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## Operator

Welcome to the Westport Fuel Systems Third Quarter 2018 Financial Results Conference Call. As a reminder, all participants are in 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 zero.

I would now like to turn the conference over to Ms. Caroline Sawamoto, Senior Manager of Investor Relations and Communications for Westport Fuel Systems. Please, go ahead.

## CAROLINE SAWAMOTO speaking Senior Manager, Investor Relations and Communications, Westport Fuel Systems

Thank you and good afternoon. Welcome to Westport Fuel Systems Third Quarter 2018 Conference Call, which is being held to coincide with the press release containing Westport Fuel Systems financial results that went out this afternoon. On today's call, speaking on behalf of Westport Fuel Systems, is Chief Executive Officer, Nancy Gougarty, and Chief Financial Officer, Mike Willis. Attendance at this call is open to the public and to media, but questions will be restricted to the investment 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.

I'll now turn over the call over to Nancy.

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

Good afternoon and thank you for joining us for Westport Fuel Systems Third Quarter Results Conference Call.

In the past several years, we have been very active in taking the necessary steps to move Westport Fuel Systems into a profitable, sustainable organization. Our transformative efforts include: optimizing our product portfolio, aligning our cost with revenue, positioning for future growth, delivering financial performance, and utilizing our people and their talents.

I am pleased with quarter three 2018. It was a solid quarter. Year-over-year revenue was up 16%, plus quarter three is our second consecutive quarter of positive adjusted EBITDA. By achieving positive adjusted EBITDA for the second time, this positions Westport Fuel Systems to adjust our secured interest, thus reducing our borrowing cost, as well as freeing up restricted cash. I will let Mike go into more detail on this in a minute.

We continue to see rapid adoption in the transportation industries towards environmentally-friendly fuels and technology. It is becoming apparent that this adoption trend is propelled by anti-diesel sentiment in concert with stringent emissions regulations around the world, but especially in Europe. A few proof points I want to highlight: firstly, the European Union new car registration is the first. In fact, the first half of 2018, in the EU, diesel vehicles' registrations fell 16% compared to the same period last year, while alternative-powered vehicles were up 36%, with CNG showing a 90% increase year-over-

year. Consumers are seeking environmentally-friendly vehicles and freedom to enter into city centres. All of this is driving a greater urgency for market-ready solutions.

Secondly, the European Commission proposal on CO2 emission targets for heavy-duty trucks is moving forward. The European Commission's proposal has a 20% CO2 reduction by 2025, moving to 35% in 2030, with 2019 as the baseline year. These CO2 reductions provide a path for Westport's HPDI solution. This CO2 proposal is being discussed in Parliament with a vote expected in quarter one 2019. It is our understanding that if this proposed legislation is enacted, that the OEMs will have to achieve compliance for their fleet, not just for an individual truck. We also know that China is eyeing these regulations, as they have in the past, for their China 6 regulations.

The third point is, OEMs are expanding their alternative fuel vehicle offerings. One of our key customers, Volkswagen, believes CNG is a long-term environmentally-friendly solution for Volkswagen's fleet, as well as the overall market. Volkswagen is growing the breadth of their CNG model offerings, and they have a goal of reaching 5% to 10% of their sales with CNG vehicles for the European market by 2025.

Lastly, some comments about my September visit to Hannover Truck Show. This show is held every other year and is one of the largest heavy-duty truck shows. Many OEMs showcase their alternative fuel vehicles. In fact, IVECO showed only environmentally-friendly fuel vehicles, so no diesel trucks on display. We were very pleased on how our HPDI launch partner showcased their LNG truck. It was in a prominent and sizable location, well-positioned for very good foot traffic. Again, these are all indicators and proof points that there are tremendous opportunities in front of us, and we're well-positioned to take advantage of them.

Let me talk a couple minutes about our Weichai HPDI agreements. It is a development agreement and a supply agreement with Weichai Westport signed in August 2018. Our second HPDI customer is a continuation of a successful relationship between Weichai and Westport Fuel Systems.

Just to give you a picture of the heavy-duty truck market opportunity in China, Weichai is an important player in this market. About 1.1 million heavy-duty trucks are sold in China, with Weichai having approximately 33% share of the heavy-duty market. With Weichai's recent development with Sinotruck, this provides us an additional opportunity to capture heavy-duty market in China.

