
OPERATOR

Welcome to the Westport Innovations 2016 Q1 Financial Results Conference Call. As a reminder, all participants are in a listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and then zero.

At this time, I would like to turn the conference over to Ryder McRitchie, VP, Investor Relations. Please go ahead.

RYDER McRITCHIE speaking

Vice President, Investor Relations, Westport Innovations Inc.

Thank you, Brock, and good afternoon, everyone. Welcome to our first quarter 2016 conference call. It's being held to coincide with the disclosure of our financial results issued 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.

By way of brief introduction, I joined Westport earlier this month and look forward to being a part of this Team and building on their significant accomplishments over the past 20 years. I'm also looking forward to speaking with many of you over the coming weeks and months. Please feel free to give me a call or send me an email if you'd like to discuss your interest in the Company.

On today's call, speaking on behalf of the Company, will be Westport's Chief Executive Officer, David Demers; Westport's Chief Financial Officer, Ashoka Achuthan; and Nancy Gougarty, Westport's President and Chief Operating Officer.

Attendance on this call is open to the public and to media, but questions will be restricted to the analyst community.

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, so you are cautioned not to place undue reliance on these 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.

I will now turn the call over to David Demers.

DAVID DEMERS speaking

Chief Executive Officer, Westport Innovations Inc.

Good afternoon, everyone, and thank you for your interest and support of Westport.

2016 is off to a good start. Through continued business cost reduction and resource realignment, Westport has moved our operating business to positive Adjusted EBITDA, despite the challenges in many markets. This achievement sets us up for strong scalable and profitable growth as oil prices rebound and as environmental drivers create new demand for our products.

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I want to touch briefly on four important developments during the quarter, before turning the call to Ashoka and Nancy for their detailed review.

First, we announced an alliance with AVL late last year. AVL is the world's leading automotive engineering firm and they've partnered with Westport to develop global adoption of our HPDI 2.0 technology. This alliance is off to a fast start and reaction has been very positive. Our core HPDI technology development program continues on budget and on schedule for release of our first production intent systems to OEM customers later this year. Our timing appears to be very good. As AVL has pointed out, AVL's powertrain engineering experience and testing solutions, combined with Westport HPDI 2.0 technology, will create great opportunities for our customers.

We also completed the first of our non-core asset sales and we're in the late stages of completing the sale of additional assets that we expect will add more than \$20 million of cash to our balance sheet soon.

During the quarter, we announced a strategic investment program with Cartesian Capital and we closed two of those three announced tranches. The third tranche will close with the Fuel Systems merger. Cartesian have been creative and collaborative partners, and we welcome their support of our strategic plan.

Finally, the impending merger with Fuel Systems, which we now expect to close in the first of week of June, will dramatically improve our joint business portfolio and position us well for the future of OEM-driven opportunities around the world. Although we had hoped to close this transaction earlier in the year, we're confident that there's widespread support for the merger from Fuel Systems' Shareholders and their Board, and, as you've have seen, the proxy advisory firms have formally supported the merger, as well. The Fuel Systems Shareholder Meeting is on May 31, and Shareholders do need to vote again, even if they registered a vote for the earlier meeting. As you know, Westport Shareholders have already approved the merger.

We look forward to continued development of our global business in 2016, and continued progress toward our vision of a transition from oil-based fuels, like diesel and gasoline, to clean, inexpensive natural gas.

Over to Nancy and Ashoka. I think Ashoka is up first to take you through the numbers.

ASHOKA ACHUTHAN speaking

Chief Financial Officer, Westport Innovations Inc.

Thank you, David. Good afternoon, everyone. I will be providing you with some highlights of our first quarter, our path to profitability and our cash position.

As David noted, despite continued weakness in the oil and gas sector, 2016 was a positive first quarter for Westport. We continued our progress on bringing HPDI technology to market, and decreased our cash usage, reporting a 25% reduction in cash used from operating activities, excluding changes in working capital, plus dividends from joint ventures, compared to the Q4 of 2015.

