

Westport Fuel Systems Inc.
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All financial statements schedules are omitted because they are not applicable or the required information is shown in the financial statement or the notes thereto.

Financial statements of 50% or less owned persons accounted for by the equity method have been included elsewhere in this annual report, refer to Item 19. Exhibits.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Westport Fuel Systems Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Westport Fuel Systems Inc. (and subsidiaries) (the Company) as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and 2024, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2025, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated April 23, 2026, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations and, based on the projected capital expenditures, debt servicing obligations, and operating requirements under the current business plan, is projecting insufficient cash flows that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ KPMG LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2015.

Vancouver, Canada

April 23, 2026

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Westport Fuel Systems Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Westport Fuel Systems, Inc.'s (and subsidiaries') (the Company) internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2025 and 2024, the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2025, and the related notes (collectively, the consolidated financial statements), and our report dated April 23, 2026, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

April 23, 2026

WESTPORT FUEL SYSTEMS INC.

Consolidated Balance Sheets

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

December 31, 2025 and 2024

	December 31,	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents (including restricted cash, note 3(c))	\$ 27,158	\$ 14,754
Accounts receivable (note 6)	10,177	18,738
Inventories (note 7)	3,037	6,668
Prepaid expenses	1,182	1,328
Assets held for sale (note 5)	—	128,398
Total current assets	\$ 41,554	\$ 169,886
Long-term investments (note 8)	42,714	36,866
Property, plant and equipment (note 9)	5,605	3,120
Operating lease right-of-use assets	1,756	823
Other long-term assets (note 10)	2,380	1,431
Long-term assets held for sale (note 5)	—	79,495
Total assets	\$ 94,009	\$ 291,621
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 17,933	\$ 19,435
Current portion of operating lease liabilities	493	288
Current portion of long-term debt (note 12)	2,924	3,905
Current portion of warranty liability	199	277
Current liabilities held for sale (note 5)	—	84,488
Total current liabilities	\$ 21,549	\$ 108,393
Long-term operating lease liabilities	1,292	548
Long-term debt (note 12)	—	2,932
Warranty liability	966	875
Other long-term liabilities	1,389	1,388
Long-term liabilities held for sale (note 5)	\$ —	\$ 40,460
Total liabilities	\$ 25,196	\$ 154,596
Shareholders' equity:		
Share capital (note 13):		
Unlimited common and preferred shares, no par value		
17,375,213 (2024 - 17,282,934) common shares issued and outstanding	\$ 1,246,793	\$ 1,245,805
Other equity instruments	8,968	9,472
Additional paid-in-capital	11,516	11,516
Accumulated deficit	(1,157,901)	(1,096,275)
Accumulated other comprehensive loss	(40,563)	(33,493)
Total shareholders' equity	\$ 68,813	\$ 137,025
Total liabilities and shareholders' equity	\$ 94,009	\$ 291,621
Commitments and contingencies (note 16)		
Subsequent events (note 5)		

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board

Brad Kotush Director

Daniel Sceli Director

WESTPORT FUEL SYSTEMS INC.

Consolidated Statements of Operations and Comprehensive Loss

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

Years ended December 31, 2025, 2024, and 2023

	Years ended December 31,		
	2025	2024	2023
Revenue	\$ 23,318	\$ 40,698	\$ 68,154
Cost of revenue	20,638	37,855	67,794
Gross profit (loss)	2,680	2,843	360
Operating expenses:			
Research and development	5,783	9,532	12,836
General and administrative	13,957	20,723	25,106
Sales and marketing	1,481	2,709	5,842
Foreign exchange loss (gain)	(5,365)	6,227	1,040
Depreciation and amortization (note 9)	515	661	1,153
Loss on sale of assets	—	703	—
Impairment of long-lived assets (note 9)	538	—	—
	\$ 16,909	\$ 40,555	\$ 45,977
Loss from continuing operations	\$ (14,229)	\$ (37,712)	\$ (45,617)
Loss from investments accounted for by the equity method (notes 8 and 17)	\$ (15,845)	\$ (6,715)	\$ —
Gain on deconsolidation	—	15,198	—
Loss on sale of investment	—	(352)	—
Loss on extinguishment of royalty payable	—	—	(2,909)
Interest on long-term debt and accretion of royalty payable	(613)	(1,083)	(1,724)
Impairment of long-term investment	—	—	(413)
Interest and other income, net of bank charges	1,259	(88)	2,572
Loss before income taxes	(29,428)	(30,752)	(48,091)
Income tax expense (recovery) (note 14(a)):			
Current	143	481	344
Deferred	—	35	(17)
	\$ 143	\$ 516	\$ 327
Net loss from continuing operations	\$ (29,571)	\$ (31,268)	\$ (48,418)
Net income (loss) from discontinued operations (note 5)	\$ (32,055)	\$ 9,427	\$ (1,300)
Net loss for the year	\$ (61,626)	\$ (21,841)	\$ (49,718)
Other comprehensive income (loss):			
Cumulative translation adjustment	\$ 4,898	\$ (2,535)	\$ 4,473
Reclassification of accumulated foreign currency translation on deconsolidation	(10,070)	—	—
Ownership share of equity method investments' other comprehensive loss	(1,898)	(113)	—
	(7,070)	(2,648)	4,473
Comprehensive loss	\$ (68,696)	\$ (24,489)	\$ (45,245)
Loss per share:			
From continuing operations - basic & diluted	\$ (1.71)	\$ (1.81)	\$ (2.82)
From discontinued operations - basic & diluted	\$ (1.85)	\$ 0.55	\$ (0.08)
Net loss per share - basic & diluted	\$ (3.56)	\$ (1.26)	\$ (2.90)
Weighted average common shares outstanding:			
Basic and diluted	17,343,595	17,248,090	17,173,016

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.
Consolidated Statements of Shareholders' Equity
(Expressed in thousands of United States dollars, except share amounts)
Years ended December 31, 2025, 2024, and 2023

	Common shares outstanding	Share capital	Other equity instruments	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total shareholder's equity
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	44,186	1,267	(1,267)	—	—	—	—
Stock-based compensation	—	—	1,727	—	—	—	1,727
Net loss for the year	—	—	—	—	(49,718)	—	(49,718)
Other comprehensive income	—	—	—	—	—	4,473	4,473
December 31, 2023	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	108,432	1,266	(1,266)	—	—	—	—
Stock-based compensation	—	—	1,066	—	—	—	1,066
Net loss for the year	—	—	—	—	(21,841)	—	(21,841)
Other comprehensive loss	—	—	—	—	—	(2,648)	(2,648)
December 31, 2024	17,282,934	\$ 1,245,805	\$ 9,472	\$ 11,516	\$ (1,096,275)	\$ (33,493)	\$ 137,025
Issuance of common shares on exercise of share units	92,279	988	(988)	—	—	—	—
Stock-based compensation	—	—	484	—	—	—	484
Net loss for the year	—	—	—	—	(61,626)	—	(61,626)
Other comprehensive loss	—	—	—	—	—	(7,070)	(7,070)
December 31, 2025	17,375,213	\$ 1,246,793	\$ 8,968	\$ 11,516	\$ (1,157,901)	\$ (40,563)	\$ 68,813

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.
Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
Years ended December 31, 2025, 2024, and 2023