A Weichai Westport HPDI solution will benefit from the established LNG infrastructure. There is about 3,000 LNG refuelling stations that exist today. Work has started to meet our launch timing for the second half of 2019. It's important to note that this is a take-or-pay contract with commitments to purchase a minimum of 18,000 units between 2019 launch date and the end of 2023. Plus, for each engine sold, Westport Fuel Systems will receive a royalty payment. This contract represents an opportunity for economies of scale, which we will lever.

Other business updates as I close; CWI is a market leader in North America today, and we continue to see growth opportunities from meeting near-zero mandates. Our R&D activities are much more focused in nature to preserve our industry leadership, and our Company is uniquely positioned to capture the current market and regulatory trends.

With that, I will now pass the call over to Mike to provide our Q3 financial details.

## MIKE WILLIS speaking

### Chief Financial Officer, Westport Fuel Systems

Thank you, Nancy. Having now completed my first full quarter with Westport Fuel Systems, I'm pleased that we recorded our second consecutive quarter of positive adjusted EBITDA. Repeating this achievement is a good sign for the Company and has important implications, which I'll touch upon shortly.

I'll start with slide 5 that provides a summary of our third quarter results. Note that the current and comparative periods have been adjusted to exclude the Compressor business, for which we completed the sale in July and received \$14.7 million in gross proceeds.

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We closed the quarter with sales of \$65.5 million, a net loss of \$12.1 million, and positive adjusted EBITDA of \$4.3 million. For the nine months, we reported sales of \$209.8 million, an increase of 22% over the comparable period in 2017. As a result of our stronger revenues for the first nine months of the year, we are revising our revenue guidance to \$260 million to \$275 million for 2018, up from a range of \$235 million to \$255 million, provided earlier this year.

Operating expenses decreased as a result of lower R&D expenses but remain high due to elevated legal expenses related to the ongoing SEC investigation and unrealized foreign exchange losses. As already noted, we achieved positive adjusted EBITDA for the second consecutive quarter. This is an important milestone as it triggers the release of a security position against certain of our assets held by one of our customers. The security can now be pledged to Export Development Canada, one of our senior creditors, which will result in a reduction of the interest rate on this loan from 9% to 6%, as well as the waiving of certain fees. This should translate into meaningful annual cash savings to the Company. In addition, this loan is currently secured by a portion of the proceeds resulting from the sale of the Industrial business segment in 2017 and held in a restricted account. This restricted cash will be released once the new security package is put in place. As of today, there is approximately \$5 million in this account.

One administrative note, while I'm touching upon our capital structure, is we expect to file a base shelf prospectus in the coming weeks. We currently don't have a specific plan to raise capital, but with a shelf on file, the Company should be able to raise funds more efficiently in the future.

Turning to slide 6, we look at our Transportation business segment. Revenues for the third quarter improved by 16% to \$65.5 million as compared to the same quarter in 2017 due to strength in the Aftermarket and the OEM businesses. Sales, however, did decrease by 19% from the second quarter, due to lower sales from all businesses, inclusive of the impact from the European summer shutdown and weaker Euro rates.

Gross margins improved to \$15.6 million in the third quarter of 2018, from \$13.7 million in Q3 2017. While the gross margin percentage stayed consistent with the prior-year period at 24%, there was an increase in gross margin percentage in our Aftermarket in the light and medium-duty OEM businesses, due to the higher sales in the current period. However, this was partially offset by lower gross margins generated from HPDI 2.0 product sales, and a decrease in high margin engineering service revenue associated with the HPDI 2.0 launch customer.

R&D expenses decreased by 38% in Q3 2018 compared to the prior year from \$12 million to \$7.4 million, in line with the second quarter of 2018. We expected this decrease in R&D spend as we transition to the commercialization phase of HPDI 2.0.

As Nancy mentioned, we've started the development work associated with adapting our HPDI 2.0 technology to a Weichai engine platform. Weichai Westport will provide a portion of the cash required to fund this work under the Development Agreement we signed in August.

As a result of our higher sales and tightening R&D spend, adjusted EBITDA improved significantly to a positive \$1.8 million in Q3 2018 within the Transportation segment, from a negative \$9.2 million in Q3 2017. Sequentially, our adjusted EBITDA decreased from positive \$7.4 million in Q2 2018, primarily due to lower sales and gross margins.

Turning to slide 7, we'll review the results of the CWI joint venture. CWI recorded revenue of \$86.2 million in Q3 2018, an increase of \$10.7 million over Q3 2017. As anticipated, R&D expenses continue to trend lower, and we expect these expenses to remain low going forward as the joint venture is not anticipating any new, major R&D projects. Also, the reduction in corporate tax rates that was recently enacted in the U.S. has increased the after-tax income for CWI. This is translated into higher cash dividends to both partners. In Q3, CWI reported a net income of \$15.4 million, or 18% of sales, and during the quarter, Westport Fuel Systems received cash dividends of \$7.7 million.

