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## Operator

Welcome to the Westport Fuel Systems' First Quarter 2019 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 Shawn Severson with alphaDIRECT Advisors, Westport's Investor Relations representative. Please go ahead, Mr. Severson.

## SHAWN SEVERSON speaking

### Investor Relations Representative, alphaDIRECT Advisors

Thank you and good afternoon, everyone. Welcome to Westport Fuel Systems' first quarter conference call which is being held to coincide with the press release containing Westport Fuel Systems' financial results that was distributed this afternoon. On today's call, speaking on behalf of Westport Fuel Systems is Chief Executive Officer David Johnson and Acting Chief Financial Officer, Jim MacCallum. Attendance at this call is open to the public and to media, but questions will be restricted to the investment community.

You're reminded that certain statements made in this conference call and our responses to various questions may constitute forward-looking statements within the meaning of the U.S and applicable Canadian securities law and, as 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're 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 the call over to David. David?

## DAVID M. JOHNSON speaking

### Chief Executive Officer, Westport Fuel Systems

Thank you, Shawn, and thank you all for joining the Westport Fuel Systems Q1 2019 conference call. I'm pleased to share our Q1 2019 financial results and also talk to you about our key drivers advancing the clean transportation industry globally, and discuss how those forces are impacting our business.

Our strong Q1 results are a validation of our strategy. They are the latest proof point that stringent emission regulations and increasingly urgent calls for action on urban air quality and climate change are advancing the deployment of alternate fuel vehicles. Our market-ready solutions align well with the market's need for clean, cost effective transportation, and enable us to respond directly to our OEM customers, partners, and to consumers. We are encouraged by how the market for clean transportation is developing and by the demand we're seeing for our products.

Since our prior earnings call, I've had the opportunity to meet with even more employees, partners, customers, suppliers and shareholders around the world. Next, I'm on to South America, Japan, and then back Europe.

Our Westport Fuel Systems team is committed to deliver clean, market-ready, cost competitive technology to transportation customers around the world. Given the Company's long legacy, it is particularly rewarding to see that our entrepreneurial research and product development efforts have created a diverse portfolio of production that we sell in nearly 70 countries for applications from small single-cylinder engine to larger engines for commercial vehicles. As a clean

technology company, we are proud of what we are doing and we're excited to grow our business and respond to regulations and market demand.

I'm also pleased to announce that last month we published the first Westport Fuel Systems Sustainability Report. It was prepared in accordance with Global Reporting Initiative Standards and encompasses our entire global operating footprint. It establishes our baseline for corporate and social environmental performance. While the economic and environmental benefits of our products are well-established, we took the opportunity to be more transparent reporting the environmental and social impacts of our global operations. This is really an important milestone for our team and documents our leadership position in the clean transportation industry.

Let me now turn to our Q1 results. Q1 2019 revenue was \$73.2 million, an increase of 15% over Q1 2018 and 21% over Q4 2018, a great quarterly performance result, following our 18% full-year increase in 2018 versus 2017 as reported during our last call.

Sales of Westport's HPDI 2.0 in Europe are accelerating and we're working hard to deliver Weichai's launch of HPDI 2.0 in China later this year.

With Q1 2019 we recorded our fourth consecutive quarter of positive Adjusted EBITDA. We earned a positive \$7.3 million on an Adjusted EBITDA basis compared with negative \$3.4 million in Q1 2018. That's a \$10.7 million improvement of operating results. Our trend line is positive and consistent and it speaks to the sense of urgency we have to deliver results quarter after quarter. Cummins Westport also had a great quarter with Q1 2019 revenue of \$92.3 million. Overall, a very strong quarter with contributions from across the entire Westport Fuel Systems business.

Let me now make a few observations that I see regarding the market. As we discussed last time and as we expected, Europe has enacted its first CO2 regulation for heavy-duty vehicles with a vote on April 18 in the E.U. Parliament. Under these new rules, heavy-duty truck OEMs will be required to achieve a fleet average CO2 reduction of 15% by 2025 and 30% by 2030 compared to a 12-month baseline that will be created starting this July 1.

Our HPDI 2.0 technology provides a 20% reduction of CO2 when implemented on current generation heavy-duty truck engines, which means current generation trucks can meet these new regulations through 2029. If we combine HPDI with the blends of renewable natural gas, that will enable compliance with 2030 regulation and beyond. This means that HPDI 2.0 allows OEMs to preserve their considerable investments in existing engines and existing trucks, and to meet these regulations with a technology that's clean, affordable, and commercially available today.

