

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

**WESTPORT FUEL SYSTEMS INC.**

For the three and nine months ended September 30, 2024 and 2023

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Balance Sheets (unaudited)

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

September 30, 2024 and December 31, 2023

|                                                                     | September 30, 2024 | December 31, 2023 |
|---------------------------------------------------------------------|--------------------|-------------------|
| <b>Assets</b>                                                       |                    |                   |
| Current assets:                                                     |                    |                   |
| Cash and cash equivalents (including restricted cash)               | \$ 33,257          | \$ 54,853         |
| Accounts receivable (note 6)                                        | 70,344             | 88,077            |
| Inventories (note 7)                                                | 66,322             | 67,530            |
| Prepaid expenses                                                    | 7,165              | 6,323             |
| <b>Total current assets</b>                                         | <b>177,088</b>     | <b>216,783</b>    |
| Long-term investments (note 8)                                      | 41,322             | 4,792             |
| Property, plant and equipment (note 9)                              | 42,665             | 69,489            |
| Operating lease right-of-use assets                                 | 20,433             | 22,877            |
| Intangible assets (note 10)                                         | 5,953              | 6,822             |
| Deferred income tax assets                                          | 11,696             | 11,554            |
| Goodwill                                                            | 3,088              | 3,066             |
| Other long-term assets                                              | 9,389              | 20,365            |
| <b>Total assets</b>                                                 | <b>\$ 311,634</b>  | <b>\$ 355,748</b> |
| <b>Liabilities and shareholders' equity</b>                         |                    |                   |
| Current liabilities:                                                |                    |                   |
| Accounts payable and accrued liabilities (note 11)                  | \$ 88,760          | \$ 95,374         |
| Current portion of operating lease liabilities (note 12)            | 2,656              | 3,307             |
| Short-term debt (note 13)                                           | —                  | 15,156            |
| Current portion of long-term debt (note 14)                         | 15,260             | 14,108            |
| Current portion of warranty liability (note 15)                     | 4,045              | 6,892             |
| <b>Total current liabilities</b>                                    | <b>110,721</b>     | <b>134,837</b>    |
| Long-term operating lease liabilities (note 12)                     | 17,781             | 19,300            |
| Long-term debt (note 14)                                            | 23,483             | 30,957            |
| Warranty liability (note 15)                                        | 1,350              | 1,614             |
| Deferred income tax liabilities                                     | 4,138              | 3,477             |
| Other long-term liabilities                                         | 4,869              | 5,115             |
| <b>Total liabilities</b>                                            | <b>162,342</b>     | <b>195,300</b>    |
| Shareholders' equity:                                               |                    |                   |
| Share capital (note 16):                                            |                    |                   |
| Unlimited common and preferred shares, no par value                 |                    |                   |
| 17,264,864 (2023 - 17,174,502) common shares issued and outstanding | 1,245,712          | 1,244,539         |
| Other equity instruments                                            | 9,399              | 9,672             |
| Additional paid in capital                                          | 11,516             | 11,516            |
| Accumulated deficit                                                 | (1,086,133)        | (1,074,434)       |
| Accumulated other comprehensive loss                                | (31,202)           | (30,845)          |
| <b>Total shareholders' equity</b>                                   | <b>149,292</b>     | <b>160,448</b>    |
| <b>Total liabilities and shareholders' equity</b>                   | <b>\$ 311,634</b>  | <b>\$ 355,748</b> |
| Commitments and contingencies (note 18)                             |                    |                   |

See accompanying notes to condensed consolidated interim financial statements.

Approved on behalf of the Board:

**Anthony Guglielmin** Director

**Brenda J. Eprile**

Director

# WESTPORT FUEL SYSTEMS INC.

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

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

Three and nine months ended September 30, 2024 and 2023

|                                                                            | Three months ended<br>September 30, |                    | Nine months ended<br>September 30, |                    |
|----------------------------------------------------------------------------|-------------------------------------|--------------------|------------------------------------|--------------------|
|                                                                            | 2024                                | 2023               | 2024                               | 2023               |
| Revenue                                                                    | \$ 66,251                           | \$ 77,391          | \$ 227,211                         | \$ 244,653         |
| Cost of revenue and expenses:                                              |                                     |                    |                                    |                    |
| Cost of revenue                                                            | 51,785                              | 64,163             | 183,900                            | 203,695            |
| Research and development                                                   | 3,266                               | 5,748              | 17,519                             | 18,796             |
| General and administrative                                                 | 7,706                               | 12,993             | 29,662                             | 33,307             |
| Sales and marketing                                                        | 2,770                               | 4,088              | 9,497                              | 12,557             |
| Foreign exchange (gain) loss                                               | (1,069)                             | 1,430              | 808                                | 4,926              |
| Depreciation and amortization                                              | 751                                 | 1,100              | 2,514                              | 3,158              |
|                                                                            | <u>65,209</u>                       | <u>89,522</u>      | <u>243,900</u>                     | <u>276,439</u>     |
| Income (loss) from operations                                              | 1,042                               | (12,131)           | (16,689)                           | (31,786)           |
| Income (loss) from investments accounted for by the equity method (note 8) | (2,781)                             | 448                | (3,438)                            | 633                |
| Gain on deconsolidation (note 5)                                           | —                                   | —                  | 13,266                             | —                  |
| Loss on sale of investment (note 8)                                        | (352)                               | —                  | (352)                              | —                  |
| Interest on long-term debt and accretion on royalty payable                | (919)                               | (568)              | (2,125)                            | (2,058)            |
| Loss on extinguishment of royalty payable                                  | —                                   | —                  | —                                  | (2,909)            |
| Interest and other income, net of bank charges                             | 569                                 | 238                | 761                                | 1,437              |
| Loss before income taxes                                                   | (2,441)                             | (12,013)           | (8,577)                            | (34,683)           |
| Income tax expense (recovery)                                              | 1,427                               | (76)               | 3,122                              | 1,089              |
| Net loss for the period                                                    | <u>(3,868)</u>                      | <u>(11,937)</u>    | <u>(11,699)</u>                    | <u>(35,772)</u>    |
| Changes in foreign currency translation adjustment                         | 2,177                               | (3,427)            | 535                                | 1,925              |
| Ownership share of equity method investments' other comprehensive loss     | (809)                               | —                  | (892)                              | —                  |
| Other comprehensive income (loss)                                          | 1,368                               | (3,427)            | (357)                              | 1,925              |
| Comprehensive loss                                                         | <u>\$ (2,500)</u>                   | <u>\$ (15,364)</u> | <u>\$ (12,056)</u>                 | <u>\$ (33,847)</u> |
| Net loss per share:                                                        |                                     |                    |                                    |                    |
| Net loss per share - basic                                                 | \$ (0.22)                           | \$ (0.70)          | \$ (0.68)                          | \$ (2.08)          |
| Net loss per share - diluted                                               | <u>\$ (0.22)</u>                    | <u>\$ (0.70)</u>   | <u>\$ (0.68)</u>                   | <u>\$ (2.08)</u>   |
| Weighted average common shares outstanding:                                |                                     |                    |                                    |                    |
| Basic                                                                      | 17,264,157                          | 17,174,972         | 17,241,469                         | 17,172,429         |
| Diluted                                                                    | <u>17,264,157</u>                   | <u>17,174,972</u>  | <u>17,241,469</u>                  | <u>17,172,429</u>  |

See accompanying notes to condensed consolidated interim financial statements.