	Years ended December 31,		
	2025	2024	2023
Operating activities:			
Net loss for the year from continuing operations	\$ (29,571)	\$ (31,268)	\$ (48,418)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	\$ 735	\$ 2,183	\$ 5,820
Stock-based compensation expense	808	766	1,267
Unrealized foreign exchange loss (gain)	(5,365)	6,227	1,040
Deferred income tax expense (recovery)	—	35	(17)
Loss from investments accounted for by the equity method	15,845	6,715	—
Interest on long-term debt and accretion of royalty payable	92	74	136
Impairment of long-lived assets (note 9)	538	—	—
Change in inventory write-downs to net realizable value (note 7)	403	1,143	4,714
Loss on extinguishment of royalty payable	—	—	2,909
Gain on deconsolidation	—	(15,198)	—
Loss on sale of investment (note 8)	—	352	—
Net loss on sale of assets (notes 10)	—	703	—
Impairment of long-term investment	—	—	413
Change in bad debt expense	233	288	(500)
Net cash used before working capital changes	(16,282)	(27,980)	(32,636)
Changes in working capital	\$ 2,038	\$ 22,205	\$ (7,365)
Net cash used in operating activities of continuing operations	\$ (14,244)	\$ (5,775)	\$ (40,001)
Net cash (used in) provided by operating activities of discontinued operations	\$ (862)	\$ 13,111	\$ 26,810
Investing activities:			
Purchase of property, plant and equipment	\$ (2,693)	\$ (3,813)	\$ (6,481)
Proceeds on sale of investments	—	29,994	—
Proceeds from sale of operations, net of cash in disposed operations	26,034	—	—
Proceeds received from holdback receivable (note 6)	14,067	—	—
Capital contributions to investments accounted for by the equity method	(21,654)	(9,900)	—
Net cash provided by (used in) investing activities of continuing operations	15,754	16,281	(6,481)
Net cash used in investing activities of discontinued operations	(3,169)	(11,815)	(8,933)
Financing activities:			
Drawings on operating lines of credit and long-term facilities	5,839	15,537	35,116
Repayment of operating lines of credit and long-term facilities	(9,836)	(34,229)	(32,324)
Payment of royalty payable	—	—	(8,687)
Net cash used in financing activities of continuing operations	(3,997)	(18,692)	(5,895)
Net cash (used in) provided by financing activities of discontinued operations	\$ (6,168)	\$ (6,518)	\$ 3,671
Effect of foreign exchange on cash and cash equivalents	\$ 2,198	\$ (3,799)	\$ (502)
Net decrease in cash and cash equivalents	(10,488)	(17,207)	(31,331)
Cash and cash equivalents, beginning of year (including restricted cash)	37,646	54,853	86,184
Cash and cash equivalents, end of year (including restricted cash)	\$ 27,158	\$ 37,646	\$ 54,853
Less: cash and cash equivalents from discontinued operations, end of year (including restricted cash)	\$ —	\$ 22,892	\$ 42,631
Cash and cash equivalents from continuing operations, end of year (including restricted cash)	\$ 27,158	\$ 14,754	\$ 12,222

WESTPORT FUEL SYSTEMS INC.
Consolidated Statements of Cash Flows (continued)
(Expressed in thousands of United States dollars)
Years ended December 31, 2025, 2024, and 2023

Supplementary information:	Years ended December 31,		
	2025	2024	2023
Interest paid	\$ 1,477	\$ 2,721	\$ 2,972
Taxes paid, net of refunds	1,925	2,108	2,302
Changes in working capital			
Accounts receivable	\$ 2,268	\$ 37,032	\$ (6,896)
Inventories	3,369	(6)	2,766
Prepaid expenses	217	(635)	(4,006)
Accounts payable and accrued liabilities	(3,824)	(13,057)	3,626
Warranty liability	8	(1,129)	(2,855)
	<u>\$ 2,038</u>	<u>\$ 22,205</u>	<u>\$ (7,365)</u>

See accompanying notes to consolidated financial statements.

WESTPORT FUEL SYSTEMS INC.
Notes to Consolidated Financial Statements
(Expressed in thousands of United States dollars)
Years ended December 31, 2025, 2024, and 2023

1. Company organization and operations:

Westport Fuel Systems Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta) on March 20, 1995. Westport is a technology and innovation company connecting synergistic technologies to power a cleaner tomorrow. As a supplier of affordable, alternative fuel, low-emissions transportation technologies, the Company designs, manufactures, and supplies advanced components and systems that enable the transition from traditional fuels to alternative energy solutions. The Company's technologies support a wide range of alternative fuels – including natural gas, renewable natural gas, and hydrogen – enabling OEMs and commercial transportation industries to meet performance demands, regulatory requirements, and climate targets in a cost-effective way.

2. Liquidity and going concern:

For year ended December 31, 2025, the Company reported an operating loss from continuing operations of \$14,229. The Company continues to sustain operating losses and to use cash to support its business activities. As at December 31, 2025, the Company had cash and cash equivalents of \$27,158 and an outstanding term loan, net of deferred financing fees, with Export Development Canada ("EDC") of \$2,924. The Company has a minimum cash covenant under the term loan of \$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.

On July 29, 2025, the Company closed the sale of the Light-Duty segment to a wholly-owned investment vehicle of Heliaca Investments (the "Purchaser"), a Netherlands based investment firm supported by Ramphastos Investments Management B.V., a Dutch venture capital and private equity firm for total consideration of \$59,975 (€51,424) (note 5).

On September 29, 2025, the Company filed a final short form base shelf prospectus (the "Shelf Prospectus") with the relevant Canadian securities regulatory authorities allowing the Company to offer up to US \$100,000 of common shares, preferred shares, subscription receipts, warrants, debt securities, or units, or any combination thereof during the 25-month period that the Shelf Prospectus will be effective.

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.

Based on the Company's projected capital expenditures, debt servicing obligations and operating requirements under its current business plan, management is projecting that its existing cash and cash equivalents will not be sufficient to fund its operations through the next twelve months from the date of the issuance of these consolidated financial statements. These conditions raise substantial doubt about the Company's ability to continue as a going concern within one year after the date these consolidated financial statements are issued.

Management plans to improve the Company's liquidity position by raising funds from the public markets, borrowing debt and other financing alternatives. These plans are not final and are subject to market and other conditions not in the Company's control. As such, there can be no assurance that the Company will be successful in obtaining sufficient funding. Accordingly, management has concluded under the accounting standards that these plans do not alleviate the substantial doubt about the Company's ability to continue as a going concern.

WESTPORT FUEL SYSTEMS INC.
Notes to Consolidated Financial Statements
(Expressed in thousands of United States dollars except share and per share amounts)
Years ended December 31, 2025, 2024, and 2023

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary if the Company were unable to continue as a going concern.

3. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). In the statement of operations and comprehensive loss, 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 consolidated financial statement presentation is the United States dollar ("U.S. Dollar"). The functional currencies for the Company's significant subsidiaries include the following: U.S. Dollar, Canadian dollar, Euro, and Chinese Renminbi ("RMB"). 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.

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

	Year-end exchange rate as at:			Average for the year ended:		
	December 31,			December 31,		
	2025	2024	2023	2025	2024	2023
Canadian dollar	\$ 1.37	\$ 1.44	\$ 1.32	\$ 1.40	\$ 1.37	\$ 1.35
Euro	\$ 0.85	\$ 0.96	\$ 0.90	\$ 0.89	\$ 0.92	\$ 0.92
RMB	\$ 6.99	\$ 7.30	\$ 7.10	\$ 7.19	\$ 7.20	\$ 7.08

(c) Cash and cash equivalents (including restricted cash):

Cash and cash equivalents include cash on hand, term deposits, banker acceptances and guaranteed investment certificates with maturities of ninety days or less when acquired. Cash and cash equivalents at December 31, 2025 include restricted cash of \$363 (2024 - \$406; 2023 - \$103). Restricted cash at December 31, 2025, 2024, and 2023 is related to cash used to secure a letter of credit.

WESTPORT FUEL SYSTEMS INC.**Notes to Consolidated Financial Statements****(Expressed in thousands of United States dollars except share and per share amounts)****Years ended December 31, 2025, 2024, and 2023****(d) Accounts receivable, net:**

The accounts receivable balance reflects invoiced and accrued revenue and is presented net of an allowance for credit losses. The Company expects most of its accounts receivable balances to continue to come from large customers as it supplies the majority of its products and services through distributors and OEMs. The Company establishes current expected credit losses ("CECL") for pools of assets with similar risk characteristics by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. When specific customers are identified as no longer sharing the same risk profile as their current pool, they are removed from the pool and evaluated separately. The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. When the Company becomes aware of a specific customer's inability to meet its financial obligations to the Company (such as in the case of bankruptcy filings or material deterioration in the customer's operating results or financial position, and payment experiences), the Company records a specific credit loss provision to reduce the customer's related accounts receivable to its estimated net realizable value. If circumstances related to specific customers change, the Company's estimates of the recoverability of accounts receivable balances could be further adjusted.

