behind on some of those specific markets, like Volvo cars, so we're trying to give you the outlook but, you know, there's no big magic, no big magic ... (cross talking).

ALEX POTTER - PIPER JAFFRAY

Okay, that's fair enough. Yes, I guess just along -- and I guess the main takeaway there is that BAF, even though the announcement hadn't been -- or, I guess, the acquisition hadn't been announced, it was already included in the original guidance that you gave last quarter.

DARREN SEED - WESTPORT INNOVATIONS, VP, INVESTOR RELATIONS & COMMUNICATIONS

Yes, that's correct.

ALEX POTTER - PIPER JAFFRAY

Okay. All right. Thank you.

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

You're welcome.

OPERATOR

The next question is from John Quealy of Canaccord Genuity. Please go ahead

JOHN QUEALY - CANACCORD GENUITY

Hey, thanks, guys. Real quick, if we can go to the light duty side -- and I know you guys hate talking about legislative initiatives, but last week, an interesting bill was introduced in the Senate to remove the cap on CAFE bonus credits. You know, who knows if it happens, but if it does, it feels like the type of legislation that could make a light duty OEM really turn towards flex-fuel. Can you just editorialize on that for me? Thanks.

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Yes, you're quite right. We've been concerned about consumer level subsidies because they are so difficult to manage, and you know, my rant about what's been happening in Sweden, I think, is reflecting that. It just gets so distorting and so unpredictable that we'd rather just deal with getting the product economically successful on its own. But on things like CAFE rules and emission rules, those are binary, the market must respond to those rules, and if there's a tweak to the regulation that encourages OEMs to adopt natural gas, that's very powerful, it really would be, and that's quite transparent at the consumer level, so it doesn't have the same distorting effect, it has a much more long-term product planning effect. So, you know, we're agnostic on that. I can tell you we don't have big lobbying budget, so we're not in there really trying to push the dial on any of these initiatives one way or the other. I think we need to let the regulators decide, you know, where their interests are and what they want to encourage.

I think it is clear, more and more, that people are seeing that natural gas is in the interest of many national governments, not just the U.S. government. Certainly a

lot of the state governments are encouraging the development of their natural gas resources, and those incentives, we think, are all very pragmatic and practical and are less likely to be yo-yoing consumer preference up or down one way or the other. So we'll let that process play out. We're not counting on anything like that. I think, in general, the OEMs are seeing market demand from their customers and that's probably the healthiest thing that we can hope for.

JOHN QUEALY - CANACCORD GENUITY

Thank you.

OPERATOR

The next question is from Pavel Molchanov of Raymond James. Please go ahead.

PAVEL MOLCHANOV - RAYMOND JAMES

Thanks for taking the question. Back to your comments about Ford, you're obviously excited about the F-150. How have the 250 and the 350 gone, I guess in the year or so that you have been selling into that market; and then secondly, I think the 450 and the 550 were in the works for this year, so if you could give an update on that as well, please?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

Yes, 450/550 are just starting to ship and we're ready to go with new certificates for 2014, as well. So, no, I think market demand has been good. I think everyone's excited about the F-150, that's been something that we've had a lot of requests for, and we're very pleased that Ford is adding that to the QVM program, because I think there's lots of people who want to buy a truck that they can drive on gasoline or natural gas, and we've had a lot of customers talk about using it as an employee purchase option and use corporate refueling. You know, F-250, F-350 are big trucks aimed at fleet use, and the F-150 is a product that, you know, is very popular in a whole different range of markets. So we think it's going to incremental sales, and we think it's going to be very successful as a QVM product.

PAVEL MOLCHANOV - RAYMOND JAMES

And on the 150, is there a geographic footprint where Ford is going to roll out first? Is it mainly North America, or are they going to go global right away?

DAVID DEMERS - WESTPORT INNOVATIONS, CEO

It's North America. QVMs are the North American program. We are announcing that it's available in both the U.S. and Canada at the same time. We're just going to start shipping products in Canada this quarter. So F-150 will be available anywhere Ford sells product in North America.

PAVEL MOLCHANOV - RAYMOND JAMES

All right, appreciate it. Thanks.

OPERATOR

This concludes the time allotted for questions on today's call. I will now turn the call back over to Darren Seed for closing comments.

DARREN SEED - WESTPORT INNOVATIONS - VP IR & COMMUNICATIONS

Thanks very much, everyone, for joining the call and we look forward to seeing everyone around the end of October or early November for the Q3 Conference Call.

OPERATOR

Ladies and gentlemen, the conference is now concluded and you may disconnect your telephone. Thank you for joining, and have a pleasant day. Good-bye.