Revenue for the quarter ended March 31, 2016 was \$24 million, compared with \$28 million for the same period last year. The decrease in revenue for the first quarter of this year was primarily related to the reduced demand of our light-duty aftermarket products, given the low oil price environment we are all faced with.

Our HPDI 2.0 program is on schedule and on budget for commercial release to our OEM customers. The development programs are well into the testing and validation phase, with the focus being on engine and durability testing, and the LNG fuel tank systems. Our investments in HPDI, as you know, are key to our future growth and success.

Westport successfully launched its new combustion technology in Volvo Car Corporations' new Drive bi-fuel engine in the first quarter of 2016, in Belgium and Luxembourg. The new Westport system is available on the Volvo V60 models, and we have plans to further expand the product offerings into other European countries.

Our joint ventures, which we don't consolidate, are an important part of our business. Including our joint ventures, our total

segments revenue for the quarter ended March 31, 2016 was \$118.9 million, a decrease of 24% from the same period last year, largely due to weakness at our Weichai Westport joint venture in China. The Chinese economy, and the continued weakness in the truck market there, has obviously had its impact on our joint venture. Revenue for the quarter ended March 31, 2016 was \$29.9 million on sales of 2,436 units, a decrease of 47% over Q1 2015. Our equity pickup from this joint venture for 2016 was \$0.2 million, which is consistent with the same period last year, primarily due to aggressive operations expense management.

Cummins Westport, the revenue was \$65 million on 1,647 units for the first quarter of 2016, a decrease of 11% over the same period last year, primarily due to lower domestic trucking and international volumes. However, our transit and refuse set markets continued to perform very strongly, particularly refuse, with the overall market shift to natural gas continues unabated. The growth in renewable natural gas is also helping this trend. Westport's portion of CWI net income for the first quarter this year was \$1.8 million, a decrease of \$69.5 million over the first quarter of last year. This was primarily due to the impact of lower revenue and increased R&D spending in the first quarter of this year, and favourable warranty adjustments in the first quarter of 2015.

Moving on to our cash position, as of March 31, 2016, our cash and short-term investment balance was \$24.6 million. Cash used in operations, excluding changes in working capital, plus dividends from our joint ventures, was \$11 million in the first quarter of this year, compared to \$14.6 million for Q4 2015, a sequential improvement of 25%. The merger with Fuel Systems, which Nancy will comment on in more detail, along with the sale of our non-core assets, and additional funding from Cartesian Capital, as David referred to, will further strengthen our balance sheet and liquidity position.

Moving on to Adjusted EBITDA and our path to profitability, I'm delighted to report that our operations segment returned to Adjusted EBITDA profitability for this quarter, compared with a loss of \$1.4 million for the same period last year. This significant improvement of 102% is the result of operational improvements and cost management initiatives across all our businesses globally.

Consolidated Adjusted EBITDA declined 15.2% in the first quarter of 2016, compared to the same period last year. Consolidated Adjusted EBITDA for the first quarter was a loss of \$10.6 million, compared with a loss of \$9.2 million in the first quarter of 2015. This decrease was mainly due weaker performance at our joint ventures, compared to the same period last year. Excluding the joint ventures, however, Adjusted EBITDA for the first quarter of this year would have been a loss of \$12.6 million versus \$15.5 million for the first quarter of last year, an improvement of \$2.9 million.

We reduced our combined operating expenses by \$0.9 million, or 3.8%, for this quarter, compared to the same period last year, primarily due to the effective management of our engineering investment programs and strict cost discipline across the board.

As mentioned in the press release, we will provide 2016 guidance after the closing of the merger with Fuel Systems.

With that, I'll pass the call on to Nancy to discuss operational highlights.

NANCY GOUGARTY speaking

President and Chief Operating Officer, Westport Innovations Inc.

Perfect. Thank you, Ashoka. Good afternoon. As in the past, I'm going to provide some operational highlights and priorities for Westport and then discuss the upcoming merger with Fuel Systems.