(e) Inventories:

The Company's inventories consist of the Company's fuel system products (finished goods), work-in-progress, purchased parts and materials. Inventories are recorded at the lower of cost and net realizable value. Cost is determined based on weighted average costing method. The cost of fuel system product inventories, assembled parts and work-in-progress includes materials, labour and production overhead, including depreciation. The Company records inventory write-downs based on an analysis of excess and obsolete inventories determined primarily by future demand forecasts. In addition, the Company records a liability for firm, noncancellable, and unconditional purchase commitments with manufacturers for quantities in excess of the Company's future demand forecast consistent with its valuation of excess and obsolete inventory.

(f) Property, plant and equipment:

Property, plant and equipment are stated at cost. Depreciation is provided for as follows:

Assets	Basis	Rate
Computer equipment & software	Straight-line	3 years
Furniture and fixtures	Straight-line	5 years
Machinery and equipment	Straight-line	5 - 10 years
Leasehold improvements	Straight-line	Shorter of lease term or estimated useful life

Depreciation expense on machinery and equipment used in the production and manufacturing process is included in cost of revenue. All other depreciation is included in depreciation and amortization expense in the consolidated statements of operations and comprehensive loss.

(g) Long-term investments and impairment:

The Company accounts for investments in which it has significant influence, including variable interest entities ("VIEs") for which the Company is not the primary beneficiary, using the equity method of accounting. Under the equity method, the Company recognizes its share of income or loss from equity accounted investees in the statement of operations with a corresponding change in long-term investments. Any additional capital contributions to investees are capitalized and any dividends paid or payable are credited against long-term investments.

The Company identified Cespira Canada LP and Cespira Sweden AB as VIEs, as the entities are dependent on funding from their owners. The funding and ownership interests of the entities are split on a 55/45 basis between the owners of the VIEs. The voting rights and power to exercise control is shared equally on a 50/50 basis between the owners of the VIEs.

WESTPORT FUEL SYSTEMS INC.
Notes to Consolidated Financial Statements
(Expressed in thousands of United States dollars except share and per share amounts)
Years ended December 31, 2025, 2024, and 2023

Therefore, the Company has determined that it is not the primary beneficiary of the VIEs. The Company's maximum exposure to loss are its investments in Cespira Canada LP and Cespira Sweden AB and the current outstanding accounts receivables balances.

The Company evaluates its long-term investments for impairment when an investee has recognized a series of operating losses or recognizes an impairment loss in its financial statements. In such an event, the Company measures the fair value of the investee against its carrying amount. The Company estimates the fair value of its long-term investments under the equity method using the expected future cash flows discounted at a rate commensurate with the risks of the investee.

If the fair value is lower than carrying amount, the Company will consider whether the loss is other than temporary. Factors considered when evaluating whether a loss is other than temporary include:

- (i) the length of time and extent to which the fair value of the investee has been less than its carrying amount
- (ii) the investee's financial condition and near term prospects, including recent operating losses or specific events that may negatively influence its future earnings potential; and
- (iii) the intent and ability of the Company to retain its investment for a period of time sufficient to allow for an anticipated recovery in fair value.

When the Company concludes the loss is other than temporary, it records an impairment loss against the investment's carrying amount and reports the impairment loss in the Company's consolidated statement of operations and comprehensive loss.

(h) Financial liabilities:

Accounts payable and accrued liabilities, short-term debt and long-term debt are measured at amortized cost. Transaction costs relating to long-term debt are netted against long-term debt and are amortized using the effective interest rate method.

(i) Research and development costs:

Research and development costs are expensed as incurred and are recorded net of funding received or receivable.

(j) Impairment of long-lived assets:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such conditions exist, assets are considered impaired if the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value. When quoted market prices are not available, the Company uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(k) Warranty liability:

Estimated warranty costs are recognized at the time the Company sells its products and are included in cost of revenue. The Company provides warranty coverage on products sold from the date the products are put into service by customers. Warranty liability represents the Company's best estimate of warranty costs expected to be incurred during the warranty period. Furthermore, the current portion of warranty liability represents the Company's best estimate of the costs to be incurred in the next twelve-month period. The Company uses historical failure rates and costs to repair defective products to estimate the warranty liability. New product launches require a greater use of judgment in developing estimates until claims experience becomes available. Product specific experience is typically available four or five quarters after product launch, with a clear experience trend not evident until eight to twelve quarters after launch. The Company records warranty expense for new products using historical experience from previous generations in the first year, a blend of actual product

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and historical experience in the second year and product specific experience thereafter. The amount payable by the Company and the timing will depend on actual failure rates and cost to repair failures of its products.

(m) Revenue recognition:

The Company generates revenues primarily from product sales. Product revenues are derived from standard product sales contracts and purchase orders from customers. The Company recognizes revenue when a customer obtains control of the goods. Determining the timing of the transfer of control, at a point in time or over time, requires judgment. On standard product sales contracts, revenues are recognized when customers obtain control of the product, that is when transfer of title and risks and rewards of ownership of goods have passed and when obligation to pay is considered certain. Invoices are generated and revenue is recognized at that point in time. Provisions for warranties are made at the time of sale. Service revenue is recognized over time as performance obligations are satisfied.

(n) Income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based on the temporary differences between the accounting basis and tax basis of the assets and liabilities and for loss carry-forwards, tax credits and other tax attributes, using the enacted tax rates in effect for the years in which the differences are expected to reverse. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred income tax assets to the extent the assets are more-likely-than-not to be realized. In making such a determination, the Company considers all available positive and negative evidence including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies and results of recent operations. If it is determined that, based on all available evidence, it is more-likely-than-not that some or all of the deferred income tax assets will not be realized, a valuation allowance is provided to reduce the deferred income tax assets.

The Company uses a two-step process to recognize and measure the income tax benefit of uncertain tax positions taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is recognized if it is more-likely-than-not that the position will be sustained upon examination by a tax authority based solely on the technical merits of the position. A tax benefit that meets the more-likely-than-not recognition threshold is measured as the largest amount that is greater than 50% likely to be realized upon settlement with the tax authority. To the extent a full benefit is not expected to be realized, an income tax liability is established. Any change in judgment related to the expected resolution of an uncertain tax position is recognized in the year of such a change.

Interest and penalties related to income taxes are included as a component of income tax expense.

(o) Leases:

The Company determines if an arrangement is a lease or contains a lease at inception. Operating leases with lease terms greater than 12 months are included in current and non-current assets, current and non-current liabilities in the consolidated balance sheet. Assets under finance leases are included in property, plant and equipment and the related lease liabilities in current and non-current liabilities in the consolidated balance sheets.

Operating lease and finance lease right-of-use ("ROU") assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. As the rate implicit in the lease is not readily determinable for the Company's operating leases, an incremental borrowing rate is generally used to determine the present value of future lease payments. The incremental borrowing rate for each lease is based on the Company's estimated borrowing rate over a similar term to that of the lease payments, adjusted for various factors including collateralization, location and currency.

The operating lease expenses are recognized on a straight-line basis over the lease term and included in cost of revenue and operating expenses. Short-term leases, which have an initial term of 12 months or less, are not recorded in the consolidated balance sheets.

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(p) Stock-based compensation:

The Company measures stock-based awards at fair value on the date of the grant and expense the awards over the requisite service period of employees or consultants. The fair value of stock options is determined using the fair market value at the time of grant. The fair value of restricted stock units ("RSUs") and Deferred Share Units ("DSUs") are determined using the share price of the Company at the date of grant. The fair value of performance based restricted stock units ("PSUs") is determined using the Monte Carlo Simulation Model. Stock-based compensation expense related to stock option awards is recognized over the requisite service period on a graded vesting basis. Forfeitures are accounted for as they occur. Stock-based awards are either equity settled or cash settled. Cash-settled awards are recorded as a liability based on the Company's share price on the date of grant and remeasured at the end of each reporting period over the vesting term.