We have already seen the impact of these regulations via increased demand for HPDI. First, fleets customers are buying HPDI-equipped trucks from our OEM lead customer in Europe; second, leasing demanded for development activities to support customers who will add HPDI to their product portfolio. Westport's HPDI 2.0 is the only technology that is developed, validated, certified, and in production and for sale today that fully and affordably responds to the new CO2 regulations in Europe.

Next, we have notice of the drumbeat for cleaner passenger vehicles and light commercial vehicles continues to markets around the world. There's been a rolling new seed of different countries announcing bans on petroleum and diesel vehicles. Our interim tracking counts 15 countries across Europe and Asia with target dates as soon as 2030. Target dates is an important phrase since most, if not all, of these statements remain simply that, targets and intent. Nonetheless, we expect the regulations will come and consumers and OEMs share this expectation. The trend and the market signals are loud and clear.

One example of the impact of this changing sentiment, especially against diesel, is the reduction in sales of diesel passenger cars in Europe. The share of diesel cars purchased is down by 5 percentage points from 36% in March 2018 to 31% this March. Alternative fuel vehicles are picking up some of this share. We do hear it also from our OEM customers. Our customer in India, for example, Maruti Suzuki, announced in April that they're evaluating the phase-out of diesel cars as the new Bharat Stage VI, which is equivalent to Euro VI emissions, when these regulations come into effect April 1 of next year. Meeting this BS VI standard with diesel engines will be costly and the Indian market is very cost sensitive. Natural gas powered vehicles will pick up some share because ours is a cost-effective solution.

Next, let's talk about climate change and the urgency of action to address this challenge. We need to deploy market-ready, cost competitive, efficient transportation solutions like ours and we need to do it now. Natural gas or renewable natural gas remain a foundational element of an all-of-the-above transportation strategy. There is no silver bullet to decarbonize the freight sector and all technologies have a role to play.

Commercial fleets' purchasing decisions are driven by economics and fleets will deploy what works best for them. Natural gas has already addressed the infrastructure, logistics and scale of the challenge that are now faced by other technologies. Natural gas is market-ready now.

The transportation sector is on the cusp of a dynamic change. It's important not to confuse trade show announcements around prototypes and demonstrations with production solutions like ours that can be purchased and put to use right now.

Just to wrap up, clean fuels, like natural gas, are available and cost competitive today. Natural gas for transportation is a renewable energy story. The significant increase of renewable natural gas as a transportation fuel offers another proof point that there's a pathway for deep decarbonization using gaseous fuels. A recent report from NGB America and the Renewable Natural Gas Coalition highlights that since 2014 our NG use in transportation in the United States has increased six-fold, displacing over 7 million tonnes of carbon dioxide equivalents.

In California, where we had a strong penetration of natural gas in transit buses, refuse trucks and other applications, about 70% of the natural gas used in transportation is already renewable.

Sweden is leading the way to a fossil-free transportation sector by 2030. They already have 91% renewable natural gas share in their transportation mix

These examples reflect what we hear from our customers, that market trends continue to strengthen; trends that we also see in our financial results, our order book and in our development pipeline activities for future customers. The strength of our OEM and aftermarket business in key markets, and the growth of HPDI in Europe and China, ensure that we are well-positioned to capitalize on the opportunity.

Before I wrap up and hand over to Jim, let me remind you of our strategic priorities for 2019. Number one, deliver sustained growth of our light-duty and medium-duty businesses to both the aftermarket and OEM channels; two, acceleration of HPDI commercialization, this means more volume with existing customers, successful launch in China, new customers, lower costs and increased margin; and third, continued focus on aligning our corporate cost structure with our revenues through cash flow and operating results. Twenty-nineteen is already off to a great start. We're looking forward to the rest of the year and beyond.

With that said, I'll turn it over to Jim to review Q1 2019 financials. Jim?

## JAMES (JIM) MACCALLUM speaking

### Acting Chief Financial Officer, Westport Fuel Systems

Thank you, David. I too am pleased with the results for our first quarter. All of our businesses performed well, and coupled with strong results from our Cummins Westport Joint Venture, led to improved earnings.

