

<DARREN SEED speaking>
**<Westport's Vice President, Investor Relations
and Communications>**

Thank you and good afternoon, everyone. Welcome to our third quarter conference call for fiscal 2010. It's being held to coincide with the disclosure of our financial results earlier this afternoon. For those who haven't seen a release and financial statements yet they can be found on Westport's website at westport.com.

Speaking on behalf of the company will be Westport's Chief Executive Officer, David Demers, and Westport's Executive Vice President and Chief Financial Officer, Elaine Wong, and the President and Chief Operating Officer, Mike Gallagher. Attendance on this call is open to the public and to media, but for the sake of brevity we're restricting questions to analysts and institutional investors. You're reminded that certain statements made on this conference call and our responses to various questions may constitute forward-looking statements within the meaning of US and applicable Canadian Securities law, and such forward-looking statements are made based on our current expectations and involve certain risks and uncertainties. Actual results may differ materially from those projected in the forward-looking statement. Information contained in this conference call is subject to and qualified in its entirety by information contained in the company's public filings. And except as required by applicable securities laws we do not have any intention or obligation to update forward-looking information after this conference call. You are cautioned not to place undue reliance on any forward-looking statements.

Now I'll turn the call over to David Demers.

<DAVID DEMERS speaking>
<Westport's Chief Executive Officer>

Thanks, Darren, and good afternoon, everyone. As usual I'm going to lead off with some comments about our strategic plan and the progress made this quarter, and then I'll turn it over to Elaine to take you through the financial statements. And as I'm sure you've seen, Mike has transitioned to a new job, but he's here with us as well. I think he's going to be answering some questions and although he doesn't have a formal statement, is going to make some closing remarks or something I understand. So we'll see what Mike's up to.

So turning to the quarter, starting with top-line revenue you can see that we returned a strong year-over-year growth, 42 percent if you're looking in US dollars to US dollars. Now, this is muted by foreign exchange effects when we translate to Canadian dollars. We're still showing 24 percent year-over-year growth, which is certainly the strongest thing we've seen so far this year.

Our most mature line of business, Cummins Westport, set another all-time revenue and profit record this quarter. The last quarter that we were able to tell you that was July to September 2008. So are we through with recessions now? Probably it's too early to say but at least we can say that this is better news than we were seeing a year ago at this time.

Margins for the quarter were good even without considering some of the one-time positive adjustments. We saw demonstrated reductions in our warranty expenses, which allowed some positive adjustments after our cautious stance earlier this year, but I'll leave these details for Elaine.

On the heavy duty side of the business we're completing our shipments to the port into some of our Australian customers as we transition to the new 2010 GX product for North America, which is based on the new Cummins ISX platform with integrated aftertreatment. During the quarter we shipped 40 heavy duty systems. We anticipate about the same number through contract to be delivered through April.

As you may have seen, Cummins received certification of the diesel version of the ISX for 2010 in January. This then allowed us to proceed with our own certification applications. This process is always uncertain but we would hope to see formal certification from the EPA and CARB for our 2010 product before the end of April. Port customers of course are going to be able to take delivery of 2009 model year trucks until the end of April, so shipments to those customers that are scheduled for early 2010 are unaffected by that emissions change.

Turning to our third line of business, Juniper's light duty engine venture of course has had no impact on our revenue line yet. But we did achieve some significant milestones this quarter and we're approaching first commercial production for our first OEM customer, Clark. During the quarter we received EPA certification of the first Juniper engine, and we completed some production-readiness milestones. Of course, I've had the high hopes for this business for some time. I've

shared that with most of you. Of course, it's very early days, it's still pre-revenue, but feedback from our early markets has been encouraging. We think many customers will find the value package offered by Juniper compelling. It's a fully engineered system based on advanced Hyundai passenger car engines that have been optimized for natural gas and propane operation, and we're doing this at a very competitive price performance package. Juniper expects to commence shipment from production facilities in Korea within the next few months.