The Company's estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, the Company's performance and related tax impacts.

(q) Earnings (loss) per common share:

Basic earnings or loss per share includes no potential dilution and is computed by dividing the earnings or loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted earnings or loss per share reflect the potential dilution of securities that could share in the earnings or loss of our Company. Dilutive securities are excluded from the calculation of our diluted weighted average common shares outstanding if their effect would be anti-dilutive based on the treasury stock method or due to a net loss from continuing operations. Common Shares that have not been released under the Company's stock based plan or are being held in trust for purposes of the Company's restricted stock unit program have been excluded from the calculation of basic earnings per share.

(r) Contingent consideration:

The Company may enter into contingent consideration arrangements whereby a buyer pays the seller additional consideration after transaction close upon the achievement of certain milestones, performance-based metrics, or other objectives as agreed to per the terms of the related agreement.

The Company accounts for contingent considerations that are not identified as derivatives using the loss recovery approach. The Company does not recognize any contingent receivable at inception and will recognize a contingent gain when such gain is realized or realizable.

(s) Held-for-sale disposal group and discontinued operations:

The Company classifies a component of an entity as a held-for-sale disposal group when it has been disposed of during the period, or it has met all of the held-for-sale criteria under Topic 205 - Presentation of Financial Statements at the balance sheet reporting date. A held-for-sale disposal group is measured at the lower of its carrying amount and fair value less cost to sell. If the fair value less cost to sell is lower than its carrying amount, a loss is recognized to write down the carrying amount of the disposal group as a whole.

After a disposal group has been classified as held-for-sale, management may decide to reverse its plan to divest, or circumstances may change so that the disposal group no longer meets the held-for-sale criteria. In such instances, the Company would reclassify the disposal group's assets and liabilities on the balance sheet as held-and-used and remeasured on the date of reclassification.

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4. New accounting pronouncements

New accounting standard adopted in 2025:

ASU 2023-09 - Income Taxes (Topic 740): Improvement to Income Tax Disclosures

The ASU amends the rules on income tax disclosures by modifying or eliminating certain existing income tax disclosure requirements in addition to establishing new requirements. The amendments address investor requests for more transparency about income taxes, including jurisdictional information, by requiring consistent categories and greater disaggregation of information. The ASU's two primary amendments relate to the rate reconciliation and income taxes paid annual disclosures.

Reconciling items presented in the rate reconciliation are in dollar amounts and percentages, and are disaggregated into specified categories with certain reconciling items further broken out by nature and/or jurisdiction using a 5% threshold of domestic federal taxes. Income taxes paid are disaggregated between federal, provincial/territorial, and foreign taxing jurisdictions using a 5% threshold of total income taxes paid net of refunds received.

The ASU is effective for annual periods beginning after December 15, 2024. The Company adopted this standard prospectively in the fourth quarter of 2025 with an effective date of January 1, 2025 and has included the disaggregation of rate reconciliation items and income tax payments by specified categories, nature and/or jurisdiction as described within note 14 - Income taxes.

Upcoming accounting standards not yet adopted in 2025:

ASU 2024-03 - Disaggregation of Income Statement Expenses (Subtopic 202-40)

The ASU aims to provide stakeholders a clearer understanding of an entity's expenses and enhance their ability to assess performance, forecast expenses and evaluate the entity's potential for future cash flows. The ASU amends the rules on income statement expense disclosures and requires public business entities to disaggregate and disclose, in tabular format in the notes to financial statements, specified categories of expenses contained within certain income statement expense line items; to integrate certain amounts that were already required to be disclosed under current GAAP with the new disaggregation requirements and to qualitatively disclose descriptions of the amounts remaining that were not separately disaggregated. The ASU also requires public business entities to disclose the total amount of selling expenses and, in annual reporting periods, an entity's definition of those selling expenses. This ASU does not change or remove the current disclosure requirements of expense line items on the face of the Consolidated Statements of Income.

The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments in this ASU should be applied either prospectively to Consolidated Financial Statements issued for reporting periods following the effective date, or retrospectively to any or all prior periods presented in the Consolidated Financial Statements. While this guidance may have an impact on the disclosures, the Company does not expect this guidance to have a material impact on its financial position, operations, and cash flows.

The Company has evaluated other recently issued ASU's effective on or after December 31, 2025 and does not expect their adoption to have a material impact on its consolidated financial statements.

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5. Discontinued operations

On May 15, 2025, shareholders approved management's plan to sell the Light-Duty segment in accordance with the terms of the sale and purchase agreement ("SPA") dated March 30, 2025. On July 14, 2025, the Company entered into a short-term loan with the Purchaser for \$5,839 (€5,000). The loan was subsequently repaid on July 29, 2025.

On July 29, 2025, the Company closed the sale of its Light-Duty segment to the Purchaser for consideration of \$59,975 (€51,424). The Company recorded a \$37,313 loss on disposal of the operations in respect of the sale. The Company received proceeds of \$50,763 (€43,424) from the Purchaser in cash and other consideration. The Company expects to receive a further \$9,391 (€8,000) from proceeds held in escrow, which are included in a holdback receivable (note 6) and other long-term assets (note 10). The proceeds held in escrow will be released to the Company in three tranches by early 2026, early 2027 and mid-year 2027. Purchase price adjustments may impact the final proceeds received from the Purchaser pending satisfaction of certain general representations and warranties provided by the Company that are customary in nature. Subsequent to year-end, the Company received \$6,493 (€5,500) for the first of three tranches.

Further, up to \$3,790 (€3,250) in potential earnouts will be payable to the Company if certain conditions are achieved in accordance with the terms and conditions of the sale and purchase agreement.

Major assets and liabilities of the discontinued operations were as follows:

	July 29, 2025	December 31, 2024
Cash	\$ 21,112	\$ 22,892
Accounts receivable	58,874	54,316
Inventories	55,991	46,858
Prepaid expenses	14,610	4,332
	<u>150,587</u>	<u>128,398</u>
Long-term investments	3,454	2,866
Property, plant, and equipment	43,798	38,836
Operating lease right-of-use asset	20,964	18,196
Intangible assets	5,054	5,184
Deferred income tax assets	9,990	9,695
Goodwill	2,957	2,876
Other long-term assets	1,990	1,842
	<u>88,207</u>	<u>79,495</u>
Total assets classified as held for sale	<u>\$ 238,794</u>	<u>\$ 207,893</u>
Accounts payable and accrued liabilities	\$ 84,405	\$ 68,688
Current portion of operating lease liabilities	2,414	2,336
Current portion of long-term debt	11,067	10,755
Current portion of warranty liabilities	3,329	2,709
	<u>101,215</u>	<u>84,488</u>
Long-term operating lease liabilities	18,691	15,885
Long-term debt	13,513	16,135
Warranty liabilities	1,874	1,456
Deferred income tax liabilities	1,971	4,029
Other long-term liabilities	3,032	2,955
	<u>39,081</u>	<u>40,460</u>
Total liabilities classified as held for sale	<u>\$ 140,296</u>	<u>\$ 124,948</u>

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The period ended July 29, 2025 only included activity prior to the disposal of the operations. Revenue and expenses of the discontinued operations were as follows:

	Period ended July 29, 2025	Years ended December 31, 2024	2023
Revenue	\$ 160,004	\$ 261,601	\$ 263,645
Cost of revenue	126,861	206,853	215,067
Gross profit	33,143	54,748	48,578
Operating expenses:			
Research and development	6,763	12,055	13,166
General and administrative	8,313	16,955	19,128
Sales and marketing	6,006	9,967	10,436
Foreign exchange loss	2,166	21	2,935
Depreciation and amortization	1,509	2,707	3,145
Loss on sale of assets	—	—	32
	24,757	41,705	48,842
Income (loss) from discontinued operations	8,386	13,043	(264)
Income from investment accounted for by the equity method	591	1,313	779
Loss on disposal of operations	(37,313)	—	—
Impairment of long-lived assets	(664)	—	—
Interest on long-term debt	(930)	(1,714)	(1,257)
Interest and other income, net of bank charges	429	1,248	117
Income (loss) from discontinued operations before income tax	(29,501)	13,890	(625)
Income tax expense	2,554	4,463	675
Net income (loss) from discontinued operations	\$ (32,055)	\$ 9,427	\$ (1,300)

6. Accounts receivable:

	December 31, 2025	2024
Customer trade receivables	\$ 2,675	\$ 2,513
Holdback receivable	5,811	10,737
Other receivables	2,032	887
Due from related parties (note 15)	274	4,973
Allowance for credit losses	(615)	(372)
	\$ 10,177	\$ 18,738

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 was retained by Cummins for a term of three-years to satisfy any extended warranty obligations in excess of the recorded extended warranty obligation. Unused amounts were repaid to the Company at the end of the three-year term. In March 2025, the Company collected \$11,365 from Cummins related to the holdback receivable, including interest accrued.

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A holdback receivable was recorded as part of the sale of the Light-Duty segment. The holdback is consideration held in escrow pending satisfaction of certain general representations and warranties provided to the Purchaser. The Company provided for estimated losses on the holdback receivable in loss on disposal of operations. In October 2025, the Company collected \$3,617 (€3,000) related to the holdback receivable held in escrow.

7. Inventories:

	December 31,	
	2025	2024
Purchased parts & materials	\$ 2,034	\$ 5,463
Work-in-progress	199	—
Finished goods	804	1,205
	<u>\$ 3,037</u>	<u>\$ 6,668</u>

During the year ended December 31, 2025, the Company recorded write-downs to net realizable value of \$403 (2024 - \$1,143 and year ended 2023 - \$4,714) due to slow-moving and obsolete inventory. For the year ended December 31, 2025, inventory write-downs of \$232 were allocated to purchased parts & materials and \$171 as a result of a development contract which will not be commercialized.

8. Long-term investments:

	December 31,	
	2025	2024
Cespira Canada LP (a)	\$ 19,385	\$ 25,494
Cespira Sweden AB (a)	23,329	11,225
Other equity accounted investees	—	147
	<u>\$ 42,714</u>	<u>\$ 36,866</u>

(a) Cespira:

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"), consisting of two legal entities, Cespira Canada LP and Cespira Sweden 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 made an initial capital contribution of \$21,654 in Cespira to fund its operations. For the year ended December 31, 2025, the Company recognized its share of Cespira's losses of \$15,845, as a loss from investments accounted for by the equity method (December 31, 2024 - \$6,715 loss).

The Company acknowledges that during the initial phase of Cespira's business plan, it may require additional funding from its owners from time to time. If either owner is unable to fund Cespira when funding is requested in accordance with the joint venture agreement, a convertible loan may be extended from the other owner to fund all or a part of the funding requested. The convertible loan may settle in ownership interest in Cespira in the event that the borrowing party is unable to fulfill the repayment terms.

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The carrying amount and maximum exposure to losses relating to Cespira were as follows:

	December 31, 2025	
	Carrying amount	Maximum exposure to loss
Equity method investment in Cespira	\$ 42,714	\$ 42,714
Accounts receivable due from Cespira	274	274

Combined assets, liabilities, revenue and expenses of Cespira, are as follows:

	December 31,	
	2025	2024
Current assets:		
Cash and cash equivalents	\$ 14,869	\$ 10,305
Accounts receivable	18,718	21,000
Inventories	11,566	7,414
Prepaid expenses	1,157	1,471
	<u>46,310</u>	<u>40,190</u>
Property, plant and equipment and right-of-use assets	46,352	40,901
Intangible assets and goodwill	7,516	7,087
Other long-term assets	17,139	563
Total assets	<u>\$ 117,317</u>	<u>\$ 88,741</u>
Current liabilities:		
Accounts payable	\$ 20,810	\$ 16,527
Current portion of provisions	2,519	2,128
Other current liabilities	6,266	1,910
	<u>29,595</u>	<u>20,565</u>
Long-term portion of provisions	1,618	532
Onerous contract provision	2,890	—
Other long-term liabilities	—	569
Total liabilities	<u>\$ 34,103</u>	<u>\$ 21,666</u>
Net assets	<u>\$ 83,214</u>	<u>\$ 67,075</u>

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	Years ended December 31,	
	2025	2024
Product revenue	\$ 62,356	\$ 32,919
Service revenue	15,087	10,166
	<u>77,443</u>	<u>43,085</u>
Cost of revenue	80,944	42,634
Gross profit (loss)	<u>(3,501)</u>	<u>451</u>
Operating expenses:		
Research and development	5,641	4,715
General and administrative	11,903	5,555
Sales and marketing	1,292	973
Foreign exchange (gain) loss	1,516	(421)
Depreciation and amortization	3,283	1,720
Impairment of long-lived assets	413	—
	<u>24,048</u>	<u>12,542</u>
Loss from operations	(27,549)	(12,091)
Interest income (expense), net of bank charges	(4)	202
Loss before income taxes	(27,553)	(11,889)
Income tax (recovery) expense	1,725	342
Net loss	<u>\$ (29,278)</u>	<u>\$ (12,231)</u>

9. Property, plant and equipment:

December 31, 2025	Cost	Accumulated Depreciation	Net Book Value
Computer equipment and software	3,598	2,855	743
Furniture and fixtures	119	90	29
Machinery and equipment	13,584	9,505	4,079
Leasehold improvements	4,864	4,110	754
	<u>\$ 22,165</u>	<u>\$ 16,560</u>	<u>\$ 5,605</u>

December 31, 2024	Cost	Accumulated Depreciation	Net Book Value
Computer equipment and software	2,945	2,575	370
Furniture and fixtures	86	85	1
Machinery and equipment	10,239	7,713	2,526
Leasehold improvements	4,064	3,841	223
	<u>\$ 17,334</u>	<u>\$ 14,214</u>	<u>\$ 3,120</u>

Total depreciation expense for the year ended December 31, 2025 was \$735 (year ended December 31, 2024 - \$2,183 and year ended December 31, 2023 - \$5,820). The amount of depreciation expense included in cost of revenue for the year ended December 31, 2025 was \$220 (year ended December 31, 2024 - \$1,522 and year ended December 31, 2023 - \$4,667). For the year ended December 31, 2025, an impairment loss of \$538 was recognized as a result of hydrogen development program cancellation.

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10. Other long-term assets:

	December 31,	
	2025	2024
Other assets	\$ 345	\$ 1,124
Prepaid capital asset deposits	—	242
Property lease deposits	100	65
Holdback receivable (note 6)	1,935	—
Total	<u>\$ 2,380</u>	<u>\$ 1,431</u>

11. Accounts payable and accrued liabilities:

	December 31,	
	2025	2024
Trade accounts payable	\$ 11,147	\$ 11,397
Accrued payroll	2,704	2,555
Taxes payable	3,533	3,813
Deferred revenue	471	533
Due to related parties (note 15)	\$ 78	\$ 1,137
	<u>\$ 17,933</u>	<u>\$ 19,435</u>

During the year ended December 31, 2025, the Company recognized \$62 of contract liabilities which were included in the deferred revenue balance as at the December 31, 2024 as revenue in the consolidated statement of operations and comprehensive loss (December 31, 2024 - \$4; December 31, 2023 - \$900).

12. Long-term debt:

Term loan	Maturity date	Interest rate	December 31,	
			2025	2024
EDC	September 15, 2026	U.S. Prime Rate plus 2.01%	\$ 2,924	\$ 6,837
Current portion			2,924	3,905
Long-term portion			—	2,932
Term loan facilities, net of debt issuance costs			<u>\$ 2,924</u>	<u>\$ 6,837</u>

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. Throughout the term of certain of these financing arrangements, the Company is required to meet certain financial and non-financial covenants. As at December 31, 2025, the Company is in compliance with all covenants under the financing arrangements.