To review our Q1 results in more detail, I'll begin on Slide 2. We closed the quarter with sales of \$73.2 million, a net loss of \$3 million, and positive Adjusted EBITDA of \$7.3 million. This continues our trend of positive Adjusted EBITDA and, importantly, is a significant increase over both last quarter and the year-ago quarter. Operating expenses are trending lower, but remain elevated due to legal expenses related to the ongoing SEC investigation and one-off costs associated with the Executive Management transition during the first quarter. Our Q1 2019

Adjusted EBITDA was a significant improvement over both the prior quarter and Q1 2018. The overall improvement in Adjusted EBITDA was driven by demand in our products, resulting in increased gross margin and, secondly, from CWI earnings.

Turning to Slide 3, we look at our Transportation business segment. Revenues for the first quarter improved by 15% to \$73.2 million as compared to the same quarter in 2018, primarily due to strengths in HPDI sales. Excluding the decrease in the euro against the U.S. dollar, our Transportation revenue would have been approximately 19% higher than Q1 2018. Despite the lower euro, Q1 2019 independent aftermarket revenues increased by \$0.9 million or 2% over the prior-year quarter. Q1 2019 OEM revenues increased by \$8.5 million or 48% over the prior-year quarter. HPDI product sales were the primary driver for the OEM increase. As a result of higher revenues, gross margin increased to \$17.2 million in Q1 2019 from \$14.6 million in Q1 2018.

R&D expenses increased by 21% in Q1 2019 compared to the prior-year quarter, from \$8.4 million to \$6.6 million, but were consistent with the fourth quarter of 2018. We expected this year-over-year decrease in R&D spend as we've transitioned to the commercialization phase of HPDI 2.0. Current year R&D expense was also lower as a result of the lower euro and Canadian dollar compared to the prior-year quarter.

Due to the fundamental market forces that David mentioned, we continue to experience strong demand for our market-ready technologies and have a number of development programs underway for both light-duty and heavy-duty vehicle applications of our clean, afford technologies, including HPDI 2.0. As a result of the increased sales and reduced R&D spend, Adjusted EBITDA in our Transportation segment improved significantly over both last quarter and versus Q1 2018.

Turning to Slide 4, we'll review the results of the CWI Joint Venture. CWI had a strong quarter and recorded revenue of \$92.3 million in Q1 2019, a 77% increase over Q1 2018, but consistent with Q4 2018. CWI revenue in the first quarter of 2018 was impacted by pre-buy activities in the fourth quarter of 2017 in advance of onboard diagnostic-compliant engines. In Q1, CWI recorded net income of \$17.2 million or 19% of sales, and during the quarter Westport Fuel Systems received cash dividends of \$6.0 million.

Turning to Side 5, we will review our corporate segment. SG&A costs increased over the prior year, mainly due to legal expenses related to the SEC investigation which were \$1.8 million net of expected D&O insurance recoveries. As noted previously, we have not received any new subpoenas since August 2018. We continue to review our corporate expenses and expect to see reductions through the rest of 2019.

Turning to Slide 6, this shows our cash walk. We started the quarter with \$61.1 million and ended with \$46.0 million. The cash decrease is primarily due to increased accounts receivable balances associated with the higher sales. Other key movements in the cash balance were principal and interest payments of \$5.9 million, capital expenditures of \$2.0 million, net cash outlays relating to the SEC investigation of \$0.6 million, and, as mentioned, CWI dividends received a \$6 million in the quarter.

We continue to service and pay down our debts on schedule. In April, we paid Cartesian its annual royalty payment and other amounts, and during the remainder of the year we expect to reduce our term debt by approximately \$7 million. We will continue to repay principal out of our existing cash flows and financing facilities and do not have any specific plans to raise capital.

We are maintaining our annual revenue guidance of \$265 million to \$295 million for 2019. The year is off to a strong start, but as mentioned in our previous call, the Weichai volumes resulting from the launch of HPDI product in China are heavily weighted to the latter half of the year and difficult for us to forecast at this point in time. We look forward to attending the Oppenheimer Investor Conference in New York City next week and the Craig-Hallum Investor Conference later in May in Minneapolis, and will meet with many of you then.

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, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you're 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 Rob Brown with Lake Street capital markets. Please go ahead.