Now as we look forward to Q4 for the current fiscal year and then beyond to fiscal 2011, as we suggested at the halfway point this fiscal year, we thought the second half of fiscal '10 would show strength compared to the first half, and fiscal 2011 would see more robust growth. At this point we still think this is the correct stance, although the pace of growth next year is still going to be dependent on a number of external factors, including a few game changing events such as the NAT Gas Act in the US. At this point we believe Q4 will continue the strength shown in Q3, and full year revenue for the fiscal year will show growth over fiscal 2009. Last quarter we were about 12 percent behind the pace compared to the previous year. Today essentially we've caught up to fiscal '09, and although I don't anticipate reaching our usual historic double-digit growth rate this year, in the overall context of a market that's been off 30 to 50 percent, we think growth even in single digits is respectable.

Looking ahead, we're cautiously optimistic about sales growth in fiscal 2011. But it's clear we still have many challenges in the marketplace as well as internal milestones that we need to work through. We still see caution signals in many segments of the commercial vehicle market, both off and on-road. Even presuming better economic outlook and willing customers, we've seen credit problems continuing and indecisiveness in the face of such significant market uncertainty. On the balance then we're continuing to grow our market share but deals take time to close. Even where significant assistance from government programs are available some customers are continuing to jurisdiction shop for even better terms, or they're in wait-and-see mode with major incentives such as the NAT Gas Act proposals on their radar screen.

Nevertheless we believe decision points are approaching and unless we see a significant negative event in the

economy we think sustainable growth should re-emerge later in our next fiscal year.

That said, CWI has several bright spots, including global government stimulus spending on infrastructure such as buses and refuse trucks in North America, in Europe, in India, and in China, regional haul LNG trucks in North America, as well as strong bus opportunities continuing around the world, including some follow-up sales in India. CWI is also working hard on new products and new markets. So overall we expect stronger growth from CWI next year and continued profit leverage as we demonstrated this quarter.

The heavy duty business is pivoting with substantial completion of our work at the ports in Los Angeles and Long Beach. We still have trucks to ship and customers to support at the ports and there will be follow-up tenders next year, we understand. But now we want to take the field and market experience that we've earned in Los Angeles and apply it to the much larger opportunity in North American long haul trucking. And we want to launch new products with partners like Volvo in Europe and Weichai in China. In North America we're working hard to develop blue corridors with LNG refuelling infrastructure that will enable this long haul market to develop. This will be paced, of course, by the parallel development of commitment to LNG by long haul fleet operators as a corporate policy. This will all take time, but the market opportunity is so large that even relatively slow penetration rates we believe make the effort worthwhile. Market dynamics are of course different in other parts of the world but we believe that the lessons learned in North America will be transferrable as we help build the commercial vehicle market in those regions with our new partners.

The first corridor to develop is likely going to connect Los Angeles, Las Vegas, and Salt Lake City, and there's several other projects, including the 401 Highway connecting Montreal to Detroit in Canada, which could also emerge next year. What we're looking for are anchor fleets that can help justify the investment needed to produce this LNG infrastructure, but once the infrastructure begins to develop we would anticipate that other fleets will join in.

Looking at our HD product line, the heavy duty product line, we're transitioning our GX heavy duty engine to a new platform for 2010 emissions compliance. Our 2010 engines will include all of the new features of a next generation Cummins engine, including SCR

aftertreatment. The reasons are simple. We want to start with the latest generation Cummins systems as the base for our products, and we concluded that on balance keeping the new SCR systems will allow us to improve both fuel economy and performance while cutting tail pipe NOx emissions by 75 percent compared to 2009. Behind the scenes we made substantial progress on supply chain issues for the 2010 GX product that will improve both cost and scalability of production.

Since we first started shipping trucks at the ports, for example, all-in prices including taxes have dropped by more than \$30,000 per truck. We're approaching the 50 percent price reduction point since the introduction of the GX engine in 2007. We intend to continue to aggressively drop prices as we see improvements in our supply chain cost and as our field experience allows us to reduce warranty accruals.