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

On June 1, 2023, the Company completed a consolidation of its issued and outstanding common shares on the basis of one new post-consolidation common share for every ten existing pre-consolidation common shares. No fractional common

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shares were issued and any fractional shares were rounded down to the nearest whole common shares. The number of outstanding common shares and share units issued have been retroactively adjusted for all periods presented.

During the year ended December 31, 2025, the Company issued 92,279 common shares, net of cancellations, upon exercises of share units (year ended December 31, 2024 – 108,432 common shares; December 31, 2023 - 44,186). 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 vested and the underlying shares are issued from treasury of the Company, the value is reclassified to share capital.

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:

	2025		December 31 2024		2023	
	Number of Units	Weighted average grant date fair value (CDN \$)	Number of Units	Weighted average grant date fair value (CDN \$)	Number of Units	Weighted average grant date fair value (CDN \$)
Outstanding, beginning of year	524,322	\$ 11.75	478,643	\$ 15.68	\$ 317,432	\$ 24.15
Granted	427,691	3.28	224,050	8.23	435,128	13.78
Vested and exercised	(92,279)	6.28	(108,432)	15.85	(44,186)	38.76
Forfeited/expired	(146,673)	11.83	(69,939)	20.95	(229,731)	19.26
Outstanding, end of year	713,061	\$ 11.51	524,322	\$ 11.75	\$ 478,643	\$ 15.68
Units outstanding and exercisable, end of year	491	\$ 31.07	310	\$ 37.2	\$ —	\$ —

	December 31,		
	2025	2024	2023
Restricted Share Units ("RSUs")	—	104,215	147,557
Performance Share Units ("PSUs")	290,540	—	185,365
Deferred Share Units ("DSUs")	137,151	119,835	102,206
Total units granted during the year	427,691	224,050	435,128

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. Values of PSUs are determined using the Monte-Carlo Simulation Model and vest only when the performance criteria has been met within the evaluation period. 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 and settled in cash.

As at December 31, 2025, \$719 of compensation expense related to Units has yet to be recognized in results from operations and will be recognized ratably over 1.5 years.

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(b) Aggregate intrinsic values:

The aggregate intrinsic value of the Company's share units are as follows:

In Canadian dollars	December 31,		
	2025	2024	2023
Share units:			
Outstanding	\$ 1,546	\$ 2,693	\$ 3,283
Exercisable	—	—	—
Exercised	200	555	386

(c) Stock-based compensation:

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

	Years ended December 31,		
	2025	2024	2023
Cost of revenue	\$ —	\$ 63	\$ 26
Research and development	39	229	570
General and administrative	346	895	1,806
Sales and marketing	22	170	228
	<u>\$ 407</u>	<u>\$ 1,357</u>	<u>\$ 2,630</u>

	Years ended December 31,		
	2025	2024	2023
Stock-based compensation - equity or cash settled	\$ 484	\$ 1,066	\$ 1,727
Stock-based compensation - cash settled only	(77)	291	903
	<u>\$ 407</u>	<u>\$ 1,357</u>	<u>\$ 2,630</u>

Units outstanding settled in cash only are remeasured at each reporting period based on the Company's closing share price. The outstanding liability is reported within accrued payroll in note 11.

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14. Income taxes:

In the fourth quarter of 2025, the Company adopted ASU 2023-09 - Income Taxes (Topic 740): Improvements to income tax disclosures prospectively, and the associated changes have been reflected below.

(a) The Company's income tax provision differs from that calculated by applying the combined enacted Canadian federal and provincial statutory income tax rate of 15% for the year ended December 31, 2025 as follows:

	Year ended December 31, 2025	
	Amount	Rate
Net loss before taxes after adjustments	\$ (29,428)	
Expected income tax expense (recovery)	(4,414)	15.0 %
Increase (reduction) in income taxes resulting from:		
Canadian Federal Reconciling Items:		
Other permanent differences	377	(1.3)%
Cross-border items		
Foreign accrual property income	305	(1.0)%
Deemed interest inclusion	302	(1.0)%
Expired losses	2,931	(10.0)%
Change in valuation allowance	955	(3.2)%
Other	7	— %
Provincial tax effect	—	— %
Foreign tax effects		
US:		
Foreign tax rate differences, foreign exchange and other adjustments	515	(1.8)%
Expired losses	1,188	(4.1)%
Change in valuation allowance	(1,977)	6.7 %
Other	(127)	0.4 %
China:		
Expired losses	1,174	(4.0)%
Change in valuation allowance	(1,020)	3.5 %
Other	(66)	0.2 %
Jurisdictions	(7)	— %
Income tax expense (recovery)	\$ 143	(0.5)%

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Income tax expense reconciliation prior to adoption of ASU 2023-09 for years ended December 31, 2024, and 2023 applying the enacted Canadian federal statutory income tax rate of 15% as follows:

	Years ended December 31,	
	2024	2023
Expected income tax expense (recovery)	\$ (4,613)	\$ (7,214)
Non-deductible stock-based compensation	88	167
Other permanent differences	1,001	(3,699)
Withholding taxes and other foreign taxes	1,217	337
Change in enacted tax rates	—	222
Foreign tax rate differences, foreign exchange and other adjustments	808	(147)
Change in valuation allowance	3,587	4,746
Expired losses	(604)	916
Provincial tax effect	1,048	4,999
Non-taxable portion of capital gains	(2,016)	—
Income tax expense (recovery)	<u>\$ 516</u>	<u>\$ 327</u>

(b) The significant components of the deferred income tax assets and liabilities are as follows:

	December 31,		
	2025	2024	2023
Deferred income tax assets:			
Net loss carry forwards	\$ 227,639	\$ 208,708	\$ 225,659
Intangible assets	3,592	3,647	3,793
Property, plant and equipment	12,464	15,132	20,047
Warranty liability	85	279	466
Deferred revenue	254	270	130
Foreign tax credits	5,861	5,861	691
Inventory	245	11	1,240
Research and development	4,326	4,698	5,074
Financing and share issuance cost	(5)	330	725
Restricted interest and financing expense	2,898	3,785	—
Other	3,352	3,256	7,821
Total gross deferred income tax assets	<u>260,711</u>	<u>245,977</u>	<u>265,646</u>
Valuation allowance	<u>(260,411)</u>	<u>(245,827)</u>	<u>(265,333)</u>
Total deferred income tax assets	<u>\$ 300</u>	<u>\$ 150</u>	<u>\$ 313</u>
Deferred income tax liabilities:			
Property, plant and equipment	118	46	30
Other	(418)	(196)	(343)
Total deferred income tax liabilities	<u>\$ (300)</u>	<u>\$ (150)</u>	<u>\$ (313)</u>
Total net deferred income tax assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The valuation allowance is reviewed on a quarterly basis to determine if, based on all available evidence, it is more-likely-than-not that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income

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tax assets is dependent on the generation of sufficient taxable income during the future periods in which those temporary differences are expected to reverse. If the evidence does not exist that the deferred income tax assets will be fully realized, a valuation allowance has been provided. The deferred income tax assets have been reduced by the uncertain tax position presented in note 14(f).