Now turning to slide 8, we look at our Corporate segment. SG&A costs increased during the current quarter, mainly due to legal expenses related to the SEC investigation, which were \$3.5 million in the current quarter, net of expected D&O insurance recoveries and higher professional fees related to other business initiatives.

Turning to slide 9, this shows our cash walk. We started the quarter with \$51.2 million and ended with \$54.2 million. The cash increase is primarily due to the \$14.1 million of net proceeds received from the sale of the Compressor business, and dividends from CWI of \$7.7 million. This increase was offset by operations in working capital of \$6.8 million, cash outlays

related to the SEC investigation of \$6.2 million, principal and interest payments of \$3.9 million, and capital expenditures of \$1.9 million, which remain low as compared to historical levels.

With that, I'd like to turn it over to the Operator for questions.

## Operator

Thank you. We will now begin the question-and-answer session. Analysts who wish to join the question queue may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

Our first question comes from Colin Rusch of Oppenheimer.

## Colin Rusch - Oppenheimer & Co., Inc.

Thanks so much. Guys, can you talk a little bit about the indications you're seeing from the European led to the OEMs on what's happening in that market as we go into 2019? Surely, you're getting some sense of how many models are going to be going forward in '19, and what expected volumes might be.

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

Hey, Colin, this is Nancy. Just to give you some sense of that, we think that, certainly, the European market relative to OEM offerings, Volkswagen is certainly leading the pack relative to CNG vehicles. We do see some other LNG vehicles also in the mix. We think that calendar year '19 will be quite good; there are a couple of OEMs in the European market that, in the last couple quarters, have withdrawn their engine from the market as they are retooling it, and we expect them to re-enter sometime in the latter part of '19 or early '20. We think that next year, calendar '19, will be good, and we see that the offerings are quite broad across the Volkswagen family.

Also, I think one of the important things maybe is not only the fact that there'll be offerings, but the OEMs are now depending on the results from the, I'll say natural gas products, to add to their calculations relative to their whole emissions, which we also think is quite positive in terms of how they're depending on how this technology to meet their standards.

## Colin Rusch - Oppenheimer & Co., Inc.

Great, that's super helpful. Then just in adjacent—well, not necessarily adjacent market, but one we haven't talked about much is high horsepower applications. Are you seeing any interest or potential in those markets right now for the new designs or as a potential growth area for the Company?

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

I would say that the dialogue has bubbled up a little bit more than what we have seen in the past six months. Again, I think it's mostly—our guess is it's mostly based on what we're seeing in terms of crude prices. Also, we are seeing some other

interests that are coming through, certain programs that are trying to get sponsored and that kind of thing for some off-road applications.

I would say, not the kind of dialogue that we're having relative to the Transportation sector, Colin.

**Colin Rusch - Oppenheimer & Co., Inc.**

Perfect, thanks so much, guys.

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

Thanks, Colin.

**Operator**

Our next question comes from Eric Stine of Craig-Hallum.

**Eric Stine - Craig-Hallum Capital Group**

Hi, Nancy. Hi, Mike.

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

Hey, Eric.

**NANCY GOUGARTY speaking**  
**Chief Executive Officer, Westport Fuel Systems**

Good afternoon, Eric.

**Eric Stine - Craig-Hallum Capital Group**

Just wanted to go back to the Co2 proposal in Europe, and I think it's pretty important that 2019 is the baseline, so any diesel enhancements or engine enhancements don't matter. Just curious, have you seen a noticeable uptick in conversations, maybe the depth of those conversations and the urgency on the OEM side? Then just wanted to confirm, I don't believe spark-ignited can get close to those proposed levels.

**NANCY GOUGARTY speaking**

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## Chief Executive Officer, Westport Fuel Systems

Okay, let me try to take the front part of it. I may need some technical guys on the back-end, and I don't know that I have the right people. But if I don't, we'll get you the spark-ignited question here shortly.

On the front-end of the question is, yes, the dialogue is very robust right now with a variety of folks in the market. From our point of view, what we found interesting relative to this whole, I'll say EU activity that's going on is that, when they did the upfront discussion, it was actually a lower number, and instead of coming out of the comment period and going yet lower, which is what we anticipated, the number went up. It went from 15 up to 20, which is quite interesting, at least from where we sit.