Mr. Brown, your line is live.

## Robert Brown - Analyst, Lake Street Capital Markets

Hi. Thanks for taking my call. On the HPDI business you had nice growth in the quarter. Could you give us a sense of how that's developing, is it moving from—I think last time you said it was moving from small trials to larger kind of grouping rollouts; sort of how is that trending in terms of the order flow and then has that shown up yet in the numbers?

## DAVID M. JOHNSON speaking

### Chief Executive Officer, Westport Fuel Systems

Yes. Hi, Rob. Good to hear you. What we see from our end is a good order flow from our European launch customer. We see the same kinds of reports that are available to the others in the marketplace regarding fleet buying units here and there. Overall, we're very pleased with the forecast and the order book, but I struggle to give the granularity that I'd love to give because in the end of the day I'm the supplier, I'm not the OEM of the product, so we don't have real crystal-clear detail on all those sales in the marketplace. But, certainly, the pull is good and the outlook is good, and we continue to be encouraged by the feedback we get from our European launch customer for that product.

## Robert Brown - Analyst, Lake Street Capital Markets

Okay. Good. Thank you. Then with the new E.U. regulations, I guess, will you see that impact first in development partnerships or do you see fleets actually taking steps now to try to meet those ahead of time?

## DAVID M. JOHNSON speaking

### Chief Executive Officer, Westport Fuel Systems

Yes. As mentioned in our remarks, we have really good pull from the marketplace and we're seeing those development programs starting and so that is encouraging to us. There is some lead time, of course, to go from making the decision to move forward to having it in production, and so we have to work through that development production validation and launch. Now, just like we're doing right now with Weichai, of course, they made their decision back last year and we were able to announce at that time, so we're looking forward to making announcements in the future as additional customers reach those important milestones and production decisions.

## Robert Brown - Analyst, Lake Street Capital Markets

Okay. Great. Thank you. I'll turn it over.



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DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Thank you.

Operator

The next question comes from Eric Stine with Craig-Hallum Group.

Eric Stine - Analyst, Craig-Hallum Capital Group

Hi, David. Hi, Jim.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Hi, Eric.

Eric Stine - Analyst, Craig-Hallum Capital Group

Hey, so just sticking with HPDI, I mean, obviously one of your key objectives is securing additional partners. Just curious, in your conversations, I mean, do you sense that those partners are looking for a solution that's similar to your launch partner, or are they looking for a unique solution? Just trying to get a sense of kind of thoughts about time-to-market for these partners.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes. That's a great question, so thanks for asking it. Basically, what we see is that customers are in kind of some element of urgency as this new regulation has hit the books. They know that regardless of whether they take kind of a strictly off-the-shelf solution from us and simply apply it to their vehicle or whether some adaptations are required, they need to go quickly. I can tell you as a general principle, therefore, they want to the minimum amount of work to do get the product in the field with quality. But, nonetheless, the reality is everybody's engine, everybody's vehicle, everybody's requirements are different OEM by OEM, and so we've got some years of work to do in the development and validation before the production hits.

We had the European launch customer last year; we have the Chinese launch customer this year; now we're looking to the other ones to follow in subsequent years.

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## Eric Stine - Analyst, Craig-Hallum Capital Group

Got it. Then I know you just mentioned or talking about the CO2 standards and voted on, approved. I know it still needs to be officially signed into law and that might be late May, mid-June. I mean, is that kind of the thing where you think that that sets off that urgency, or maybe you're seeing activity behind the scenes that obviously is not seen in the public and that activity is already starting to ramp?

## DAVID M. JOHNSON speaking

### Chief Executive Officer, Westport Fuel Systems

Yes. As a supplier to the OEMs, we do see the activity in advance of when it's seen in the marketplace, and so we see it already.

## Eric Stine - Analyst, Craig-Hallum Capital Group

Okay.

## DAVID M. JOHNSON speaking

### Chief Executive Officer, Westport Fuel Systems

I don't think anybody is waiting for anything further with respect to regulation. What actually happens, I would tell you, is that inside the major OEM they need to make the decisions. They're big companies and they have their processes and procedures. Frankly, they do have alternatives. There are other things that they consider doing to respond to this regulation. But I think when they finish the analysis—and we see this with our internal deliberations in support of our customers—when they finish those analysis, they come back to the conclusion that this is the best way forward to respond to the regulation. So, we're quite busy with those discussions right now.