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Statements of Shareholders' Equity (unaudited)

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

Three and nine months ended September 30, 2024 and 2023

|                                                      | Common shares<br>outstanding<br>(adjusted, note 16) | Share capital       | Other equity<br>instruments | Additional<br>paid in capital | Accumulated<br>deficit | Accumulated<br>other<br>comprehensive<br>loss | Total<br>shareholders'<br>equity |
|------------------------------------------------------|-----------------------------------------------------|---------------------|-----------------------------|-------------------------------|------------------------|-----------------------------------------------|----------------------------------|
| Three months ended September 30, 2023                |                                                     |                     |                             |                               |                        |                                               |                                  |
| July 1, 2023                                         | 17,174,972                                          | \$ 1,244,547        | \$ 9,312                    | \$ 11,516                     | \$ (1,048,551)         | \$ (29,966)                                   | \$ 186,858                       |
| Stock-based compensation                             | —                                                   | —                   | (310)                       | —                             | —                      | —                                             | (310)                            |
| Net loss for the period                              | —                                                   | —                   | —                           | —                             | (11,937)               | —                                             | (11,937)                         |
| Other comprehensive loss                             | —                                                   | —                   | —                           | —                             | —                      | (3,427)                                       | (3,427)                          |
| September 30, 2023                                   | <u>17,174,972</u>                                   | <u>\$ 1,244,547</u> | <u>\$ 9,002</u>             | <u>\$ 11,516</u>              | <u>\$ (1,060,488)</u>  | <u>\$ (33,393)</u>                            | <u>\$ 171,184</u>                |
| Nine months ended September 30, 2023                 |                                                     |                     |                             |                               |                        |                                               |                                  |
| January 1, 2023                                      | 17,130,316                                          | \$ 1,243,272        | \$ 9,212                    | \$ 11,516                     | \$ (1,024,716)         | \$ (35,318)                                   | \$ 203,966                       |
| Issuance of common shares on exercise of share units | 44,656                                              | 1,275               | (1,275)                     | —                             | —                      | —                                             | —                                |
| Stock-based compensation                             | —                                                   | —                   | 1,065                       | —                             | —                      | —                                             | 1,065                            |
| Net loss for the period                              | —                                                   | —                   | —                           | —                             | (35,772)               | —                                             | (35,772)                         |
| Other comprehensive income                           | —                                                   | —                   | —                           | —                             | —                      | 1,925                                         | 1,925                            |
| September 30, 2023                                   | <u>17,174,972</u>                                   | <u>\$ 1,244,547</u> | <u>\$ 9,002</u>             | <u>\$ 11,516</u>              | <u>\$ (1,060,488)</u>  | <u>\$ (33,393)</u>                            | <u>\$ 171,184</u>                |
| Three months ended September 30, 2024                |                                                     |                     |                             |                               |                        |                                               |                                  |
| July 1, 2024                                         | 17,258,364                                          | \$ 1,245,651        | \$ 9,193                    | \$ 11,516                     | \$ (1,082,265)         | \$ (32,570)                                   | \$ 151,525                       |
| Issuance of common shares on exercise of share units | 6,500                                               | 61                  | (61)                        | —                             | —                      | —                                             | —                                |
| Stock-based compensation                             | —                                                   | —                   | 267                         | —                             | —                      | —                                             | 267                              |
| Net loss for the period                              | —                                                   | —                   | —                           | —                             | (3,868)                | —                                             | (3,868)                          |
| Other comprehensive income                           | —                                                   | —                   | —                           | —                             | —                      | 1,368                                         | 1,368                            |
| September 30, 2024                                   | <u>17,264,864</u>                                   | <u>\$ 1,245,712</u> | <u>\$ 9,399</u>             | <u>\$ 11,516</u>              | <u>\$ (1,086,133)</u>  | <u>\$ (31,202)</u>                            | <u>\$ 149,292</u>                |
| Nine months ended September 30, 2024                 |                                                     |                     |                             |                               |                        |                                               |                                  |
| January 1, 2024                                      | 17,174,502                                          | \$ 1,244,539        | \$ 9,672                    | \$ 11,516                     | \$ (1,074,434)         | \$ (30,845)                                   | \$ 160,448                       |
| Issuance of common shares on exercise of share units | 90,362                                              | 1,173               | (1,173)                     | —                             | —                      | —                                             | —                                |
| Stock-based compensation                             | —                                                   | —                   | 900                         | —                             | —                      | —                                             | 900                              |
| Net loss for the period                              | —                                                   | —                   | —                           | —                             | (11,699)               | —                                             | (11,699)                         |
| Other comprehensive loss                             | —                                                   | —                   | —                           | —                             | —                      | (357)                                         | (357)                            |
| September 30, 2024                                   | <u>17,264,864</u>                                   | <u>\$ 1,245,712</u> | <u>\$ 9,399</u>             | <u>\$ 11,516</u>              | <u>\$ (1,086,133)</u>  | <u>\$ (31,202)</u>                            | <u>\$ 149,292</u>                |

See accompanying notes to condensed consolidated interim financial statements.

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in thousands of United States dollars)