So, overall, in the past five-and-a-half weeks since we spoke to you last, Westport continues to move forward on our plans with sharp focus on moving new products towards full commercialization, improving our operational efficiency, refocusing and rationalizing our product offerings, and reducing our costs. The micro-economic and business headwinds in many of our end markets persist, but we see the results of our efforts as evidenced by our positive Adjusted EBITDA in Westport operations, despite the lower volumes in the period. We look forward to working with Fuel Systems, as we jointly drive for operational focus within the combined companies after the merger closes, hopefully in the first week of June.

As I turn towards our products and operations, let me start with HPDI 2.0. Our program continues and moves forward with multiple OEMs. In the first quarter of 2016, our product passed key durability and performance tests, and we are and will continue to deliver next-stage components that will be installed on engines for the next phase of extended on-road performance testing with our OEM customers. In parallel to the engine development efforts, the off-engine system is also progressing. Westport and Delphi are on track in completing and further developing production facilities to deliver the latest generation of HPDI fuel injectors. This facility will allow us to deliver high-performing components in commercial volumes at significantly lower cost. As mentioned earlier, our partnership with AVL is growing momentum, both in facilitating new HPDI customer discussions, as well as validating the benefits of our HPDI technology.

Now, turning the attention to the joint ventures, CWI, Cummins Westport, following on Ashoka's comments, CWI is looking forward to the launch and the sale of Cummins Westport ISB6.7 G engine and the near-zero NOx ISG engine later this year. These engines will address a need in the existing market and we look forward to their success.

In terms of Weichai Westport, Weichai Westport experienced a sluggish Q1, due to primarily to lower diesel prices and China market challenges. That said, our HPDI 2.0 program continues to move forward with engine development and activities for additional pilot trucks on the road later this year.

In terms of Westport operations, overall, we're pleased with how our business operated given the lower volumes and the micro-headwinds that we have had in the end markets. Our Team has worked hard to manage the business, as well as seeing success and finding new markets for our product. Also, one of our OEMs is launching a new model with our components on it here in calendar year '16. Across other product lines, we remain focused on driving cost efficiency, aligning our costs to market volumes. We are pleased with shifting to asset-light business model and believe we are very well positioned to take advantage of the eventual market upturn.

As mentioned earlier, I want to comment on the upcoming merger with Fuel Systems. From an operational and planning perspective, we continue to have our task force and functional meetings work in areas including, but not limited to, sales, distribution and marketing, manufacturing, product range and development, direct material and purchasing, legal structure, IT, finance and tax, as well as communication. We have used this extra time to our advantage and we're ready to hit the ground running from an operational standpoint. We are looking forward to the opportunity to combine our systems and processes with the high-quality of Fuel Systems assets. The merger will create a stronger company with greater scale, global reach, and we expect to reach the \$30 million of total annual savings and merger synergies by 2018, not including one-time costs. So, from my point of view, the faster the integration, the better.

With that, I will now pass the call back to the Operator for questions.

Operator

Thank you. We will now begin the question and answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speaker phone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

Our first question today comes from Eric Stine of Craig-Hallum. Please go ahead.

Eric Stine - Craig-Hallum

Hi, everyone. I just wanted to start with HPDI and the AVL agreement, you know, obviously trending well here early, but maybe just any thoughts on how the pipeline has developed since that agreement has been put in place; and then when you think about HPDI going forward, do you think the value there is with new OEMs for HPDI 2.0 or further penetration with existing OEMs, or how do you view that?

David Damers - Westport Innovations Inc. - Chief Executive Officer

Hi, Eric. That was a nice softball. How about we get the first customers and then we'll talk about whether it's better to get more partners or more penetration. To be serious, I think that what's happened over the last couple of years has been strong development on the engineering side, which is reducing costs, because reliability and performance are just as important as kind of first-fit costs, and we've seen real breakthroughs in that front, and I think we've given people ideas about that, but I think customers are going to be very happy with the resulting product. Our first generation was basically hand-built and hand-assembled. This product is going to be coming out of the world's largest truck plants, with the benefit of several years of development, as well as lower costs. So, clearly, we'd like to see all of those new partners be delighted with their launch volumes and grow beyond.