## Eric Stine - Analyst, Craig-Hallum Capital Group

Got it. Maybe last one for me and then I'll turn it over; you mentioned that in the OEM business that the majority of the year-over-year increase was HPDI. I'm curious if you're able or willing to just disclose kind of that mix between the two, between your traditional OEM light-duty business and HPDI.

## DAVID M. JOHNSON speaking

### Chief Executive Officer, Westport Fuel Systems

Don't have those figures handy at this moment in time. I think Jim said it well I his comments. The base is we see strength in every element of our business from our aftermarket business to our Light-Duty OEM business to business in India, basically everything around the world, including HPDI as you mentioned specifically. But in terms of a breakout, I don't think we have those numbers in this juncture, but we'll take it under consideration and perhaps we'll have that at the next round.

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

Okay. Got it. Thank you.

**DAVID M. JOHNSON speaking**

**Chief Executive Officer, Westport Fuel Systems**

Thank you.

**Operator**

The next question comes from Colin Rusch with Oppenheimer. Please go ahead.

**Kristen Owen - Analyst, Oppenheimer and Company**

Good afternoon. This is Kristen on for Colin. Thank you for taking our questions.

**DAVID M. JOHNSON speaking**

**Chief Executive Officer, Westport Fuel Systems**

Hey, Kristen.

**Kristen Owen - Analyst, Oppenheimer and Company**

Just wanted to dig in a little bit on the light-duty opportunity. You talked about some of the demand drivers going out to meet some of those long dated targets. I was really hoping to get some color on what you're seeing in terms of the demand expectations over the next 12 to 18 months, call it, in E.U.

**DAVID M. JOHNSON speaking**

**Chief Executive Officer, Westport Fuel Systems**

What we see is that basically, to respond to the CO2 requirements and really customer pull—if you think about the Light-Duty segment, we're already supporting the customers directly through our aftermarket solutions, so these are customers that already own the vehicles and decided they wanted to save some money and change their vehicle from running strictly on petro to running with LPG or CNG. They add our technology so they can take advantage of the cost-effectiveness of those gaseous fuels. What we're seeing is basically OEMs saying I can do that for the customers and delivered as an OEM solution. But, their process to go from making those kinds of decisions to bring it to production does take 12, 18, 24 months depending on the OEM, exactly what we need to do and their capabilities and our capabilities to support them. But as a



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general premise, the cost-effectiveness is there. As oil prices go up, the cost-effectiveness gets even better and the demand gets stronger.

## Kristen Owen - Analyst, Oppenheimer and Company

Okay. That's very helpful. Then just wanted to switch gears a little bit here. You talked about your SG&A costs going down throughout the rest of the year. Where do you see the biggest opportunities to optimize that operating cost structure?

## DAVID M. JOHNSON speaking

### Chief Executive Officer, Westport Fuel Systems

I would tell you that, as mentioned, we're looking forward to the opportunity that someday we're not paying costs for SEC lawyers and so forth. That's an opportunity that we're keenly focused on, but unfortunately, don't have a lot of control over. But it is on our list of things that we look forward to. Beyond that, we do see some opportunities for efficiency in terms of our operations, but I would tell you that's more around getting a higher top line and a better absorption of our SG&A than anything else.

## Kristen Owen - Analyst, Oppenheimer and Company

Great. Thank you very much. We'll take the rest offline.

## DAVID M. JOHNSON speaking

### Chief Executive Officer, Westport Fuel Systems

Thank you.

## Operator

Thank you. The next question comes from Amit Dayal with H.C. Wainwright & Co.

## Amit Dayal - Analyst, H.C. Wainwright & Co.

Thank you. Good afternoon, David, Jim. In regards to HPDI 2.0, you're not breaking down specific dollar contribution levels over here, but can you talk about percentage growth maybe that HPDI 2.0 has seen year-over-year or even sequentially?

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DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes. The growth curve is rather significant. I'll let Jim provide any figures if we're able to. We recognize, let me real clear at the start, we recognize your desire and your colleagues' desire to have more transparency in the business and breaking up some of those things. We're working on how and when we'll be able to do that. Certainly adding second and third and fourth customers will really help us to provide that kind of data in the future without divulging customer-specific information. I apologize that we can't be more specific and we look forward to doing that in the future.