We've been asked why we want to drop prices in the face of potential government subsidies such as the NAT Gas Act in the United States. Now, don't get me wrong. NAT Gas Act incentives would truly be game changing and we're optimistic, in fact, that this policy action will be taken by the US government this year. Nevertheless, our intent is long term global market penetration, and that means our strategy must be to seek economic leadership against the incumbent, which is diesel fuel, in all of our markets around the world. With our new program at Volvo, with our programs at Weichai, we want to see price at product introduction to be attractive in each potential market. So cost reduction remains an important initiative and we hope to see those benefits pass through to our end customers, although of course, we don't necessarily set vehicle prices.

Our Volvo program is off to an excellent start with strong commitment by both teams to produce a world leading gas engine that will see large scale adoption in markets around the world. We have not yet announced those market, or the product plans, in fact, that we intend to pursue for obvious competitive reasons. What I can tell you now is that the engineering work is well underway. Volvo engines have been operating on natural gas in our facilities for over a year, and collaborative progress has been very successful in achieving our engineering goals. This year we will continue—this year we'll continue product and supply chain development work as we develop the market introduction and penetration plans with our partner at Volvo.

We have not disclosed the business model for Volvo yet for the simple reason that there are still several options. At this point we've committed to collaborate on development of Volvo brand, LNG engines, and related equipment; hence our recent capital financing. Volvo is committed to collaborate on the program, open their supply chain and distribution channels up to this process, and to help mutually establish market target volumes that would see our investment in this Volvo development program paid back to Westport.

As I told you last quarter, despite the economic turmoil around us, or maybe because of it, we've never been busier. The idea of natural gas as a fuel for commercial vehicles isn't new, but now that the idea of LNG as a fuel for trucks has been validated at the ports of Los Angeles and Long Beach, we're seeing the idea, and support for the idea spread rapidly around the world and to other applications. High performance trucks built by the major manufacturers that use a clean, cheap fuel is going to get attention at a time when major concern in the industry is fuel price and fuel price volatility. It doesn't of course mean that we can expect instant market acceptance. We will need to prove long term performance, durability, and long term economic advantage in this very conservative and risk averse industry. But that's what's underway now and we expect that we will be successful over time.

Putting aside the quarterly financial metrics we're convinced that we're approaching that market tipping point. We're working hard to ensure that if and when we see commercial fleets decide when it's time to move, we will be ready to meet any conceivable demand.

So to wrap up, fiscal 2010 is shaping up to be an excellent year in the context of our long-term business plan despite the challenging markets. We're well positioned to see significant breakthroughs in new markets, our current business remains healthy and even growing. We intend to use this period of economic turmoil to continue to strengthen our economic and competitive positions while continuing to be prudent managers of our resources.

So that's really all I have to say for now. I'll turn the floor over to Elaine to take you through the financials.

**<ELAINE WONG speaking>
<Westport's Executive Vice President
and Chief Financial Officer>**

Thanks, David, and good afternoon, everyone. The press release, financial statements, and management's discussion and analysis provide a considerable amount of detail regarding our third quarter fiscal 2010 financial results, and are posted on our website.

For the third quarter ended December 31, 2009 consolidated revenue increased by 24 percent to \$38.4 million on 1,202 units shipped compared to \$31.1 million on 824 units shipped in the same quarter last year. The increase in revenue is primarily because of higher shipments of CWI engines and higher parts revenue. This was a record total revenue quarter for Cummins Westport with revenues of \$34.8 million on 1,062 units shipped, up 35 percent from \$25.8 million on 768 units shipped in the previous year. Non-CWI revenues included \$0.9 million from the sale of BTIC Westport SI tanks to customers in China and totalled \$3.6 million on 40 HD LNG systems shipped compared to \$5.3 million in the comparative quarter when 56 HD LNG systems were shipped. Consolidated revenue increased 43 percent on a US dollar basis, but was negatively impacted by change in the average foreign exchange rate.

For the nine months ended December 31, 2009 and 2008 respectively consolidated revenue was \$95 million and \$95.6 million respectively, a decrease of 1 percent. CWI revenues were up \$4.1 million or 5 percent to \$88.3 million on 2,809 units shipped from \$84.2 million on 3,236 units shipped.