I would say that the dialogue that differs a bit from what we've heard in the past is people are trying to understand how they can get quicker to market versus perhaps trying to find that unique opportunity for them for their vehicle, or to distinguish them from others. I would say, quicker solutions, and that's where we're nicely positioned relative to the readiness relative to our products.

From the spark-ignited technical point of view, I would say, from a CO<sub>2</sub> perspective on heavy-duty trucking, we know HPDI is quite in the right zone on that. I'll have to get back to you relative to doing a score-up against it in terms of spark-ignited.

## Eric Stine - Craig-Hallum Capital Group

Okay, fair enough, that'd be great. Just sticking with HPDI, I'd love to just get a little colour on the geographic breakdown on the pipeline you're seeing. I mean, obviously heavy in Europe, everything going on in China with Weichai, but just curious if you're starting to see that in other geographies around the world?

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

I would say, in countries that have high LNG activities going on, even countries—I'll put Russia in general in the Europe, but Russia's one of the areas by which there is some discussion about what kind of products one would want for that market. Again, you have a lot of terrain challenges and a lot of infrastructure relative to LNG in those markets.

I would still tell you that most of our discussion is very much Euro-centric, as well as China.

## Eric Stine - Craig-Hallum Capital Group

Got it. Okay, maybe last one for Mike, just on the guidance range. With one quarter to go—well, actually about six weeks to go, pretty wide range. I know FX is one of the factors for puts and takes, just—I would love to hear some of the other things that get you from the low end to the high end.

## MIKE WILLIS speaking Chief Financial Officer, Westport Fuel Systems

Sure. You mentioned foreign exchange would be one of those. For Q3 over Q2, we had a \$1.8 million impact to the negative, so that's always one that we keep our eyes on. The second one is seasonality. While Q4 shouldn't have the same level of seasonality that Q3 does, there is some shutdown time over Christmas, probably half the amount of time than Q3, but does impact Q4 more so than a couple of the earlier quarters of the year.

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The other one that we're seeing—we're starting to see some impact, and it's hard to quantify at this juncture, is some geographic softness, let's say, with a couple of markets that are reasonably important to us, being Turkey and Russia. Turkey, because of devaluation of the lira, and then Russia, gas prices have increased recently going into the winter season, and that's been impacting volumes a little bit.

I would say those are the key factors that we're thinking about as it relates to how sales will come in, in Q4.

**Eric Stine - Craig-Hallum Capital Group**

Okay, thanks, everyone.

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

Thanks, Eric.

**NANCY GOUGARTY speaking**  
**Chief Executive Officer, Westport Fuel Systems**

Thanks, Eric.

**Operator**

Our next question comes from Amit Dayal of H.C. Wainwright.

**Amit Dayal – H.C. Wainwright & Co., LLC**

Thank you, good afternoon, guys. In relation to your efforts with Weichai, should we expect some development revenues ahead of any shipments taking place?

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

We are still taking a view in terms of whether we can recognize that as revenue. I would say that cash has been coming in, which is probably more important to me than revenue, but we're still taking a view from an accounting standpoint in terms of how GAAP suggests that we should treat those payments.

**Amit Dayal – H.C. Wainwright & Co., LLC**

Got it, thank you for that. Then, with all this favourable regulatory developments happening in Europe, could you talk a little bit about what is happening from an infrastructure point of view, who is making those investments? Is it more sort of the private/public sector, is it more government entities to support the shift towards alternative fuels, especially CNG, etc.?

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**NANCY GOUGARTY speaking**  
**Chief Executive Officer, Westport Fuel Systems**

I would say it's a combination, and I think in different countries it's taking different players are coming into the market. I would say, in Spain and Italy, we see a lot of private stations where, that when we get into Germany and the Netherlands, we see a lot more folks like Shell and those folks putting in the stations.

I think it's going to be a combination of both, especially—I don't know if you saw that, in Germany, starting in January 1, 2019, they're going to—if you have an LNG truck that's tanked on LNG, that you'll be able to be exempt from tolls. When you have those kinds of things, that will drive infrastructure, both public and private, as well as big players and small players. We think that some of those kinds of activities, now that there is clarity relative to how people are going to benefit from it, will drive the infrastructure, but we definitely see the large players upping the game, but we also do see private infrastructure as well in small stations coming in that are geographically serving certain people.