Amit Dayal - Analyst, H.C. Wainwright & Co.

No problem. Is all of this growth that you saw in HPDI, all is in Europe, right? I mean, Weichai hasn't hit yet for HPDI 2.0?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

That's correct. The launch of Weichai, now it could include some of the early pre-production units that we've shipped them, but that would be a relatively modest amount, so I would say the majority of the growth is due to our European launch customer in the European market.

Amit Dayal - Analyst, H.C. Wainwright & Co.

Got it. Just one final one for me.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Amit, if I could, I mean, this is along the lines of what we expected and what we're planning for, so it's very encouraging to see the market take the product and our European customer continue to order more it. We're really excited about the results and, of course, eager to add second and third customers and we'll add the Weichai volumes later this year.

Amit Dayal - Analyst, H.C. Wainwright & Co.

Then in that context, do you expect this level of momentum to continue for HPDI 2.0 in Europe or was this sort of one-time type situation?

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DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

No. I think it's more of the former. We expect that we are on a "launch curve" and so it will continue to grow. We're not expecting linear growth either, we're expecting good, solid growth as the marketplace recognizes that this is not only a very robust and good solution but it's one they can buy right now. As we discussed in prior calls, fleets will go out and buy a handful or 10 or 2, and then their next order will be a bigger number as they recognize that the product actually delivers all that's promised, including the CO2 reductions and the cost savings.

Then there's a—this happened less in the passenger vehicle market. You'll see your neighbor with that product and then you want it too. So, as the fleets compete with one another, we expect that this is something that will really grow and be very exciting for us.

Amit Dayal - Analyst, H.C. Wainwright & Co.

So why a little conservative on the guidance, I guess, given the momentum you're seeing, your strong year-over-year growth, good margins? On the top line you are being a little bit conservative, it feels. Is there a possibility you might raise guidance or update your guidance later in the year?

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Well, as Jim mentioned and as you recognized, we indicated that we will maintain our guidance at this juncture. Certainly, as the market develops, we reserve the right to revise guidance in the future, but that would be based on future events that we'll talk about in that future. I apologize for that, but at this juncture there's a big tail on our business plan for the year, which is the launch of Weichai. I think I may have mentioned it before, but launches almost never get pulled ahead and have a fairly good chance of being delayed. We're working very hard to avoid that delay, but then, of course, once the launch happens, there's also what is the rate of the launch and what rate is achieved. Sometimes that can be slower than is hoped for. That's really, I would say, a major consideration.

Of course, the other consideration, you see it already in these results—it's kind of buried in there—is the foreign currency exposure and how that continues to move. That's also a risk to the business plan. With those two risks in mind, we thought it was the better path to maintain guidance at this juncture.

Amit Dayal - Analyst, H.C. Wainwright & Co.

No. That's fair. Understandable. Just one last one for me, David. Can you talk about the fuel infrastructure that is coming up to potentially support the uptake of these types of vehicles in your key markets?

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DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Yes. We've seen announcements and we continue to see installations. I don't have specific numbers for you, but I'd be glad to follow up with you on that and talk about kind of what market intel we actually have country by country, throughout Europe primary, but, also, we see the growth in India and China putting infrastructure in place. But I don't have those statistics all handy, but I'd be glad to separately go through that with you and share what we know.

Amit Dayal - Analyst, H.C. Wainwright & Co.

That's all I have, David. Thank you so much.

DAVID M. JOHNSON speaking

Chief Executive Officer, Westport Fuel Systems

Thank you.

JAMES (JIM) MACCALLUM speaking

Acting Chief Financial Officer, Westport Fuel Systems

Thanks, Amit.

Operator

Once again, any analyst who wishes to ask a question may press star, then one at this time. The next question comes from Christopher Souther with Cowen and Company. Please go ahead.

Christopher Souther - Analyst, Cowen and Company

Hey. Thanks for taking my question and congrats on the great quarter here. Taking the first quarter forward, essentially, if the rest of the year was flat, you're already at the high end. To kind of the piggyback on the question before on guidance, what are kind of some of the puts and takes, looking at obviously there is the best big factor of the Weichai launch which is not in your control, but can you maybe discuss some of the other markets, maybe some of the legacy things, kind of the puts and takes that might lead to the low-end, the high-end, or above the current guidance?