The increase was driven by parts revenue which was up \$5 million and increased kit revenues, and was offset by a reduction in product revenue of \$900,000 on lower shipments. Non-CWI revenues were \$6.7 million on 68 units shipped compared to \$11.4 million on 126 units shipped in the same period last year. As a reminder, units shipped do not include kit shipments.

While we are pleased with the top-line growth we proceed to caution listeners that quarterly numbers can and do fluctuate significantly from period to period and revenues can be impacted by a number of things including timing of delivery of major orders, foreign exchange, and product mix.

For the three months ended December 31, 2009 we reported a net loss of \$7.3 million or \$0.21 loss per

share. This compares to a Q3 '09 net loss of \$8.9 million or \$0.28 per share. The improvement year-over-year was primarily the result of improved CWI results with increased revenues and improved margins offset by \$900,000 increase in operating expenses. Our 50 percent share of CWI increased from \$0.1 million to \$2.9 million.

For the nine months ended December 31, 2009 we reported a net loss of \$25.5 million or \$0.78 per share compared to a net loss of \$11.7 million or \$0.39 per share in the comparative period. The increase in net loss of \$13.8 million was primarily the result of a \$12 million decrease on gains net of taxes from the sale of investments. Without this impact the net loss for the nine months ended December 31, 2009 and 2008 would have been \$25.6 million and \$23.8 million respectively.

Turning to gross margins and expenses for the quarter, CWI margins were 43 percent, up from 18 percent from the comparative quarter, primarily due to improved warranty expense of a favourable supply of pricing adjustment in parts. A favourable \$1 million warranty adjustment was taken this quarter compared to an unfavourable adjustment of \$2.4 million this quarter of last year. In addition, change in customer supplier, parts pricing contributed about \$1.7 million to improve gross margin. Going forward we would expect normalized margins to return to the more traditional 30 percent range.

Total CWI operating expenses for the third quarter were \$5.6 million and included approximately \$1.6 million in policy expenses related to customer support, offset by decreases in administration expenses and R&D expenses. Non-CWI revenue gross margins were about 6 percent in the quarter. Margins are likely going to remain lumpy for at least a few more quarters, affected by foreign exchange and any adjustments in inventory or warranty. Recall also that we have been dropping our selling price for OEM products to reflect lower product cost going forward, but we are still working through historical inventories, which reflect our low volume supplier pricing. Non-CWI operating expenses decreased by \$0.6 million year-over-year mainly as a result of reduction in R&D program cost.

Turning to the balance sheets, our cash and short-term investments as at December 31, 2009 totalled \$107.2 million compared to \$82.6 million as at March 31, 2009. Cash used in operations and for capital expenditures for the nine months ended December 31, 2009 was \$20.4

million. Cash used in non-cash—changes in non-cash operating working capital was \$3.9 million due to decreases in accounts receivable of \$5.3 million for shipments made late in the quarter and decreases in accounts payable and accrued liabilities. We also raised \$57.5 million in net proceeds in December as well and that added to our cash balance.

Forecasting our business has always been a challenge. On this call last year I said that 2010 would be focused on business levers such as margin improvement, cost reduction, and product quality improvement. To this end we have accomplished a great deal in the last 12 months. We have improved CWI margins and continue to implement cost reduction initiatives as product reliability remains a key focus.

As previously disclosed I will be moving into a strategic development role here at Westport and will do my part to help get Westport closer to profitability through strategic partnerships and acquisitions that will add value to the company. I'm also going to be taking on some of Mike's corporate responsibilities as he takes on his new part-time strategic advisor role. We have some incredible opportunities and challenges in front of us, but we also have the core competencies to adapt and meet our goals and milestones. Where there are gaps I'll be working hard to ensure that we close them. As this is my last call as CFO I would like to thank you for your interest and support over the past seven years. I will now pass the call back to the operator to open the call for questions.

<Q&A SESSION>

Operator

Thank you. If you have a question, please press star, one on your telephone keypad. Our first question is from Graham Mattison from Lazard Capital Markets. Please go ahead.

Graham Mattison

Hi, good afternoon, everyone.

Elaine Wong, Executive Vice President and Chief Financial Officer

Good afternoon, Graham.