I think the feedback we've had from—as we've started to look now at early customers and where it's going to get launched, we're quite excited about the demand. There's a lot of interest from customers. Particularly in places that have strong greenhouse gas targets, this is going to be a very attractive product. I think that people are losing sight of the fact there's still a great economic argument, particularly in places that have expensive diesel fuel. So, we're expecting a lot of interest out of this, and we're seeing as results pull through other OEMs.

So, expanding our current programs and getting strong customer demand after launch is priority one. Priority two, I think is to exploit the growing demand from the rest of the industry to catch up and have a natural gas product, because it looks like there's going to be considerable interest around the world, you know, just as a result of our work with AVL, and as a result of the change in regulatory focus and the expectation that we're going to see higher oil prices going forward and continued cheap gas.

So, you've heard that story, I think we're just heads down, we're going to deliver the product on time, and I think our time is actually going to be pretty good.

Eric Stine - Craig-Hallum

Okay, yes, I just wanted the current thoughts there. Maybe just turning to CWI, I'm definitely hearing strong interest here in advance of the near-zero 9-litre. You know, just thoughts on the 12-litre. I mean, people view that as being pretty important, given that it's a larger part of the market, and hearing that that's kind of right now targeted to 2108 for launch. Any chance that that gets moved up?

Ashoka Achuthan - Westport Innovations Inc. - Chief Financial Officer

Yes, Eric, this is Ashoka. Yes, I mean, we are extremely excited about the near-zero product, and we have gone on record as saying that we will see the launch in the second half of the year. I think the receptiveness has been extremely positive. I did mention we had a soft first quarter in terms of volumes, domestic truck volumes for CWI, but we think a part of that is also due to our potential customers holding out for the near-zero product. So, all in all, very positive news there, and the development and launch is on schedule.

Additionally, of course, you know we have the 6.7-litre, which we've had deliveries to our first customers in this quarter, and that is going to provide continued impetus in a market that we haven't addressed in the past.

Eric Stine - Craig-Hallum

Okay. I mean in the 12-litre—I mean, the 12-litre, is that something that—I think a tentative launch date for that, for the near-zero version, is out for 2018. Is there a chance that you can move that up, just given potential demand there?

David Demers - Westport Innovations Inc. - Chief Executive Officer

I'll jump in, because I'm not on the Board, so I can speculate. Jim Arthur is in the room, too. We might get Jim to speculate. I don't think we have announced a date for the 12-litre. There's speculation about it. The reason that we wanted to launch the 9-litre first is because we really think this is a bus and refuse product first, there's strong regulatory pressure on those segments, and they could take advantage of some of the urban credits and the urban operating incentives for fleets, you know, in places like Los Angeles, where there's increasing pressure to start to do something about NOx emissions and smog again. So, we thought the launch product should be the 9-litre, and I think that's probably the right one. Truck fleets probably have less opportunity both for, you know, call it NOx-related incentives, as well as I'd say, you know, perhaps less concentrated NOx emissions, because they're moving around so much outside of city cores, but the technology is quite applicable to both of the other engine platforms, and I think the joint venture is going to be looking carefully at where the demand is coming and then put that technology on as part of a product refresh. No need to do it today on the 6.7, but maybe in a couple of years, once the product is out there, it would be time for that. The 12-litre, I think is ready to go, and if it makes sense, we would put that with a product refresh.

Jim, do you want to comment further?

Jim Arthur - Westport Innovations Inc. - Executive Vice President, Heavy Duty Systems

Well, I'd just say, on the 12-litre, yes, absolutely, a critical product. There's kind of a few things that go into the product line, and when we have next Board meeting, we'll be spending a lot of time on a 12-litre product plan. You've got a near-zero NOx opportunity. We've got onboard diagnostics that we have to have in place no later than the end of 2017, which is not a trivial thing, and then we've also got, after the engine's been in the marketplace a few years, some opportunities to improve the product. So, it's really a question of, you know, do you do all of that at once and come out with one or do we some staged releases, and that's the sort of thing we're kicking around, but have not got anything that we will announce in the marketplace quite yet.