(c) The components of the Company's income tax expense (recovery) after adoption of ASU 2023-09 are as follows:

	Year ended December 31,		
	2025	2024	2023
Loss from continuing operations before income taxes			
Canada	\$ (32,592)	\$ (34,144)	\$ (39,783)
Foreign	3,164	3,392	(8,308)
Total income before income taxes	<u>(29,428)</u>	<u>(30,752)</u>	<u>(48,091)</u>

	Year ended December 31,		
	2025	2024	2023
Income tax expense (benefit) from continuing operations			
Current tax expense (benefit)			
Foreign	143	481	344
Total current income tax expense (benefit)	<u>143</u>	<u>481</u>	<u>344</u>
Deferred tax expense (benefit)			
Foreign	—	35	(17)
Total deferred income tax expense (benefit)	<u>—</u>	<u>35</u>	<u>(17)</u>
Total income tax expense (benefit)			
Foreign	143	516	327
Total income tax expense (benefit)	<u>\$ 143</u>	<u>\$ 516</u>	<u>\$ 327</u>

(d) The Company has loss carry-forwards in various tax jurisdictions available to offset future taxable income that expire in the following years, as follows:

	2027	2028	2029 and	Total
Canada	\$ 4,475	\$ 14,159	\$ 686,085	\$ 704,719
United States	—	—	86,209	86,209
Italy	—	—	695	695
Sweden	—	—	11,731	11,731
China	2,387	1,555	1,541	5,483
Australia and Other	—	—	6,637	6,637
Total	<u>\$ 6,862</u>	<u>\$ 15,714</u>	<u>\$ 792,898</u>	<u>\$ 815,474</u>

Certain tax attributes are subject to an annual limitation as a result of the acquisition of Fuel Systems which constitutes a change of ownership as defined under Internal Revenue Code Section 382.

(e) The Company has not recognized a deferred income tax liability for certain undistributed earnings of foreign subsidiaries which are essentially investments in those foreign subsidiaries and are permanent in duration.

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(f) The Company records uncertain tax positions in accordance with ASC No. 740, Income Taxes. As at December 31, 2025, the total amount of the Company's uncertain tax benefits was \$3,146 (December 31, 2024 - \$3,006). If recognized in future periods, the uncertain tax benefits would affect our effective tax rate. The Company files income tax returns in Canada, the U.S., Italy, and various other foreign jurisdictions. All taxation years remain open to examination by the Canada Revenue Agency, the 2022 to 2025 taxation years remain open to examination by the Internal Revenue Service, the 2020 to 2025 taxation years remain open to examination by the Italian Revenue Agency, and various years remain open in the other foreign jurisdictions.

(g) Net income tax payments after adoption of ASU 2023-09.

	Years ended December 31,		
	2025	2024	2023
Canada			
Federal	—	—	—
Provincial	—	—	—
Netherlands	1,125	1,081	608
Italy	382	*	321
Poland	253	245	702
Luxembourg - Net Wealth Tax	*	114	*
India (WHT)	137	234	321
Turkey - Corporate Tax Refund	*	420	269
Other Foreign Jurisdiction	28	14	81
Total net income tax payments	\$ 1,925	\$ 2,108	\$ 2,302

* the amount of income taxes paid during the year does not meet the 5% disaggregation threshold.

15. Related party transactions:

The Company's related parties are Cespira, directors, officers and shareholders that own more than 10% of the Company's shares.

The Company engages in transactions with Cespira primarily through cross charges, the provision of services and the sale of inventory under a transitional services agreement that ended on June 30, 2025.

Related party transactions with Cespira	Years ended December 31,	
	2025	2024
Sales of goods, services and other income	\$ 15,684	\$ 9,598
Inventory purchased, services and other expenses	1,525	1,320

Related party balances with Cespira	December 31,	
	2025	2024
Receivables (note 6)	\$ 274	\$ 4,973
Payables (note 11)	\$ 78	\$ 1,137

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16. 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 our operating results, liquidity or financial position.

17. Segment information:

The Company discloses segment information under three reportable segments, consistent with the manner in which its Chief Operating Decision Maker ("CODM") evaluates its businesses. The Company's CODM is its Chief Executive Officer. These segments are the strategic pillars of the Company and are managed separately as each represents a specific grouping of related automotive components and systems. The reportable segments are further described below. In prior years, the Company presented its results under four reportable segments: Light-Duty, High-Pressure Controls, Heavy-Duty OEM, and Cespira.

On July 29, 2025, the Company sold its Light-Duty segment to the Purchaser (note 5). The Company now reports its results in the following three reportable segments: High-Pressure Controls, Heavy-Duty OEM, and Cespira. The prior year comparatives were recast to reflect this change in reportable segments.

- High-Pressure Controls: This segment's products include fuel cell and hydrogen fuel system solutions and components.
- Heavy-Duty OEM: Prior to June 3, 2024, this segment's products include HPDI related fuel system solutions and components. Subsequently, this segment's operations were related to the transitional services agreement between the Company and Cespira for inventory and contract manufacturing. The transitional service agreement for these services ended on June 30, 2025 when Cespira completed their independent set up for inventory manufacturing.
- Cespira: This segment's products include HPDI related fuel system solutions and components after June 3, 2024.

Segment earnings or losses before income taxes, interest, depreciation, and amortization ("Segment EBITDA") is the measure of segment profitability used by the Company. The accounting policies of our reportable segments are the same as those applied in our consolidated financial statements. Management prepared the financial results of the Company's reportable segments on basis that is consistent with the manner in which Management internally disaggregates financial information to assist in making internal operating decisions. Certain common costs and expenses were allocated among segments and presented differently than the Company would for stand-alone financial information prepared in accordance with GAAP. These include certain costs and expenses of shared services, such as IT, human resources, legal, finance and supply chain management. Segment EBITDA is not defined under US GAAP and may not be comparable to similarly titled measures used by other companies and should not be considered a substitute for net earnings or other results reported in accordance with GAAP.

The Company's CODM uses segment EBITDA disclosed below to evaluate the performance of its reportable segments. The Company believes Segment EBITDA is most reflective of the operational profitability or loss of its reportable

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segments. The CODM uses this information to drive decisions and resource allocations. Segment EBITDA is used as the key profitability measure when we set our annual budget.

Financial information by reportable segment as follows:

Year ended December 31, 2025				
	High-Pressure Controls	Heavy-Duty OEM	Cespira	Total Segment
Revenue	\$ 8,272	\$ 15,046	\$ 77,443	\$ 100,761
Cost of revenue	7,362	13,276	80,944	101,582
Gross profit (loss)	910	1,770	(3,501)	(821)
Operating expenses:				
Research & development	5,332	159	5,641	11,132
General & administrative	1,729	133	11,903	13,765
Sales & marketing	390	26	1,292	1,708
Depreciation & amortization	355	—	3,283	3,638
Add back: Depreciation & amortization ¹	575	—	6,567	7,142
Segment EBITDA	<u>\$ (6,321)</u>	<u>\$ 1,452</u>	<u>\$ (19,053)</u>	<u>\$ (23,922)</u>

Year ended December 31, 2024				
	High-Pressure Controls	Heavy-Duty OEM	Cespira	Total Segment
Revenue	\$ 9,383	\$ 31,315	\$ 43,085	\$ 83,783
Cost of revenue	7,192	30,663	42,634	80,489
Gross profit	2,191	652	451	3,294
Operating expenses:				
Research & development	5,336	4,196	4,715	14,247
General & administrative	1,033	3,068	5,555	9,656
Sales & marketing	683	856	973	2,512
Depreciation & amortization	153	131	1,720	2,004
Add back: Depreciation & amortization ¹	401	1,405	3,845	5,651
Segment EBITDA	<u>\$ (4,613)</u>	<u>\$ (6,194)</u>	<u>\$ (8,667)</u>	<u>\$ (19,474)</u>

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Year ended December 31, 2023			
	High-Pressure Controls	Heavy-Duty OEM	Total Segment
Revenue	\$ 11,907	\$ 56,247	\$ 68,154
Cost of revenue	8,583	59,211	67,794
Gross profit (loss)	3,324	(2,964)	360
Operating expenses:			
Research & development	3,584	9,252	12,836
General & administrative	1,322	6,444	7,766
Sales & marketing	769	2,907	3,676
Depreciation & amortization	204	408	612
Add back: Depreciation & amortization ¹	356	4,923	5,279
Segment EBITDA	<u>\$ (2,199)</u>	<u>\$ (17,052)</u>	<u>\$ (19,251)</u>