Graham Mattison

I was wondering, I have a question on the GX shipments. Can you give us sort of an order of magnitude split between the ports and other markets, notably Australia?

Elaine Wong, Executive Vice President and Chief Financial Officer

Yeah, they were mostly port shipments in the last quarter.

Graham Mattison

That's great. And then in terms of the, for the GX unit getting 2010 certification, you plan to get that by or hope to get that by April. Do you see a potential lag in sales just in the near term, or are you already speaking with customers about doing shipments or potential once you get that certification?

Mike Gallagher

Everybody's looking at me. This is Mike, so I'll jump in. The current quarter which we're moving into, this is our fourth quarter, will have shipments moving out based on the '09 product actually around the—it can be in the port agreement to allow those trucks to be delivered through April. So there should be a fairly seamless transition between the current product and the new certified product.

And there's a comment on—kind of related to how that fits internationally, the Australia product isn't undergoing that product change right now so it'll be no difference in the product being offered in Australia for a while yet.

Graham Mattison

All right, great. I'll jump back in queue. Thank you very much.

Operator

Thank you. Our next question is from Laurence Alexander from Jefferies and Company. Please go ahead.

Laurence Alexander

Good afternoon.

Elaine Wong, Executive Vice President and Chief Financial Officer

Good afternoon.

Laurence Alexander

I guess, first question. Volvo made an announcement at the end of last year that they would have a bi-fuel natural gas truck that meets your '05 that would be launched in 2010. Will you receive any revenue from that?

David Demers, Chief Executive Officer

Hi, Laurence, it's David. No, it's nothing to do with us and actually I'm not sure if there's anything new in that. I'm trying to remember what that one was. They've had a bi-fuel truck making the rounds in their, you know, their environmental tour for the last year or so, so I'm not sure what that product looks like or what they're doing. Certainly I don't think it's part of a long term, commercial product plan.

Laurence Alexander

And, I guess secondly with BTIC, do you see much operating leverage there or should we just think of it as running at break even going forward?

Elaine Wong, Executive Vice President and Chief Financial Officer

For BWI, I think the volumes and so on are still, you know, compared to the rest of our revenue, still fairly low so I think it's just been the break even or not. To the extent they're slightly profitable I don't think you should model much into that in the near term.

Laurence Alexander

And then lastly, sort of can you give—is the new—is the R&D this quarter sort of a good, new run rate or is this sort of an anomaly and it will revert back to the historical spend?

Elaine Wong, Executive Vice President and Chief Financial Officer

Yeah, I think, you know, to be honest, dealing with the quarters, they are lumpy so I suggest that you maybe look at the year-to-date number rather than the quarter number. I don't think they're actually that—they may not be that different, but because of planning of—depending what the guys are doing, if they're buying materials or not, they can be lumpy so I think the year-to-date number is probably a better number to use going forward. And year-to-date we're still down about 10 percent.

Laurence Alexander

Okay, thank you.

Operator

Thank you. The next question is from Rob Brown from Craig-Hallum Capital. Please go ahead.

Rob Brown

Good afternoon. You mentioned you're looking at reducing your ASP on the heavy duty side. Can you give us an update on where you're thinking that would be? I think in the past it was sort of 50 to 60,000. Where are

you at now and where sort of your thoughts on where it goes over the next 12 months.

David Demers, Chief Executive Officer

Hi, Rob. I guess you'll find out soon. Maybe we better leave it at that. You know, as I said, our intent is to be economically competitive. We want to see a life cycle cost advantage. So our long term target is to see people get a 12 to 18 month payback on fuel savings. So we're taking it through all of these projections so, you know, there's lots of hand waving on what is a fuel differential and what's the capital cost, and what's long term sustainable. But that's our business model. We think that we can achieve that. So right now our ASP is under 50,000 and we will continue to push that down.

Now, when you take that into Australia and there's multiple tanks and there's, you know, extended parts and service and things like this, you know, the contract price rises quickly too. So I can't really give you an exact number on what ASP on heavy duty will be going forward. But I can tell you that we are continuing to drop our purchase price, and the 2010 product will be cheaper than the 2009 product.