Three and nine months ended September 30, 2024 and 2023

|                                                                                           | Three months ended<br>September 30, |                  | Nine months ended<br>September 30, |                  |
|-------------------------------------------------------------------------------------------|-------------------------------------|------------------|------------------------------------|------------------|
|                                                                                           | 2024                                | 2023             | 2024                               | 2023             |
| <b>Operating activities:</b>                                                              |                                     |                  |                                    |                  |
| Net loss for the period                                                                   | \$ (3,868)                          | \$ (11,937)      | \$ (11,699)                        | \$ (35,772)      |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                                     |                  |                                    |                  |
| Depreciation and amortization                                                             | 1,790                               | 3,250            | 6,753                              | 9,270            |
| Stock-based compensation expense                                                          | 267                                 | (310)            | 900                                | 1,065            |
| Unrealized foreign exchange (gain) loss                                                   | (1,069)                             | 1,430            | 808                                | 4,926            |
| Deferred income tax expense (recovery)                                                    | 333                                 | (324)            | 678                                | (347)            |
| Loss (income) from investments accounted for by the equity method                         | 2,781                               | (448)            | 3,438                              | (633)            |
| Interest on long-term debt and accretion on royalty payable                               | 18                                  | 22               | 53                                 | 316              |
| Change in inventory write-downs                                                           | 594                                 | 500              | 2,030                              | 2,078            |
| Loss on extinguishment of royalty payable                                                 | —                                   | —                | —                                  | 2,909            |
| Change in bad debt expense                                                                | 271                                 | 304              | 122                                | 676              |
| Gain on deconsolidation                                                                   | —                                   | —                | (13,266)                           | —                |
| Loss on sale of investments                                                               | 352                                 | —                | 352                                | —                |
| Other                                                                                     | 14                                  | 144              | 46                                 | 123              |
| Changes in operating assets and liabilities:                                              |                                     |                  |                                    |                  |
| Accounts receivable                                                                       | 13,977                              | 2,877            | 23,760                             | 2,305            |
| Inventories                                                                               | (7,788)                             | 3,359            | (14,242)                           | 2,231            |
| Prepaid expenses                                                                          | (77)                                | 1,889            | (665)                              | 3,296            |
| Accounts payable and accrued liabilities                                                  | (15,746)                            | 844              | (3,551)                            | 1,894            |
| Warranty liability                                                                        | (1,782)                             | (1,061)          | (3,809)                            | (3,622)          |
| <b>Net cash provided by (used in) operating activities</b>                                | <b>(9,933)</b>                      | <b>539</b>       | <b>(8,292)</b>                     | <b>(9,285)</b>   |
| <b>Investing activities:</b>                                                              |                                     |                  |                                    |                  |
| Purchase of property, plant and equipment                                                 | (2,140)                             | (4,081)          | (12,470)                           | (11,993)         |
| Proceeds from sale of investments                                                         | 9,564                               | —                | 29,994                             | —                |
| Proceeds on sale of assets                                                                | 38                                  | —                | 607                                | 133              |
| Dividends received from investments accounted for by the equity method                    | —                                   | —                | 297                                | —                |
| Capital contributions to investments accounted for by the equity method                   | —                                   | —                | (9,900)                            | —                |
| <b>Net cash provided by (used in) investing activities</b>                                | <b>7,462</b>                        | <b>(4,081)</b>   | <b>8,528</b>                       | <b>(11,860)</b>  |
| <b>Financing activities:</b>                                                              |                                     |                  |                                    |                  |
| Repayments of operating lines of credit and long-term facilities                          | (6,965)                             | (11,397)         | (41,042)                           | (33,077)         |
| Drawings on operating lines of credit and long-term facilities                            | —                                   | 7,497            | 19,336                             | 20,593           |
| Payment of royalty payable                                                                | —                                   | —                | —                                  | (8,687)          |
| <b>Net cash used in financing activities</b>                                              | <b>(6,965)</b>                      | <b>(3,900)</b>   | <b>(21,706)</b>                    | <b>(21,171)</b>  |
| Effect of foreign exchange on cash and cash equivalents                                   | 1,171                               | (856)            | (126)                              | 99               |
| <b>Net decrease in cash and cash equivalents</b>                                          | <b>(8,265)</b>                      | <b>(8,298)</b>   | <b>(21,596)</b>                    | <b>(42,217)</b>  |
| Cash and cash equivalents, beginning of period (including restricted cash)                | 41,522                              | 52,265           | 54,853                             | 86,184           |
| <b>Cash and cash equivalents, end of period (including restricted cash)</b>               | <b>\$ 33,257</b>                    | <b>\$ 43,967</b> | <b>\$ 33,257</b>                   | <b>\$ 43,967</b> |

# WESTPORT FUEL SYSTEMS INC.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in thousands of United States dollars)

Three and nine months ended September 30, 2024 and 2023

|                            | Three months ended<br>September 30, |        | Nine months ended<br>September 30, |          |
|----------------------------|-------------------------------------|--------|------------------------------------|----------|
|                            | 2024                                | 2023   | 2024                               | 2023     |
| Supplementary information: |                                     |        |                                    |          |
| Interest paid              | \$ 585                              | \$ 686 | \$ 2,297                           | \$ 2,183 |
| Taxes paid, net of refunds | 947                                 | 606    | 1,496                              | 1,638    |

See accompanying notes to condensed consolidated interim financial statements.

# WESTPORT FUEL SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

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

Three and nine months ended September 30, 2024 and 2023

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## 1. Company organization and operations:

Westport Fuel Systems Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta) on March 20, 1995. Westport Fuel Systems is a global company focused on engineering, manufacturing, and supplying alternative fuel systems and components for transportation applications. The Company's diverse product offerings sold under a wide range of established global brands enable the use of a number of alternative fuels in the transportation sector that provide environmental and/or economic advantages as compared to diesel, gasoline, batteries or fuel cell powered vehicles. The Company's fuel systems and associated components control the pressure and flow of these alternative fuels, including liquid petroleum gas ("LPG"), compressed natural gas ("CNG"), liquified natural gas ("LNG"), renewable natural gas ("RNG") or biomethane, and hydrogen. The Company supplies its products in more than 70 countries through a network of distributors, service providers for the aftermarket and directly to original equipment manufacturers ("OEMs") and Tier 1 and Tier 2 OEM suppliers. The Company's products and services are available for passenger car and light-, medium- and heavy-duty truck and off-road applications.

## 2. Liquidity and going concern:

In connection with preparing consolidated financial statements for each annual and interim reporting period, the Company is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. Substantial doubt exists when conditions and events, considered in aggregate, indicate that it is probable a company will be unable to meet its obligations as they become due within one year after the date the consolidated financial statements are issued. This evaluation initially does not take into consideration the potential mitigating effect of management's plans and actions that have not been fully implemented as of the date the financial statements are issued. When substantial doubt exists, management evaluates whether the mitigating effect of its plans sufficiently alleviates substantial doubt about the Company's ability to continue as a going concern. The mitigating effect of management's plans, however, is only considered if both: (1) it is probable the plans will be effectively implemented within one year after the date the financial statements are issued; and (2) it is probable the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. Generally, to be considered probable of being effectively implemented, the plans must have been approved before the date the financial statements are issued.

Management's evaluation has concluded that there are no known or currently foreseeable conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these condensed consolidated interim financial statements ("interim financial statements") are issued. These interim financial statements have therefore been prepared on the basis the Company will continue as a going concern.

The assessment of the liquidity and going concern requires the Company to make judgments about the existence of conditions or events that raise substantial doubt about the ability to continue as a going concern within one year after the date the interim financial statements are issued. This includes judgments about the Company's future activities and the timing thereof and estimates of future cash flows. Significant assumptions used in the Company's forecasted model of liquidity include forecasted sales, forecasted costs and capital expenditures, amongst others. Changes in the assumptions could have a material impact on the forecasted liquidity and going concern assessment.

On September 13, 2024, the Company announced an at-the-market equity offering program (the "ATM Program") that allows the Company to issue up to \$35,000 in common shares from treasury to the public from time to time, at the Company's discretion and subject to regulatory requirements. As at September 30, 2024, no shares were issued from treasury.

Although the Company earned operating income during the three months ended September 30, 2024, the Company continues to sustain operating losses and to use cash to support its operating activities. As at September 30, 2024, the Company had cash and cash equivalents of \$33,257 and incurred operating losses of \$16,689 during the nine months ended September 30, 2024. The Company's short-term and long-term debt was \$38,743, net of deferred financing fees, of which \$15,260 was current. In 2023, the Company amended the minimum cash covenant under the term loan with Export Development Canada ("EDC") reducing the minimum cash requirement to \$15,000. If the Company's cash and cash equivalents fall below the minimum cash requirement, the Company may be required to repay the outstanding amount of the term loan, which was \$7,816 at September 30, 2024.