Eric Stine - Craig-Hallum

Okay. Thanks for the colour.

Operator

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

Robert Brown - Lake Street Capital Markets

Good afternoon.

David Demers - Westport Innovations Inc. - Chief Executive Officer

Hi, Rob.

Robert Brown - Lake Street Capital Markets

On your HPDI 2.0, you said release the end of this year. Could you just outline the steps of what happens after that, how soon before those sort of get put into production engines, and what are we looking at on timing?

David Demers - Westport Innovations Inc. - Chief Executive Officer

I'll defer to Jim here. We'll let him explain.

Jim Arthur - Westport Innovations Inc. - Executive Vice President, Heavy Duty Systems

Okay. So, obviously, if you think about the process that we go through when you're talking about an OEM production process, so right now, where we are is the components, the injectors, the fuel tank systems, all the HPDI components are fully designed, stable, we know exactly what the production parts are looking like. We're in the middle of doing performance and durability testing and reliability testing. The big one, when you're talking about heavy-duty trucks, where they have a 2-million kilometre lifespan as durability testing, there's no substitute for testing over a long period of time with trucks on the road, so we're in the middle of doing all that.

We're also now in the beginnings of getting the high-volume manufacturing in place. So, we've got equipment on order that'll be going into the Delphi plant, and there's a fair bit of work to do to get that equipment installed and validate that we can make the production parts exactly the same every time, meeting all the specs.

Then, from the OEM's perspective, when they get our parts that are now proven and durable and the right design, they go through their own durability testing, as well as their own manufacturing setup process. So, we're, later this year, really sort of starting that, where they've got the components and they will go through their work, which takes a little while, so they're able to manufacture now for the first time an HPDI product that comes off an assembly line at an OEM engine plant and then an OEM truck plant.

Robert Brown - Lake Street Capital Markets

Okay, good. Then, I know you're not going to probably say the specific timelines, but what's a typical timeline from the part completion to sort of a product in the market.

David Demers - Westport Innovations Inc. - Chief Executive Officer

Well, I think we've said we have trucks that are going to be in customer hands, early customer hands in early '17, depending in which market we're in. Now, Jim's being generic. I can tell you that the protocol varies from OEM to OEM, and certainly there's different sensitivities around how much testing, and then do you kind of release in a handful of customers or do you go to a hundred customers. Everyone has their different protocol, which, of course, we're not really trying to influence. So, we want to get the parts to a consistent level that we're happy with, and then we will release those to the OEM and the OEM will release the product on their schedule. I think we're looking forward to seeing genuine customer, you know, real commercial sales over the next 12 to 18 months, I'd say, through all our OEMs.

Robert Brown - Lake Street Capital Markets

Okay, great. Then, I think you said the 6.7-litre started to ship. Could you give us a sense of the ramp there and the market opportunity you're going after in terms of size of units?

David Demers - Westport Innovations Inc. - Chief Executive Officer

Sure. Well, the 6.7 is targeted to a couple of segments, school buses and call them straight trucks, sort of urban delivery kind of trucks. To put it in the perspective, the transit bus market that we have been in and has been our first sort of core market, it runs about 5,000 to 6,000 transit buses produced every year, and we've got—about a third share of that business

has Cummins Westport engines in them. The garbage truck business, which started a little bit later than buses, is also around 5,000 units a year, and more than half of those today are produced with the Cummins Westport engine. Now, when you move to school buses, the Type C school bus, which is the common one, that's about a 30,000 unit per year market, so it's three times the size of transit buses and refuse combined. Then, straight trucks is more like a 60,000 or more unit market. So, these two markets are significantly larger than our traditional bus and refuse market, not as big as 240,000 a year, you know, Class A heavy-duty, but both really nice size markets and we think we have a good economic package, and so on, for those customers.

Robert Brown - Lake Street Capital Markets

Okay, thank you for that great overview.

Operator

The next question comes from Jeff Osborne of Cowen. Please go ahead.