Rob Brown

Okay, great. Thanks for covering that. And then second question, you had some, I guess, one-time expenses in your sales and marketing for CWI—I should call it product support—but is that really one time this quarter or do you expect some of that kind of continuing here for the...?

Elaine Wong, Executive Vice President and Chief Financial Officer

Yeah, the policy, the policy expense, Rob. So what that means is once in a while the sales guys decide that they're going to do something really nice for a customer on a product that's out of warranty, etc. So what you'll see is we don't normally do that at this level, but so in Q3 we took an accrual of about \$1.6 million. I think going forward you will always see some level of policy expense, but certainly not to this level.

Rob Brown

Okay, great. Thank you.

Elaine Wong, Executive Vice President and Chief Financial Officer

So again. (Inaudible) better indication for normalized numbers.

Rob Brown

Okay, thank you.

Elaine Wong, Executive Vice President and Chief Financial Officer

Thanks, Rob.

Operator

Thank you. Our next question is from John Roy from Janney. Please go ahead.

John Roy

Yeah, thank you. You were mentioning about the Juniper engines and you were expecting the Korea products to ship in the next few months. Could you give us any more kind of colour on that and how that's going?

David Demers, Chief Executive Officer

Hi, John. It's David. Sorry, you're a little garbled so I didn't quite—

John Roy

Sorry about that. The Korean products for the Juniper engines, you were saying that was going to ship in the next couple months?

David Demers, Chief Executive Officer

Yup.

John Roy

Could you give us a little more colour on that at all?

David Demers, Chief Executive Officer

Oh, sure. I can always give you lots of colour. Darren will hit me in a minute though if I go too far out. I think we've announced that those are 2 and 2.4 litre Hyundai passenger car engines. So the engines are built by Hyundai in Korea. They've been industrialized and so they get shipped to us ready for natural gas and propane. Hyundai have been great to work with. And then we produce the engines at a facility, third party facility, in Korea for shipment around the world. The first OEM we did announce was parts and material handling. This will be a global product for them, and they'll be shipping within a few months. And so that's really what we're gearing up to do is to support those OEMs and we've seen initial orders to get ready for Clark, and you'll start to see revenue flowing from Juniper soon. I think we said last time, but if we didn't, I guess this might be new, we are also putting engines into other industrial applications like oil fields, substantial interest in other industrial applications for a fully engineered, high performance engine like this in other applications. So I'm optimistic about Juniper. I'm not going to move the financial dial any time soon but I think it's got great prospects in the longer term.

John Roy

And on that, is it the high performance nature that really you feel like is your advantage there versus other, other approaches?

David Demers, Chief Executive Officer

Well, I think we're coming at this from a, you know, a little different viewpoint than a lot of other market participants, in that we do believe that there's going to be a very large alternative fuel market emerging over the next few years in those small engines, which are

traditionally gasoline engines. Very different price point than we're used to in the diesel world. So what we're trying to do is take our business model of working with the OEMs, creating clean versions of existing state-of-the-art engines and packaging, and take that into markets where there's value seen in that fully engineered product. So this is a very low emission, high efficiency engine at a new price point in this industry. So I think that's what we're trying to do, is position ourselves for five years out, let's say, when the alternative fuel market in that engine class starts to mature, and at that point we think it's going to be a more traditional, tier one OEM structure with, you know, with state-of-the-art performance determining what gets into the marketplace. That's what we're trying to do.

John Roy

Thanks much. I'll get back in the queue.

Operator

Thank you. The next question is from Eric Stine from Northland Securities. Please go ahead.

Eric Stine

Good afternoon, everyone. Congrats on the nice quarter.

Elaine Wong, Executive Vice President and Chief Financial Officer

Thanks, Eric.

Darren Seed, Vice President, Investor Relations & Communications

Thanks, Eric.

Eric Stine

I was wondering if we could just start with India. Can you just give us the kit business level in the quarter?

Elaine Wong, Executive Vice President and Chief Financial Officer

There were shipments to India in the quarter. I've got to pull this up, hold on, Eric. Yeah, we don't—we never disclosed the exact amount, but I can tell you, it was a pretty healthy quarter for kits and royalty revenues. It was kind of similar to what we did in Q1.