# WESTPORT FUEL SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

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

Three and nine months ended September 30, 2024 and 2023

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## 2. Liquidity and going concern (continued):

The Company continues to experience inflationary pressure on production input costs from sourcing semiconductors, raw materials and parts, and increased labor costs that are impacting margins. The Company sources components globally and is exposed to price and inflation risk, which may affect the Company's liquidity.

Management is closely monitoring its financial condition and is working on initiatives to reduce its working capital and increase profitability to improve its cash flow from operating activities. The Company's current financial projections expect meaningful collections of accounts receivable from key customers and a reduction in inventory levels across the Company's operations.

The ability to continue as a going concern beyond November 2025 will depend on the Company's ability to generate sufficient positive cash flows from all its operations, specifically through working capital improvement, profitable and sustainable growth, and the Company's ability to finance its long-term strategic objectives and operations, including the joint venture with Volvo Group. If, as a result of future events, the Company was to determine it was no longer able to continue as a going concern, significant adjustments would be required to the carrying value of assets and liabilities in the accompanying unaudited condensed consolidated financial statements and the adjustments could be material.

## 3. Basis of preparation:

### (a) Basis of presentation:

These interim financial statements have been prepared by the Company and do not include all of the information and disclosures required by accounting principles generally accepted in the United States ("GAAP"). In the opinion of management, all normal recurring accruals and adjustments considered necessary for a fair presentation have been included. The results for the three and nine months ended September 30, 2024, are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements for the year ended December 31, 2023.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. In the statement of operations and comprehensive loss and the statement of cash flows, certain prior period figures have been adjusted to conform to current period presentation.

### (b) Foreign currency translation:

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

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

# WESTPORT FUEL SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

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

Three and nine months ended September 30, 2024 and 2023

## 3. Basis of preparation (continued):

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

|                 | Period ended       |                   | Average for the three months ended |                    | Average for the nine months ended |                    |
|-----------------|--------------------|-------------------|------------------------------------|--------------------|-----------------------------------|--------------------|
|                 | September 30, 2024 | December 31, 2023 | September 30, 2024                 | September 30, 2023 | September 30, 2024                | September 30, 2023 |
| Canadian Dollar | 1.35               | 1.32              | 1.36                               | 1.34               | 1.36                              | 1.35               |
| Euro            | 0.90               | 0.90              | 0.91                               | 0.92               | 0.92                              | 0.92               |
| RMB             | 7.01               | 7.10              | 7.16                               | 7.25               | 7.20                              | 7.03               |
| Polish Zloty    | 3.83               | 3.92              | 3.89                               | 4.13               | 3.96                              | 4.23               |
| Swedish Krona   | 10.09              | 10.04             | 10.42                              | 10.80              | 10.50                             | 10.59              |
| Indian Rupee    | 83.69              | 83.18             | 83.76                              | 82.69              | 83.40                             | 82.35              |
| Argentina Peso  | 966.54             | 806.72            | 940.22                             | 306.51             | 884.41                            | 234.07             |

## 4. Recently issued accounting standards:

Recently issued accounting guidance, not yet adopted:

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," to enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC 280. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Retrospective adoption is required for all prior periods presented in the financial statements. The Company is currently assessing the impacts of this ASU and expects it to impact disclosures with no impact to its operations, cash flows or financial position.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements in Income Tax Disclosures" to enhance the transparency and decision usefulness of income tax disclosures. This amendment requires public companies to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. Additionally, under the amendment entities are required to disclose the amount of income taxes paid disaggregated by federal, state and foreign taxes, as well as disaggregated by material individual jurisdictions. Finally, the amendment requires entities to disclose income from continuing operations before income tax expense disaggregated between domestic and foreign and income tax expense from continuing operations disaggregated by federal, state and foreign. The new rules are effective for annual periods beginning after December 15, 2024. The Company is currently assessing the impacts of this ASU and expects it to impact disclosures with no impact to its operations, cash flows or financial position.

# WESTPORT FUEL SYSTEMS INC.

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## 5. Formation of joint venture:

### Cespira

On June 3, 2024, the Company entered into a joint venture agreement with Volvo Group ("Volvo") and contributed certain net assets of its former HPDI business to a newly formed joint venture ("Cespira" formerly the HPDI Joint Venture), consisting of two legal entities, HPDI Technology LP and HPDI Technology AB, in which the Company retained a 55% non-controlling interest. Volvo acquired the remaining 45% interest in Cespira for cash consideration of \$27,328. Cespira is jointly controlled by both parties. The Company's former HPDI business continues to operate through the joint venture.

The Company deconsolidated the HPDI business and accounted for the Company's investment in Cespira under the equity method as it is now jointly controlled. Under this accounting method, the Company's initial investment in Cespira was recognized at the fair value of the Company's non-controlling interest. Subsequently, this cost basis will be adjusted for the Company's share of Cespira's net income or loss and other comprehensive income or loss, net of any dividends or distributions received from Cespira.

This table summarizes the preliminary fair values of the proceeds received, net assets contributed at carrying value to Cespira, estimated tax liabilities incurred in certain jurisdictions for the net assets transferred, and gain on deconsolidation:

|                                          | June 3, 2024 |
|------------------------------------------|--------------|
| Cash proceeds                            | \$ 27,328    |
| Ownership interest in HPDI Technology LP | 23,597       |
| Ownership interest in HPDI Technology AB | 9,677        |
| Total proceeds                           | 60,602       |
| Net assets contributed to Cespira        | 45,435       |
| Other liabilities                        | 1,901        |
| Gain on deconsolidation                  | \$ 13,266    |

## 6. Accounts receivable:

|                                      | September 30, 2024 | December 31, 2023 |
|--------------------------------------|--------------------|-------------------|
| Customer trade receivables           | \$ 51,306          | \$ 83,175         |
| Holdback receivables                 | 10,642             | —                 |
| Other receivables                    | 4,496              | 6,709             |
| Income tax receivable                | 318                | 1,369             |
| Due from related parties (note 17)   | 8,139              | 1,671             |
| Allowance for expected credit losses | (4,557)            | (4,847)           |
|                                      | \$ 70,344          | \$ 88,077         |

In 2022, a holdback receivable was recorded as part of the sale of the Company's interest in Cummins Westport Inc. to Cummins Inc. ("Cummins"). The holdback will be retained by Cummins for a term of three years to satisfy any extended warranty obligations in excess of the recorded extended warranty obligation. Any unused amounts will be repaid to the Company at the end of three-year term and, in the event that the holdback is not sufficient to cover the extended warranty obligations, the Company may also be required to supplement this holdback amount to cover valid extended warranty claims. As at September 30, 2024, the Company estimates to receive the full amount from Cummins based on the historical warranty claims.