Jeff Osborne - Cowen and Company

Good afternoon, guys. I just had two questions. Ashoka, I was wondering, can you just touch on the warranty adjustments that you mentioned, could you quantify that and describe what the nature of it was for? Then, also, I was wondering, on the Cartesian financing arrangement, if the Fuel Systems deal does not go through, for whatever reason, is there any penalties or payments, or reversals of any of the—the first two tranches that have been set up?

Ashoka Achuthan - Westport Innovations Inc. - Chief Financial officer

Okay, let me take your first question first. The warranty reversal had to do with the 8.9-litre engine. There was a significant warranty accrual in the first quarter of 2015, which explains a large part of the drop in income between 2015 and 2016. So, that's the point I was making on the warranty accrual. It related to the 8.9-litre engine.

Jeff Osborne - Cowen and Company

Got it. I just wanted to make sure it wasn't affiliated with the 12-litre. Thanks.

Ashoka Achuthan - Westport Innovations Inc. - Chief Financial Officer

No, it was the 8.9-litre and it was a reversal in the first quarter of last year. On Cartesian, yes, you are right, the third tranche is planned to close with the Fuel Systems merger. However, the first and the second tranches are completely independent and they are not impacted by any eventuality related to the merger.

Jeff Osborne - Cowen and Company

Got it. Last question—I probably could look this up in the MD&A, but do you have any lines of credit that are untapped or any other liquidity sources, in the event that it doesn't go through?

Ashoka Achuthan - Westport Innovations Inc. - Chief Financial Officer

We have some in Europe, as we have disclosed in our MD&A, and we have certain other sources that we are actively working on right now that will provide a meaningful amount of liquidity, yes.

Jeff Osborne - Cowen and Company

Got it. I appreciate it. Thanks much.

Operator

As a reminder, to ask a question, please press star, then one. Our next question comes from Pavel Molchanov of Raymond James. Please go ahead.

Pavel Molchanov - Raymond James

Thanks for taking the question, guys. I wanted to kind of compare and contrast CWI versus WWI, specifically on operating expenses. In WWI, you've successfully cut a lot of costs, keeping operating income reasonably good. In CWI, though, they actually went up, even as sales dropped. What explains the difference there?

Ashoka Achuthan - Westport Innovations Inc. - Chief Financial Officer

There's a lot going on in CWI. As Jim mentioned, we have a significant amount of development expenses related to the launch of the near-zero product, which is expected in the latter half of this year, and Jim also mentioned the OBD, or the onboard diagnostics requirements that all engines are required to meet for being able to be sold in 2018, and beyond, and there's a significant amount of engineering costs related to that program, as well.

Pavel Molchanov - Raymond James

Got it, and then kind of a policy question. 2016 is the first year in a while that the fuel excise tax credit is actually in place at the start of the year, rather than it changed retroactively, and I was wondering whether you're noticing any uplift in order flow, or even just customer inquiries, based on that continuity, you know, versus what it was, let's say, 12 months ago.

Jim Arthur - Westport Innovations Inc. - Executive Vice President, Heavy Duty Systems

Hi, Pavel, it's Jim. Yes, I would say that in—if you look at our current natural gas customers at Cummins Westport in North American, I mean, they're pleased as can be, because their business cases for trucks they bought earlier are working out well, and in the markets like transit and refuse, that are well entrenched, this is definitely continuing those markets on growth paths. I'd say in the commercial truck side, where, realistically, in the last little while diesel fuel has been right down on top of natural gas prices, if you just look at posted prices, the excise tax is nice, but it's not enough to swing the bar for those customers for whom the economics is the sole determinant of what truck they buy. So, we've got lots of customers that have been buying gas trucks, they continue to, but for someone who's going to do it new right now, they're pausing a little bit and that tax isn't enough to sort of swing them over. We do need higher prices.

David Demers - Westport Innovations Inc. - Chief Executive Officer

Yes, it certainly helps, let say, but it's not sufficient to make a business case on its own ...

Jim Arthur - Westport Innovations Inc. - Executive Vice President, Heavy Duty Systems

Right.