Reconciliations of reportable segment financial information to consolidated statement of operations:

Year ended December 31, 2025				
	Total Segment	Less: Cespira	Add: Corporate & unallocated	Total Consolidated
Revenue	\$ 100,761	\$ 77,443	\$ —	\$ 23,318
Cost of revenue	101,582	80,944	—	20,638
Gross profit (loss)	(821)	(3,501)	—	2,680
Operating expenses:				
Research & development	11,132	5,641	292	5,783
General & administrative	13,765	11,903	12,095	13,957
Sales & marketing	1,708	1,292	1,065	1,481
Depreciation & amortization	3,638	3,283	160	515
Equity income (loss) (note 8)	—	—	(15,845)	(15,845)

Year ended December 31, 2024				
	Total Segment	Less: Cespira	Add: Corporate & unallocated	Total Consolidated
Revenue	\$ 83,783	\$ 43,085	\$ —	\$ 40,698
Cost of revenue	80,489	42,634	—	37,855
Gross profit	3,294	451	—	2,843
Operating expenses:				
Research & development	14,247	4,715	—	9,532
General & administrative	9,656	5,555	16,622	20,723
Sales & marketing	2,512	973	1,170	2,709
Depreciation & amortization	2,004	1,720	377	661
Equity loss (note 8)	—	—	(6,715)	(6,715)

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Year ended December 31, 2023			
	Total Segment	Add: Corporate & unallocated	Total Consolidated
Revenue	\$ 68,154	\$ —	\$ 68,154
Cost of revenue	67,794	—	67,794
Gross profit	360	—	360
Operating expenses:			
Research & development	12,836	—	12,836
General & administrative	7,766	17,340	25,106
Sales & marketing	3,676	2,166	5,842
Depreciation & amortization	612	541	1,153

Years ended December 31,			
Reconciliation of Segment EBITDA to Loss before income taxes	2025	2024	2023
Total Segment EBITDA	\$ (23,922)	\$ (19,474)	\$ (19,251)
Adjustments:			
Depreciation & amortization ¹	735	2,183	5,820
Cespira's Segment EBITDA	(19,053)	(8,667)	—
Cespira's equity loss (note 8)	15,845	6,715	—
Corporate and unallocated operating expenses	13,452	17,792	19,506
Foreign exchange loss (gain)	(5,365)	6,227	1,040
Loss on sale of assets	—	703	—
Gain on deconsolidation	—	(15,198)	—
Loss on sale of investment	—	352	—
Impairment of long-lived assets (note 9)	538	—	—
Loss on extinguishment of royalty payable	—	—	2,909
Impairment of long-term investment	—	—	413
Interest on long-term debt and accretion of royalty payable	613	1,083	1,724
Interest and other income, net of bank charges	(1,259)	88	(2,572)
Loss before income taxes	<u>\$ (29,428)</u>	<u>\$ (30,752)</u>	<u>\$ (48,091)</u>

¹Depreciation and amortization expenses used in computation for Segment EBITDA and reconciliation to consolidated loss before income taxes are included in cost of revenue and operating expenses on our statement of operations and comprehensive loss.

Years ended December 31,			
Total additions to long-lived assets, excluding business combinations	2025	2024	2023
High-Pressure Controls	2,678	3,142	649
Heavy-Duty OEM	—	510	5,156
Corporate and unallocated	15	161	676
Total consolidated	<u>\$ 2,693</u>	<u>\$ 3,813</u>	<u>\$ 6,481</u>

Cespira's total additions to long-lived assets, excluding business combinations for year ended December 31, 2025 was \$8,658 (for the period between June 03, 2024 to December 31, 2024 - \$723).

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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 total revenue Years ended December 31,		
	2025	2024	2023
Europe	70 %	87 %	84 %
Americas	10 %	4 %	6 %
Asia	20 %	9 %	10 %

During the period of January through May 2024, total revenue of \$16,427 or 40% and full year of 2023 of \$53,671 or 79% of consolidated revenue, was earned from the Company's OEM launch partner reported under its Heavy-Duty OEM segment.

During the year ended December 31, 2025, the Company had sales to one distributor in Asia that represented approximately 16% of consolidated revenue (2024 - 9%; 2023 - 9%) which was reported under the High-Pressure Controls segment.

As at December 31, 2025, total long-term investments of \$42,714 (2024 - \$36,866; 2023 - \$1,558) were allocated to Corporate and unallocated.

The measure of segment assets evaluated by the CODM are total assets as reported on the consolidated balance sheet. Total assets are allocated by segment as follows:

	Years ended December 31,	
	2025	2024
Light-Duty (Held-for-sale)	\$ —	\$ 207,893
High-Pressure Controls	17,392	9,026
Heavy-Duty OEM	—	9,138
Corporate and unallocated	76,617	65,564
Total consolidated assets	<u>\$ 94,009</u>	<u>\$ 291,621</u>

Cespira's total assets as at December 31, 2025 were \$117,317 (2024 - \$88,741).

18. Financial instruments:

Financial risk management

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 losses and mostly negative cash flows from operations since inception. At December 31, 2025, the Company has \$27,158 of cash, cash equivalents including \$363 in restricted cash (see note 3(c)).

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The following are the contractual maturities of financial obligations as at December 31, 2025:

	Carrying amount	Contractual cash flows	< 1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities (note 11)	\$ 17,933	\$ 17,933	\$ 17,933	\$ —	\$ —
Term loan facilities (note 12)	2,924	3,194	3,194	—	—
Operating lease obligations	1,785	2,093	493	945	655
	<u>\$ 22,642</u>	<u>\$ 23,220</u>	<u>\$ 21,620</u>	<u>\$ 945</u>	<u>\$ 655</u>

Credit risk

Credit risk arises from the potential that a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable.

The Company is exposed to credit risk with respect to uncertainties as to timing and amount of collectability of accounts receivable. As at December 31, 2025, 20% (December 31, 2024 - 11%; December 31, 2023 - 91%) of accounts receivable relate to customer receivables, and 80% (December 31, 2024 - 89%; December 31, 2023 - 9%) relate to amounts due from holdback receivable, related parties and income tax authorities for value added taxes and other tax related refunds. In order to minimize the risk of loss for customer receivables, the Company's extension of credit to customers involves review and approval by senior management as well as progress payments as contracts are executed. Most sales are invoiced with payment terms in the range of 30 days to 90 days. Refer to note 3(d) for the Company's policy with respect to an allowance for credit losses.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company conducts a significant portion of its business activities in foreign currencies, primarily the U.S. dollar and the Euro. The Company are subject to foreign currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which the Company earn revenues. In addition, since the Company's consolidated financial statements are reported in U.S. dollars, changes in foreign currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on the Company's results of operations, financial condition and cash flows.

Cash and cash equivalents, accounts receivable, accounts payable, and long-term debt that are denominated in foreign currencies will be affected by changes in the exchange rate between the Canadian dollar and these foreign currencies. The Company's functional currency is the Canadian dollar.

A 5% increase/decrease in the relative value of the U.S. dollar against the Canadian dollar and Euro compared to the exchange rates in effect for the year ended December 31, 2025 would have resulted in lower/higher income from operations of approximately \$441. This assumes a consistent 5% appreciation in the U.S. dollar against the Canadian dollar and the Euro throughout the fiscal year. The timing of changes in the relative value of the U.S. dollar can affect the magnitude of the impact that fluctuations in foreign exchange rates have on our income from operations.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk on its term loan with variable rates of interest.

If interest rates for the year ended December 31, 2025 had increased or decreased by 200 basis points, with all other variables held constant, net loss for the year ended December 31, 2025 would have increased or decreased by \$58.

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Fair value of financial instruments

As at December 31, 2025, 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 consolidated balance sheets for cash and cash equivalents, accounts receivable, 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 Cespira are accounted for using the equity method.

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

The carrying values of the term loan facilities included in the long-term debt (note 12) are carried at amortized costs, which approximate their respective fair values as at December 31, 2025.

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.