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## 7. Inventories:

|                 | September 30, 2024 | December 31, 2023 |
|-----------------|--------------------|-------------------|
| Purchased parts | \$ 48,929          | \$ 50,770         |
| Work-in-process | 1,475              | 2,801             |
| Finished goods  | 15,918             | 13,959            |
|                 | <u>\$ 66,322</u>   | <u>\$ 67,530</u>  |

During the three and nine months ended September 30, 2024, the Company recorded changes in write-downs to net realizable value of approximately \$594 and \$2,030, respectively (three and nine months ended September 30, 2023 - \$500 and \$2,078, respectively). As part of the formation of the Cespira, the Company contributed \$13,850 of inventory.

## 8. Long-term investments:

|                                         | September 30, 2024 | December 31, 2023 |
|-----------------------------------------|--------------------|-------------------|
| HPDI Technology LP (a)                  | \$ 28,891          | \$ —              |
| HPDI Technology AB (a)                  | 9,863              | —                 |
| Weichai Westport Inc. (b)               | —                  | 1,411             |
| Minda Westport Technologies Limited (c) | 2,421              | 3,234             |
| Other equity-accounted investees        | 147                | 147               |
|                                         | <u>\$ 41,322</u>   | <u>\$ 4,792</u>   |

(a) For the three and nine months ended September 30, 2024, the Company recognized its share of Cespira's losses of \$3,001 and \$4,104, respectively, as a loss from investment accounted for by the equity method.

(b) On July 8, 2024, the Company sold its remaining interest in Weichai Westport Inc. ("WWI") to Weichai Holding Group Co. Ltd ("Weichai") for net proceeds of \$1,124 and recognized a loss on sale of investment of \$352. This sale was pursuant to an equity transfer agreement signed with WWI in December 2023.

(c) On April 18, 2024, the Company completed a share purchase agreement with Uno Minda Limited ("Minda") and sold 26% of Minda Westport Technologies Limited's shares to Minda for net proceeds of \$1,542.

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## 9. Property, plant and equipment:

| September 30, 2024              | Cost              | Accumulated<br>Depreciation | Net Book<br>Value |
|---------------------------------|-------------------|-----------------------------|-------------------|
| Land and buildings              | \$ 9,401          | \$ 2,902                    | \$ 6,499          |
| Computer equipment and software | 7,538             | 5,429                       | 2,109             |
| Furniture and fixtures          | 5,859             | 4,006                       | 1,853             |
| Machinery and equipment         | 69,188            | 40,185                      | 29,003            |
| Leasehold improvements          | 11,831            | 8,630                       | 3,201             |
|                                 | <u>\$ 103,817</u> | <u>\$ 61,152</u>            | <u>\$ 42,665</u>  |

As part of the formation of the Cespira, the Company contributed \$32,728 of property, plant, and equipment.

| December 31, 2023               | Cost              | Accumulated<br>Depreciation | Net Book<br>Value |
|---------------------------------|-------------------|-----------------------------|-------------------|
| Land and buildings              | \$ 9,206          | \$ 2,635                    | \$ 6,571          |
| Computer equipment and software | 9,386             | 6,773                       | 2,613             |
| Furniture and fixtures          | 8,326             | 6,103                       | 2,223             |
| Machinery and equipment         | 129,642           | 75,111                      | 54,531            |
| Leasehold improvements          | 13,221            | 9,670                       | 3,551             |
|                                 | <u>\$ 169,781</u> | <u>\$ 100,292</u>           | <u>\$ 69,489</u>  |

## 10. Intangible assets:

| September 30, 2024     | Cost             | Accumulated<br>Amortization | Intangible<br>Assets, net |
|------------------------|------------------|-----------------------------|---------------------------|
| Patents and trademarks | \$ 20,566        | \$ 14,678                   | \$ 5,888                  |
| Technology             | 4,134            | 4,069                       | 65                        |
| Customer contracts     | 11,762           | 11,762                      | —                         |
|                        | <u>\$ 36,462</u> | <u>\$ 30,509</u>            | <u>\$ 5,953</u>           |

| December 31, 2023      | Cost             | Accumulated<br>Amortization | Intangible<br>Assets, net |
|------------------------|------------------|-----------------------------|---------------------------|
| Patents and trademarks | \$ 20,417        | \$ 13,724                   | \$ 6,693                  |
| Technology             | 4,094            | 3,965                       | 129                       |
| Customer contracts     | 11,646           | 11,646                      | —                         |
|                        | <u>\$ 36,157</u> | <u>\$ 29,335</u>            | <u>\$ 6,822</u>           |

## 11. Accounts payable and accrued liabilities:

|                        | September 30, 2024 | December 31, 2023 |
|------------------------|--------------------|-------------------|
| Trade accounts payable | \$ 59,324          | \$ 70,567         |
| Accrued payroll        | 19,261             | 18,129            |
| Taxes payable          | 6,050              | 4,302             |
| Deferred revenue       | 4,125              | 2,376             |
|                        | <u>\$ 88,760</u>   | <u>\$ 95,374</u>  |

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## 12. Operating leases right-of-use assets and lease liabilities:

The Company has entered into various non-cancellable operating lease agreements primarily for its manufacturing facilities and offices. The Company's leases have lease terms expiring between 2025 and 2038. Many leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. The average remaining lease term is approximately seven years and the present value of the outstanding operating lease liability was determined applying a weighted average discount rate of 3.0% based on incremental borrowing rates applicable in each location.

The components of lease cost are as follows:

|                                     | Three months ended September 30, |               | Nine months ended September 30, |                 |
|-------------------------------------|----------------------------------|---------------|---------------------------------|-----------------|
|                                     | 2024                             | 2023          | 2024                            | 2023            |
| Operating lease cost:               |                                  |               |                                 |                 |
| Amortization of right-of-use assets | \$ 525                           | \$ 753        | \$ 1,811                        | \$ 2,388        |
| Interest                            | 133                              | 143           | 439                             | 493             |
| Total lease cost                    | <u>\$ 658</u>                    | <u>\$ 896</u> | <u>\$ 2,250</u>                 | <u>\$ 2,881</u> |

The maturities of lease liabilities as at September 30, 2024 are as follows:

|                                              |                  |
|----------------------------------------------|------------------|
| The remainder of 2024                        | \$ 678           |
| 2025                                         | 2,636            |
| 2026                                         | 2,588            |
| 2027                                         | 2,535            |
| 2028                                         | 2,263            |
| Thereafter                                   | 12,557           |
| Total undiscounted cash flows                | 23,257           |
| Less: imputed interest                       | 2,820            |
| Present value of operating lease liabilities | 20,437           |
| Less: current portion                        | 2,656            |
| Long-term operating lease liabilities        | <u>\$ 17,781</u> |

## 13. Short-term debt:

|                                | September 30, 2024 | December 31, 2023 |
|--------------------------------|--------------------|-------------------|
| Revolving financing facilities | \$ —               | \$ 15,156         |

The Company has a revolving financing facility with Royal Bank of Canada ("RBC"). This facility is secured by certain receivables of the Company and the maximum draw amount is \$20,000, based on the receivables outstanding. As the Company collects these secured receivables, the facility is repaid. The revolving financing facility's advances in either U.S. dollars or Euros bear interest at the secured overnight financing rate plus 3.76% per annum or the Euro short-term rate plus 3.6%, respectively. As at September 30, 2024, the revolving financing facility was fully repaid.