David Demers - Westport Innovations Inc. - Chief Executive Officer

... and nor has it ever been sufficient. I think everyone is expecting oil prices to continue to creep up, and so these business cases are getting better and better. The certainty of the excise tax is helping us, in the sense that a lot of the fuel providers are now able to have more certainty on fuel price quoting, as well. So, I'd say it's all good, but it's not some light-switch effect where it's suddenly creating huge demand.

Generally, I'd say economic conditions have been the dominant force. The continued weakness in the resource sector and the oil and gas sector has really impacted everybody, so that overhang continues to be a damper for demand, and, again, once things get a little healthier, we expect there'll be a big rebound in interest in natural gas vehicles.

It's different around the world. I will just jump in, because we do seem to be quite North American-centric here. Conditions are quite different around the world and I think what you're seeing in our operating units—and Nancy can jump in and verify this—is new markets are appearing. As local infrastructure starts to get built, there are suddenly real improvements in opportunity, and the Team is jumping on it, which is partly why we've, you know, I think done reasonably well in the face of pretty substantial change in the market around world. With government incentives disappearing in lots of very traditional markets, sort of traditionally very strong, we've been able to jump into new markets as they appear. I think, generally, around the world, conditions look bright over the next five years, and that's really what we're trying to do, is position for where it makes economic sense, as well as position for the environmental regulations where the OEMs are responding.

Pavel Molchanov - Raymond James

All right, appreciate it.

Operator

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

John Quealy - Canaccord Genuity

Hey, good afternoon, folks. On the light-duty aftermarket business, one of your competitors, Landi, had comments that I'll paraphrase as subdued but stable in Europe. Can you comment on the underlying demand there, especially given the pending merger with Fuel Systems that is more concentrated in that business line in that part of the world than you currently are?

David Demers - Westport Innovations Inc. - Chief Executive Officer

I'll let Nancy jump in.

Nancy Gougarty - Westport Innovations Inc. - President and Chief Operating Officer

Okay. No, not a problem. I would indicate that our business is really broken into two different aspects, one is an OEM business and one is an aftermarket business, so I think our business is a bit more concentrated than Landi and the OEM business, and I would say that, you know, what we're finding and seeing is that the OEM business, that people are trending more OEM. Manufacturers are offering a—I'll say, either a bi-fuel or alternative fuel vehicles, and so we're quite pleased where the OEM side goes.

I would say in the European market, relative to where we are in the independent aftermarket—and I'm not in a position to comment relative to Fuel Systems, but our business is holding up on that front. Now, some of what I would say is the higher

tech products and some of the products that we have that have, I'll say, high-performance features, we're finding those are moving quite nicely. We do see within the European market different circumstances for different countries, so I don't think that we can paint Europe with one brush. I think that the good news for us is with our direct sales force, as well as our distributors, we are able to get the best out of each the markets that we participate in Europe.

John Quealy - Canaccord Genuity

Okay, thank you for that. As a follow-up, perhaps for Ashoka, cash or expenses life-to-date on the pending Fuel Systems merger, can you comment how much money you've spent so far trying to close the deal?

Ashoka Achuthan - Westport Innovations Inc. - Chief Financial Officer

Well, you know, we have a reconciliation between net income and Adjusted EBITDA, and I think the number for the first quarter of this year was \$2 million. It's identified as one of the items. In addition to that, we had approximately \$4 million of costs last year.

John Quealy - Canaccord Genuity

Okay, thanks. I'll take a look at that. Thank you, folks.

Ashoka Achuthan - Westport Innovations Inc. - Chief Financial Officer

Sure.

Operator

There are no further questions at this time. I would like to turn the conference back over to Ryder McRitchie for any closing remarks.

Ryder McRitchie - Westport Innovations Inc. - Vice President, Investor Relations

Well, thanks, everybody, for joining us today, and as I said earlier, please feel free to reach out to our IR Team if you've got any follow-up questions, and we'll look forward to working with you in the future here. Other than that, our call is now complete.

Operator

This concludes today's conference call. You may now disconnect your lines. Thank you for participating and have a pleasant day.