**Amit Dayal – H.C. Wainwright & Co., LLC**

Understood. This may be a little early, but given your updated guidance at around 11%, 12% growth for 2018, with Weichai in play, with favourable regulations coming potentially in Europe, do you think similar or better growth rates are achievable in 2019?

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

It's a good question, and it is probably a little earlier because we are going through our 2019 budget cycle right now. I would say each market is going to have—its on dynamics between Aftermarket, the OEM, the light and medium-duty OEM, and then HPDI on the heavy-duty side. I think probably the strongest visibility we'd have in terms of growth is obviously on the heavy-duty side, just given the base on which—we just launched the product last year. I think we're still taking a view as it relates to some of the other markets, or some of the other segments.

**Amit Dayal – H.C. Wainwright & Co., LLC**

Got it. Thank you, guys. That's all I have.

**NANCY GOUGARTY speaking**  
**Chief Executive Officer, Westport Fuel Systems**

Thank you.

**MIKE WILLIS speaking**

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## Chief Financial Officer, Westport Fuel Systems

Thanks, Amit.

## Operator

Our next question comes from Rob Brown of Lake Street Capital Markets.

## Rob Brown - Lake Street Capital Markets

Good afternoon.

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

Good afternoon, Rob.

## MIKE WILLIS speaking Chief Financial Officer, Westport Fuel Systems

Hi, Rob.

## Rob Brown - Lake Street Capital Markets

On the Weichai project, could you just sort of summarize some of the steps that need to happen between now and the launch date and where you're at? I know it's early, but maybe just some of the steps that it takes to get the project launched?

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

Yes. As you know, we have been working for years with HPDI and with the Westport joint venture in China on this, so we have a lot of good activity already going. Some of the steps that we already have, we'll be working with their system integrator, because we need to get the software tied together in order for the engine and the tanking system and the fuelling system to come together. In terms of the componentry, for the most part, most of the components, as you know, are reapplications and just minor modifications in order to fit into the Weichai powertrain system.

Then, obviously, the vehicle integration side that will go with launch partners depending on what different truck manufacturers decide to bed the Weichai engine into it. With that, we think that there's a couple of those folks that are identified already. As you know, Weichai does sell their engines throughout the China market to many of the domestic truck manufacturers, so I think each of those will take on their own steps, Rob, in terms of how they're doing, but we will be working on the engine side, on the electronics and the integration in order for the system to work, as well as on the chassis and vehicle construct.

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All of the activity for a couple folks are already underway; the powertrain, as you can imagine, is well-developed, and that's something that we've had a lot of opportunity to work on over the years. I think now, creating and working through the specifics with all these different interface points is coming along quite nicely.

## Rob Brown - Lake Street Capital Markets

Okay, great, that's a good review. Then on the European truck with your launch partner, you talked positively about Hannover, and you've got the light-duty activity picking up. I guess, what are you seeing in terms of the cadence of demand on that launch partner, and I guess interest as well? Thank you.

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

We don't have a lot, as you know, that we can really report in detail. I would say that the piece that I continue to be most pleased on is we're seeing further country growth in terms of where the vehicles are being sold, and we're also seeing, relative to recent presentations that the launch partner is giving at different conferences and that kind of thing, that there are—they're talking about—that they think the truck is going quite nicely.

The countries that they talked about, and Caroline passed this over to me, is in the U.K., the Netherlands, and Norway, there's some specific folks that are working very heavily on that. We've got lots of things going on in a variety of other countries including Spain and Sweden and even in Germany. Especially, as I mentioned earlier, as we have further understanding of exemptions, and I'll say, relative to incentives, such as in Italy where they are now offering €20,000 for an LNG truck, and the launch partner's truck qualifies for that. We're seeing that those are the countries also that are creating quite good demand and interest.

## Rob Brown - Lake Street Capital Markets

Okay, thank you. I'll turn it over.

## MIKE WILLIS speaking Chief Financial Officer, Westport Fuel Systems

Thanks, Rob.

## Operator

Once again, if you have a question, please press star, then one.

Our next question comes from Jeff Osborne of Cowen & Company.

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**Jeffrey Osborne – Cowen & Company**

Excellent, good afternoon. A couple questions on my end. I was hoping you could provide a little bit more detail on the light-duty vehicle side. Is there any noticeable trends on either geographies that are doing well or poorly, any trends on delayed OEM or OEM trends?

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

In terms of geography, I mentioned just a moment ago, Russia and Turkey are turning a little soft on us. I would say from a positive, I think...

**NANCY GOUGARTY speaking**  
**Chief Executive Officer, Westport Fuel Systems**

He said light-duty. Right?