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## 14. Long-term debt:

|                                                  | September 30, 2024 | December 31, 2023 |
|--------------------------------------------------|--------------------|-------------------|
| Term loan facilities, net of debt issuance costs | \$ 37,172          | \$ 42,879         |
| Other bank financing                             | 470                | 531               |
| Capital lease obligations                        | 1,101              | 1,655             |
| Balance, end of period                           | 38,743             | 45,065            |
| Current portion                                  | 15,260             | 14,108            |
| Long-term portion                                | \$ 23,483          | \$ 30,957         |

| Term loan                                        | Maturity date      | Interest rate              | September 30, 2024 | December 31, 2023 |
|--------------------------------------------------|--------------------|----------------------------|--------------------|-------------------|
| EDC                                              | September 15, 2026 | U.S. Prime Rate plus 2.01% | \$ 7,816           | \$ 10,763         |
| UniCredit - April 2021                           | March 31, 2027     | 3-month Euribor plus 1.65% | 5,245              | 6,793             |
| UniCredit - May 2020                             | May 31, 2025       | 3-month Euribor plus 1.60% | 861                | 1,693             |
| UniCredit - July 2020                            | July 31, 2026      | 3-month Euribor plus 1.75% | 5,842              | 8,313             |
| Deutsche Bank - August 2020                      | August 31, 2026    | 3-month Euribor plus 1.70% | 2,720              | 3,867             |
| Banca de Credito Cooperativo - November 2023     | December 31, 2028  | 3-month Euribor plus 1.75% | 2,226              | 2,192             |
| Deutsche Bank - November 2023                    | September 30, 2029 | 3-month Euribor plus 1.90% | 7,226              | 7,710             |
| Rabobank - December 2023                         | December 31, 2028  | 4.70%                      | 1,247              | 1,548             |
| UniCredit - January 2024                         | December 31, 2028  | 3-month Euribor plus 1.52% | 3,989              | —                 |
| Term loan facilities, net of debt issuance costs |                    |                            | \$ 37,172          | \$ 42,879         |

On December 13, 2021, the credit facility and non-revolving term facility with EDC were refinanced into one \$20,000 term loan, with quarterly principal and interest payments. On May 31, 2024, the Company amended the loan agreement with EDC to permit the asset transfer of certain property, plant, and equipment previously pledged to the loan into Cespira, removal of Fuel System Solutions Inc. as a borrower, added Westport Fuel Systems Canada Inc. as a borrower and modified the securities pledged to the loan. The loan is secured by share pledges in the Company's equity interest in Cespira.

On October 9, 2018 and November 28, 2019, the Company entered into two Euro denominated loan agreements with UniCredit S.p.A. ("UniCredit"). On April 29, 2021, the Company and UniCredit amended the terms of these Euro denominated loan agreements to combine the facilities into one \$8,803 loan facility, with quarterly principal and interest payments.

On May 20, 2020 and July 17, 2020, the Company entered into two Euro denominated loan agreements with UniCredit. There are no securities provided on the loans as the loans were made as part of the Italian government's COVID-19 Decreto Liquidità.

On August 11, 2020, the Company entered into a Euro denominated loan agreement with Deutsche Bank. There is no security provided on the loan as the loan was made as part of the Italian government's COVID-19 Decreto Liquidità.

On November 28, 2023, the Company entered into a Euro denominated loan agreement with Banca de Credito Cooperativo with quarterly principal and interest payments. There is no security provided on the loan as the loan was made as part of the Italian government's guarantee program administered by the Servizi Assicurativi del Commercio Estero ("SACE").

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

On November 29, 2023, the Company entered into a Euro denominated loan agreement with Deutsche Bank with quarterly principal and interest payments. There is no security provided on the loan as the loan was made as part of the Italian government's SACE guarantee program.

On December 4, 2023, the Company entered into a Euro denominated loan agreement with Rabobank and principal and interest are paid monthly. The loan is secured by certain property owned by the Company.

On January 10, 2024, the Company entered into a Euro denominated loan agreement with UniCredit with quarterly principal and interest payments, and the first payment is due in 2025. There is no security provided on the loan as the loan was made as part of the Italian government's SACE guarantee program.

The Company has entered into interest rate swaps with Unicredit and Deutsche Bank, which are directly associated with the Unicredit (2020 and 2021), Deutsche Bank (2020), Deutsche Bank (2023) and UniCredit (2024) term loans. These interest rate swaps serve as a hedging mechanism against potential fluctuations in future interest rates ensuring stability in loan repayments. As of September 30, 2024, the Unicredit interest rate swaps have maturity dates ranging from 2025 to 2028 and a total notional value of \$15,868. Additionally, the Deutsche Bank interest rate swaps have a maturity dates ranging from 2026 and 2029, with a notional value of \$9,843. The notional value of these interest rate swaps is adjusted concurrently with scheduled principal payments on the corresponding loans. These interest rate swaps have been designated as cash flow hedges and have been structured to be highly effective. As of September 30, 2024, the fair value of the interest rate swaps amounted to \$204, which is included in other long-term assets (December 31, 2023 - \$822).

Throughout the term of certain of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As of September 30, 2024, the Company is in compliance with all covenants under the financing arrangements.

The principal repayment schedule of long-term debt is as follows as at September 30, 2024:

|                     | Term loan facilities | Other bank financing | Capital lease obligations | Total            |
|---------------------|----------------------|----------------------|---------------------------|------------------|
| Remainder of 2024   | \$ 3,569             | \$ 68                | \$ 129                    | \$ 3,766         |
| 2025                | 14,804               | 134                  | 394                       | 15,332           |
| 2026                | 10,752               | 134                  | 199                       | 11,085           |
| 2027                | 3,814                | 134                  | 186                       | 4,134            |
| 2028 and thereafter | 4,233                | —                    | 193                       | 4,426            |
|                     | <u>\$ 37,172</u>     | <u>\$ 470</u>        | <u>\$ 1,101</u>           | <u>\$ 38,743</u> |

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## 15. Warranty liability:

A continuity of the warranty liability is as follows:

|                                    | September 30, 2024 | December 31, 2023 |
|------------------------------------|--------------------|-------------------|
| Balance, beginning of period       | \$ 8,506           | \$ 14,299         |
| Warranty claims                    | (3,142)            | (6,826)           |
| Warranty accruals                  | 1,812              | 5,152             |
| Change in estimate                 | 258                | (2,204)           |
| Impact of foreign exchange changes | (197)              | (1,915)           |
| Transfer to Cespira                | (1,842)            | —                 |
| Balance, end of period             | 5,395              | 8,506             |
| Less: current portion              | 4,045              | 6,892             |
| Long-term portion                  | \$ 1,350           | \$ 1,614          |

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

During the three and nine months ended September 30, 2024, the Company issued 6,500 and 90,362 common shares, respectively, net of cancellations, upon exercises of share units (three and nine months ended September 30, 2023 – nil and 44,656 common shares, respectively). The Company issues shares from treasury to satisfy share unit exercises.