Eric Stine

Okay, and—

Elaine Wong, Executive Vice President and Chief Financial Officer

So, yeah.

Eric Stine

Are you—I mean, you're well over three quarters through that program. Is that correct?

Elaine Wong, Executive Vice President and Chief Financial Officer

We are, yeah, yeah.

Eric Stine

Okay. And you touched on going after some follow-on business in India. Can you talk about potential opportunities with Volvo? I know they just introduced their CNG bus and there was a CIL representative saying that you were in discussions. Anything you can share there?

Elaine Wong, Executive Vice President and Chief Financial Officer

Yeah, I mean—

David Demers, Chief Executive Officer

Probably not.

Elaine Wong, Executive Vice President and Chief Financial Officer

I mean, I can give you... actually I just found the numbers too. So the revenue number was about \$2.7 million this quarter compared to \$1.4 this quarter last year. We are about 75 percent through. There is a follow-on opportunity that Delhi's looking at, and so when we get that we'll announce that. And Volvo did, as you indicated, put out a press release. But, and again, when we get the orders on that we'll announce that.

Eric Stine

Okay, fair enough. Just turning to Weichai. Any update on the potential timing of government approval?

David Demers, Chief Executive Officer

I guess I get that one. Everybody's pointing at me. It's—short answer is no. I mean, there's movement but it has been slow so I really, you know, I'm kind of loathe to predict after, you know, it's just been so uncertain in the past. We're coming up on the big holiday season. I would expect that at the earliest it would be the next quarter, our Q4. It could slide into Q1. We don't see any real issue here, frankly. It is just procedural. We do want to see the procedure happen. We do want to get things going, and the engineering work is continuing. There's lots of work happening between the two teams. We would like to get the joint venture registered and done and invested.

We have been, you know, watching with some interest. We are investing, just to remind everybody. We are investing in an existing company. Weichai does have a subsidiary. Part of the reason that this is being slow is Weichai has to work with the local government to change the ownership structure to allow international investment. That's really what we're working with them on. But in the meantime they are continuing to sell older versions of natural gas engines into the bus business, and so we will be investing in that existing

business and existing process. So we're continuing to be engaged, see what they're doing, see what we can help with, and get ready to step into that business as board members and shareholders. But lots to be done. I wish I could tell you something more specific about the registration process, but it really isn't in our hands.

Eric Stine

Okay, understood. But it's fair to say you sound a little more optimistic as far—

David Demers, Chief Executive Officer

I think it's moving forward. As I say, I don't see any sign that Weichai isn't just as committed as we are to pushing ahead. In the short term it's not holding up the work. It's not really changing the business model or the business plan. They're continuing to develop their business on the existing product line and we will invest at the same rate and same pace and same valuation. So all in all I think it's going to happen. It's just going to take some time.

Eric Stine

Okay, that's great. Thanks a lot.

Darren Seed, Vice President, Investor Relations & Communications

Thanks, Eric.

Operator

Thank you. Our next question is from Thomas Daniels from Thomas Weisel. Please go ahead.

Thomas Daniels

Hey, guys. It's Tom in for Dilip. Thanks for taking my question. First, I guess I was just going to ask if you could give us some colour on the Wal-Mart Demo project. I think last quarter you talked about it kind of nearing towards its end. And just wondering, you know,

how that's going, and if there's a possibility for some follow-on orders.

Mike Gallagher

This is Mike, Thomas. Yeah, that's been a good program for us. As you know we put four demonstration trucks into their Apple Valley distribution centre in southern California that run in commercial service for many months. The demonstration program is nearing completion. I think it's fair to say that Wal-Mart, and we both concluded that the trucks performed well, met its performance goals, and that the technologies kind of receive favourable remarks around that. There are no, you know, they haven't moved to the next step of procurement around LNG trucks. They will be looking at their buy needs, incentive programs, etc. And so we're watching that and staying in close touch with them. I might say that we did receive kind of a special invitation from them in an event yesterday that their Wal-Mart, that their CEO Canada hosted here in Vancouver on sustainability in the future of retail business and trucking generally, 300 people in downtown Vancouver yesterday with a big contingent of Wal-Mart executives.