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

Oh.

**Jeffrey Osborne – Cowen & Company**

Yes, no, I said the old Fuel Systems business, as well as a piece of the Westport business. Certainly, there was exposure to Italy, you didn't know what was going on in eastern Europe. I think you had some stuff in South America. Any commentary about those?

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

South America's continued to be very strong, and then I think Italy is doing well as well. In terms of other geographies, I think things are generally positive.

**NANCY GOUGARTY speaking**  
**Chief Executive Officer, Westport Fuel Systems**

Like I said with Volkswagen, with them offering a lot more vehicle line-ups in terms of the brands and how they're positioned, I think that the discussion in the showrooms are picking up and I think that, again, there's great opportunity. I think that there is continued opportunity in the Aftermarket in the vehicle conversion side of the business as well. From our

side, from a passenger car perspective, we're quite pleased with the kinds of dynamics that we're seeing in the market at the moment.

## Jeffrey Osborne – Cowen & Company

That's good to hear. As we look out to next year, do you have any design wins, or can you just touch on your launch cadence? Do you have any OEMs, whether it's Volkswagen that has a new Jetta, or fill in the blank OEM that's kicking in in '19 that wasn't present in '18?

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

There are a couple. I'm not sure where we are relative to being able to talk about them publicly at this point in time, but there are activities that we have going with several OEMs relative to providing OEM solutions for their vehicles. I'll pass it back to Caroline for her to get with you offline specific to that, the ones that we can talk through.

## MIKE WILLIS speaking Chief Financial Officer, Westport Fuel Systems

Yes, and I would maybe just say, the pipeline of activity that we're involved with in terms of putting bids in is pretty strong. The question is whether they will hit in 2019 or in 2020, is probably the best way to characterize it, Jeff.

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

Because there are some things that are on the vehicle side and there's some things on the powertrain side. In some cases, where there's a powertrain that can be put across a vehicle, it's quite fast to do it, but if you need a new powertrain put in place, that takes—the homologation of that across a vehicle set is a bit longer.

## Jeffrey Osborne – Cowen & Company

Got it. Then, just staying on light-duty vehicle, were there any issues with WLTP implementation this quarter or last quarter that were noticeable? I know it's a smaller piece of your business and not why people own the stock, but I was just curious.

## NANCY GOUGARTY speaking Chief Executive Officer, Westport Fuel Systems

Yes, I don't have any comments on that front.

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**Jeffrey Osborne – Cowen & Company**

Okay. Maybe just shifting gears to CWI, then. Can you just touch on any sense of what the mix was of Near Zero, you've highlighted that engine upgrade as a driver? I didn't know, is that the bulk of the volume today or a piece of the volume, any sense on the mix?

**NANCY GOUGARTY speaking**  
**Chief Executive Officer, Westport Fuel Systems**

All the engines are Near Zero certified, so we—some of it depends on how they're running relative to the renewable natural gas. I can just reflect what I heard partly on what Clean Energy made in their announcement; it sounds like things are quite robust in terms of that. I would say we're very pleased on several fronts from CWI. First of all, the portfolio is there. We are getting the build slots we need in the last quarter of the year in order for us to continue to be able to bed the engines into the chassis.

From our point of view, we do see that this whole Near Zero portfolio really is a game-changer for us, and it's really providing a good uplift for us in terms of all of calendar year '18, and we think that's going to carry on beyond calendar year '18 for sure.

**Jeffrey Osborne – Cowen & Company**

That's good to hear. The last question I had about CWI, is there a rule of thumb or any trend as to the mix between domestic and international shipments for that? I know there's been...

**NANCY GOUGARTY speaking**  
**Chief Executive Officer, Westport Fuel Systems**

I would say we still remain very heavily domestic, though there are some opportunities. I know that we get the help of Cummins, their international group selling, and we have gotten some uptake relative to some international packages, but North America, the U.S. is the primary market.

**Jeffrey Osborne – Cowen & Company**

Got it. Thank you, appreciate it.

**MIKE WILLIS speaking**  
**Chief Financial Officer, Westport Fuel Systems**

Thanks, Jeff.

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## Operator

This concludes the question-and-answer session. I would like to turn the conference back over to Caroline Sawamoto for any closing remarks.

## CAROLINE SAWAMOTO speaking Manager, Investor Relations and Communications, Westport Fuel Systems

Thank you everyone for joining us today, and thanks again for your interest in Westport Fuel Systems.

## Operator

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