### (a) Share Units (“Units”):

The value assigned to issued Units and the amounts accrued are recorded as other equity instruments. As Units are exercised or vest and the underlying shares are issued from treasury of the Company, the value is reclassified to share capital.

During the three and nine months ended September 30, 2024, the Company recognized a recovery of \$140 and expense of \$1,352, respectively (three and nine months ended September 30, 2023 - recovery of \$265 and expense of \$1,238, respectively) of stock-based compensation associated with the Westport Omnibus Plan. The Westport Omnibus Plan aims to advance the Company's interests by encouraging employees, consultants and non-employee directors to receive equity-based compensation and incentives. The plan outlines the stock-based options types, eligibility and vesting terms.

A continuity of the Units issued under the Westport Omnibus Plan are as follows:

|                                                  | Nine months ended September 30, 2024 |                                                 | Nine months ended September 30, 2023 |                                                 |
|--------------------------------------------------|--------------------------------------|-------------------------------------------------|--------------------------------------|-------------------------------------------------|
|                                                  | Number of Units                      | Weighted average grant date fair value (CDN \$) | Number of Units                      | Weighted average grant date fair value (CDN \$) |
| Outstanding, beginning of period                 | 478,643                              | \$ 15.68                                        | 317,432                              | \$ 24.10                                        |
| Granted                                          | 224,050                              | 8.23                                            | 435,128                              | 13.78                                           |
| Exercised                                        | (90,362)                             | 17.58                                           | (44,656)                             | 38.56                                           |
| Forfeited/expired                                | (54,614)                             | 22.15                                           | (216,227)                            | 19.44                                           |
| Outstanding, end of period                       | 557,717                              | \$ 11.73                                        | 491,677                              | \$ 15.73                                        |
| Units outstanding and exercisable, end of period | —                                    | \$ —                                            | —                                    | \$ —                                            |

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

During the nine months ended September 30, 2024, 224,050 share units were granted to certain employees and directors (nine months ended September 30, 2023 - 435,128). This included 104,215 restricted share units ("RSUs") (nine months ended September 30, 2023 - 147,557), nil performance share units ("PSUs") (nine months ended September 30, 2023 - 185,365) and 119,835 deferred share units ("DSUs") (nine months ended September 30, 2023 - 102,206).

Values of PSUs are determined using the Monte-Carlo Simulation Model. RSUs typically vest over a three-year period so the actual value received by the individual depends on the share price on the day such RSUs are settled for common shares, not the date of grant. Vesting of DSUs shall occur immediately prior to the resignation, retirement or termination of directorship, in accordance with the terms of Westport's Omnibus Plan.

As at September 30, 2024, \$1,532 of compensation expense related to Units awarded has yet to be recognized in results from operations and will be recognized ratably over 3.2 years.

### (b) Aggregate intrinsic values:

The aggregate intrinsic value of the Company's share units at September 30, 2024 as follows:

|              | September 30, 2024<br>(CDN \$) |       |
|--------------|--------------------------------|-------|
| Share units: |                                |       |
| Outstanding  | \$                             | 3,456 |
| Exercisable  |                                | —     |
| Exercised    |                                | 558   |

### (c) Stock-based compensation:

Stock-based compensation associated with the Unit plans is included in operating expenses as follows:

|                            | Three Months Ended September 30, |                 | Nine Months Ended September 30, |                 |
|----------------------------|----------------------------------|-----------------|---------------------------------|-----------------|
|                            | 2024                             | 2023            | 2024                            | 2023            |
| Cost of revenue            | \$ 36                            | \$ (34)         | \$ 113                          | \$ 58           |
| Research and development   | 53                               | 133             | 216                             | 397             |
| General and administrative | (269)                            | (441)           | 875                             | 567             |
| Sales and marketing        | 40                               | 77              | 148                             | 216             |
|                            | <u>\$ (140)</u>                  | <u>\$ (265)</u> | <u>\$ 1,352</u>                 | <u>\$ 1,238</u> |

Of the stock-based compensation recovery and expense recognized in the three and nine months ended September 30, 2024, expense of \$267 and \$900 will settle in shares, respectively, and a recovery of \$407 and expense of \$452 will settle in cash, respectively (three and nine months ended September 30, 2023 - recovery of \$310 and expense of \$1,065 will settle in shares and expense of \$45 and \$173 will settle in cash, respectively). Units settled in cash were fair value adjusted according to the closing share price at the end of each period.

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## 17. Related party transactions:

The Company's related parties are Cespira, Minda Westport Technologies Limited, directors, officers and shareholders that own greater than 10% of the Company's shares.

The Company engages in transactions with Cespira primarily through providing services and sale of inventory under the transitional services agreement and cross-charges.

The Company engages in transactions with Minda Westport Technologies Limited primarily through sales of inventory.

|                                     | Sales of goods, services and other income |       |                                 |       |
|-------------------------------------|-------------------------------------------|-------|---------------------------------|-------|
|                                     | Three Months Ended September 30,          |       | Nine Months Ended September 30, |       |
|                                     | 2024                                      | 2023  | 2024                            | 2023  |
| Cespira                             | \$ 2,677                                  | \$ —  | \$ 3,338                        | \$ —  |
| Minda Westport Technologies Limited | \$ 2,490                                  | 1,519 | 7,261                           | 5,581 |

  

|                                     | Receivables (note 6) |              |
|-------------------------------------|----------------------|--------------|
|                                     | September 30,        | December 31, |
|                                     | 2024                 | 2023         |
| Cespira                             | \$ 4,808             | \$ —         |
| Minda Westport Technologies Limited | \$ 3,331             | \$ 1,671     |
| Total                               | \$ 8,139             | \$ 1,671     |

## 18. Commitments and contingencies:

### (a) Contractual commitments

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

### (b) Contingencies

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

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## 19. Segment information:

On June 3, 2024, the Company entered into a joint venture agreement with Volvo to form Cespira and deconsolidated its former HPDI business. As a result, the Company changed how it reviews and manages its business through five reportable segments: Light-Duty, High-Pressure Controls & Systems, Heavy-Duty OEM, Corporate, and Cespira. This reflects the manner in which operating decisions and assessing business performance is currently managed by the Chief Operating Decision Maker (“CODM”). The prior year comparatives were restated to reflect this change in reportable segments in the current period.