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**DAVID M. JOHNSON speaking**

**Chief Executive Officer, Westport Fuel Systems**

Yes. Just I'll add we talked—so thanks for your question—we added—we just talked about the fact that we're not sure exactly, can't confirm and know what's going to happen and what the launch curve looks like with Weichai, both timing and the volume of that curve. We don't know, so can't predict with certain foreign exchange. But adding just another factor to give you some more flavour about the business, some of our markets risk runs strongly because of Government action—incentives and other programs that are in place—and that really help our customers to realize the financial gains associated with our technology. Sometimes these get stopped, and so there're other uncertainties in the marketplace that really aren't within our control. Frankly, our products are very competitive and they do offer our customers, whether those be consumer customers or OEM customers, a strong lever for responding to the forces in the marketplace. But sometimes those forces get changed and so we thought at this time maintaining guidance was the best path forward.

**Christopher Souther - Analyst, Cowen and Company**

Okay. No. That certainly makes sense. Then just wanted to make sure there's nothing kind of to flag beyond just typical seasonality for the third quarter in Europe with kind of the aftermarket type business. Anything else cadence-wise we should be looking at?

**DAVID M. JOHNSON speaking**

**Chief Executive Officer, Westport Fuel Systems**

My inclination is no. Jim, do have further comment?

**JAMES (JIM) MACCALLUM speaking**

**Acting Chief Financial Officer, Westport Fuel Systems**

No. Nothing other than what you've mentioned, David. I think the Weichai launch is the bigger thing in the second half.

**Christopher Souther - Analyst, Cowen and Company**

Understood. Then to kind of shift gears, I wanted to see if there's any update on the hydrogen side. There seems to be a bit of momentum in that space from some OEMs and your guys have discussed in the past interest in this space as well, given there's kind of some transferable technology from the natural gas side. Could you guys maybe discuss that market a little bit and any updates there?

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**DAVID M. JOHNSON speaking**

**Chief Executive Officer, Westport Fuel Systems**

Yes. Absolutely. I'm glad you're raised it. It is a part of our business and one that we are very excited about. Frankly, the hydrogen, fueling a fuel cell with hydrogen, requires tanks and valves and regulators just like fueling with natural gas and the other fuels that we deal with. This is an area of our expertise. We have specific products that support the growing hydrogen marketplace. Most of the business that we're supporting is relatively low volume and preproduction units and development, but nonetheless, our customers are giving us strong indications that, one, we're a confident and capable supplier with product that they need to support their hydrogen fuel cell product; and, two, that we compete in the marketplace and they see a future of this technology and we're glad to support it.

**Christopher Souther - Analyst, Cowen and Company**

Thanks. Then just the last one, I wanted to make sure, are there any time periods or exclusivity with the European OEM or with Weichai that we should kind of be aware of as far as launching with new partners? I know there's going to be obviously testing and that kind of stuff, but wanted to see if there was any time period before you'd be able to start any of that kind of activity.

**DAVID M. JOHNSON speaking**

**Chief Executive Officer, Westport Fuel Systems**

No. I don't think we have any issues in that regard that would slow our growth curve in any way that we need to delve into.

**Christopher Souther - Analyst, Cowen and Company**

Perfect. Thanks. I'll hop back into queue.

**DAVID M. JOHNSON speaking**

**Chief Executive Officer, Westport Fuel Systems**

Thank you.

**Operator**

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



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DAVID M. JOHNSON speaking

## Chief Executive Officer, Westport Fuel Systems

Thank you very much. I really appreciate the chance to bring these results to you today. I'm thrilled to have such great progress. I mentioned in the first earnings call that I joined you for back in March that we're on a continuation path, the strategy that was put in place over the past few years, and I'm very encouraged by the results, bearing out that strategy, and, really, the market force is better supporting our growth and our response to helping clean up transportation on a global basis.

We have a lot of work ahead of us. We have huge growth opportunities. On a global basis, our share is still small and so, really, we see that the time is right for our technology, and we're pleased that we can bring that technology to the market at this time, as we've called it, market-ready. There isn't a long development timeline to develop new technologies and research; we're simply talking about one application after another, and we can grow the market and respond to the need for cleaner air and saving money.

With that, thank you very much for your time. We look forward to seeing you all and talking to you again in the future.

## Operator

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