Financial information by business segment as follows:

|                                  | Three months ended September 30, 2024 |                         |                             |                      |
|----------------------------------|---------------------------------------|-------------------------|-----------------------------|----------------------|
|                                  | Revenue                               | Operating income (loss) | Depreciation & amortization | Equity income (loss) |
| Light-Duty                       | \$ 61,466                             | \$ 2,320                | \$ 1,565                    | \$ 220               |
| High-Pressure Controls & Systems | 1,672                                 | (1,159)                 | 146                         | —                    |
| Heavy-Duty OEM                   | 3,113                                 | 856                     | 8                           | —                    |
| Corporate                        | —                                     | (975)                   | 71                          | (3,001)              |
| Cespira                          | 16,209                                | (5,257)                 | 938                         | —                    |
| Total segment                    | 82,460                                | (4,215)                 | 2,728                       | (2,781)              |
| Less: Cespira                    | 16,209                                | (5,257)                 | 938                         | —                    |
| Total consolidated               | \$ 66,251                             | \$ 1,042                | \$ 1,790                    | \$ (2,781)           |

|                                  | Three months ended September 30, 2023 |                |                             |               |
|----------------------------------|---------------------------------------|----------------|-----------------------------|---------------|
|                                  | Revenue                               | Operating loss | Depreciation & amortization | Equity income |
| Light-Duty                       | \$ 60,181                             | \$ (3,033)     | \$ 1,696                    | \$ 448        |
| High-Pressure Controls & Systems | 3,702                                 | (409)          | 93                          | —             |
| Heavy-Duty OEM                   | 13,508                                | (3,707)        | 1,321                       | —             |
| Corporate                        | —                                     | (4,982)        | 140                         | —             |
| Total consolidated               | \$ 77,391                             | \$ (12,131)    | \$ 3,250                    | \$ 448        |

|                                  | Nine months ended September 30, 2024 |                         |                             |                      |
|----------------------------------|--------------------------------------|-------------------------|-----------------------------|----------------------|
|                                  | Revenue                              | Operating income (loss) | Depreciation & amortization | Equity income (loss) |
| Light-Duty                       | \$ 194,171                           | \$ 7,191                | \$ 4,661                    | \$ 666               |
| High-Pressure Controls & Systems | 7,439                                | (3,580)                 | 372                         | —                    |
| Heavy-Duty OEM                   | 25,601                               | (7,711)                 | 1,399                       | —                    |
| Corporate                        | —                                    | (12,589)                | 321                         | (4,104)              |
| Cespira                          | 20,268                               | (7,269)                 | 1,203                       | —                    |
| Total segment                    | 247,479                              | (23,958)                | 7,956                       | (3,438)              |
| Less: Cespira                    | 20,268                               | (7,269)                 | 1,203                       | —                    |
| Total consolidated               | \$ 227,211                           | \$ (16,689)             | \$ 6,753                    | \$ (3,438)           |

# WESTPORT FUEL SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

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

Three and nine months ended September 30, 2024 and 2023

## 19. Segment information (continued):

|                                  | Nine months ended September 30, 2023 |                |                             |               |
|----------------------------------|--------------------------------------|----------------|-----------------------------|---------------|
|                                  | Revenue                              | Operating loss | Depreciation & amortization | Equity income |
| Light-Duty                       | \$ 200,329                           | \$ (4,965)     | \$ 5,122                    | \$ 633        |
| High-Pressure Controls & Systems | 9,416                                | (1,645)        | 255                         | —             |
| Heavy-Duty OEM                   | 34,908                               | (12,240)       | 3,491                       | —             |
| Corporate                        | —                                    | (12,936)       | 402                         | —             |
| Total consolidated               | \$ 244,653                           | \$ (31,786)    | \$ 9,270                    | \$ 633        |

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

|          | % of revenue                     |      |                                 |      |
|----------|----------------------------------|------|---------------------------------|------|
|          | Three months ended September 30, |      | Nine months ended September 30, |      |
|          | 2024                             | 2023 | 2024                            | 2023 |
| Europe   | 71 %                             | 70 % | 69 %                            | 69 % |
| Asia     | 8 %                              | 10 % | 10 %                            | 10 % |
| Americas | 15 %                             | 13 % | 14 %                            | 13 % |
| Africa   | 2 %                              | 2 %  | 2 %                             | 4 %  |
| Other    | 4 %                              | 5 %  | 5 %                             | 4 %  |

Total assets are allocated as follows:

|                                  | September 30, 2024 | December 31, 2023 |
|----------------------------------|--------------------|-------------------|
| Light-Duty                       | \$ 238,642         | \$ 252,778        |
| High-Pressure Controls & Systems | 9,650              | 9,382             |
| Heavy-Duty OEM                   | 11,036             | 84,808            |
| Corporate                        | 52,306             | 8,780             |
| Total consolidated assets        | \$ 311,634         | \$ 355,748        |

Cespira's total assets as at September 30, 2024 were \$93,480 (December 31, 2023 - nil).

# WESTPORT FUEL SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

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

Three and nine months ended September 30, 2024 and 2023

## 20. Financial instruments:

### Financial management risk

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

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company has a history of operating losses and negative cash flows from operations. At September 30, 2024, the Company had \$33,257 of cash and cash equivalents, including \$408 in restricted cash.

The following are the contractual maturities of financial obligations as at September 30, 2024:

|                                          | Carrying<br>amount | Contractual<br>cash flows | < 1 year         | 1-3 years        | 4-5 years       | >5 years         |
|------------------------------------------|--------------------|---------------------------|------------------|------------------|-----------------|------------------|
| Accounts payable and accrued liabilities | \$ 88,760          | \$ 88,760                 | \$ 88,760        | \$ —             | \$ —            | \$ —             |
| Term loan facilities (note 14)           | 37,172             | 38,717                    | 3,802            | 30,504           | 4,411           | —                |
| Other bank financing                     | 470                | 471                       | 69               | 402              | —               | —                |
| Capital lease obligations                | 1,101              | 1,104                     | 131              | 780              | 193             | —                |
| Operating lease obligations (note 12)    | 20,437             | 23,257                    | 679              | 7,759            | 4,657           | 10,162           |
|                                          | <u>\$ 147,940</u>  | <u>\$ 152,309</u>         | <u>\$ 93,441</u> | <u>\$ 39,445</u> | <u>\$ 9,261</u> | <u>\$ 10,162</u> |

### Fair value of financial instruments

As at September 30, 2024, cash and cash equivalents are measured at fair value on a recurring basis and are included in Level 1.

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

The long-term investments represent the Company's interests in HPDI Technology LP, HPDI Technology AB, Minda Westport Technologies Limited, and other investments. HPDI Technology LP, HPDI Technology AB, and Minda Westport Technologies Limited are accounted for using the equity method. Other investments are accounted for at fair value.

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

The carrying values of the term loan facilities, and other bank financing included in the long-term debt (note 14) are carried at amortized cost, which approximate their respective fair values as at September 30, 2024. The interest rate swaps (note 14) are accounted for at fair value using quoted market prices.

# WESTPORT FUEL SYSTEMS INC.

Notes to Condensed Consolidated Interim Financial Statements (unaudited)

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

Three and nine months ended September 30, 2024 and 2023

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## **20. Financial Instruments (continued):**

The Company categorizes its fair value measurements for items measured at fair value on a recurring basis into three categories as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When available, the Company uses quoted market prices to determine fair value and classify such items in Level 1. When necessary, Level 2 valuations are performed based on quoted market prices for similar instruments in active markets and/or model-derived valuations with inputs that are observable in active markets. Level 3 valuations are undertaken in the absence of reliable Level 1 or Level 2 information.