Thomas Daniels

Okay, great. Yeah, I did see that in a press release that Wal-Mart was doing that, so thank you for that. My one other question would be on the Clean Cities program. I knew it was going to take some time for the money to flow. You know, specifically about the San Bernardino LNG project with J.B. Hunt. You know, are you guys talking to J.B. Hunt? You know, could you give us a little more colour on maybe timing of those orders?

Mike Gallagher

The Clean Cities program, that is to say, there were a number of contracts. I think there were 25 national awards of which natural gas vehicles were in 19 of those regional awards, including customers like J.B. Hunt, UPS, Southcoast, AQMD, and others. J.B. Hunt, we have been discussing. They were looking at smaller engine trucks, so they were looking at mid-range engines, not the heavy duty GX product. So those discussions have been primarily through Cummins Westport. And those

discussions kind of continue. J.B. Hunt hasn't kind of found a way yet to move forward with that natural gas program. They're not sure just when or how that might move forward, so we're just kind of staying in contact. I think the UPS program is one you might want to watch because I think they are looking to be a bit more aggressive and they've got trucks in both California and in these corridors that they refer to the Las Vegas, California corridor as well as the Salt Lake City, Utah operation.

Thomas Daniels

Great, that's all for me. I'll jump back in the queue. Thanks, guys.

Operator

Thank you. Our next question is from Michael Willemse from CIBC. Please go ahead.

Michael Willemse

Thank you. Good afternoon. Congrats on the results.

Darren Seed, Vice President, Investor Relations & Communications

Thanks, Mike.

Michael Willemse

Just a follow-up on the question on the Clean Cities program. So have you had any sales yet that were related to the Clean Cities program?

David Demers, Chief Executive Officer

I—I'm just looking around the table. It's David, Mike. I don't think we've seen any contracts issued yet. I know there's been contract negotiations that have been underway for probably 90 days. I think Mike took you through this a couple of quarters ago. It's a fairly complicated process unfortunately where the contracting agency is actually the Clean Cities organization in each

community with the Department of Energy. So that step I think is for the most part done, but a lot of these applications were put in a year ago, so now the details of the final procurement are getting worked out between the Clean Cities organization and the fleet and the local players, and of course there's been a lot of new product announced in the last 12 months so people are changing their product plans. And so lots and lots of details to get sorted out. So I am not aware of any actual orders that have happened yet from the stimulus, but we would expect they would flow through 2010.

You know, we've been back and forth with a lot of discussion on it. Honestly I don't worry about it either. I think it's, you know, it's, it's a great sign of the interest in natural gas and natural gas trucks. It's created a lot of enthusiasm in a lot of our OEM partners to launch new product. We've seen new CWI trucks launched with a number of vendors over the last month. So it's partly as a result of the customer demand they're seeing through things like the stimulus program. So in any event I think we're going to be, you know, we're going to see sales outside these programs that are much larger in magnitude than what we've seen under the stimulus contract. So I'm not all that concerned about these particular projects.

Mike Gallagher

I think to Dave's point, I think that's absolutely true that these awards announcements were pretty big factors, in both Kenworth and Peterbilt's decision to take the CWI ISL G into their chassis, which was announced last quarter.

Michael Willemse

Okay. And just on the heavy duty engine market in general. Cummins had a very strong quarter for shipments in the fourth quarter, and then in the first half of 2010 they're guiding to a very significant drop because of the changeover in EPA. Is their overall market still pretty uncorrelated with the natural gas engine market or could that have some impact that CWI or heavy duty engine in general?

David Demers, Chief Executive Officer

We all aspire to the point where our volumes are going to significantly move a dial for Cummins. That's a great dream. It's been very—it is completely disconnected. There was a big pre-buy in the diesel world ahead of the January 2010 Emission Standard. The CWI has already, you know, met those standards, so there was really no change in product for 2010. We've certified of course, but there's really no change in the configuration so we saw no pre-buy and I don't think any psychological change in buying characteristics. So that's kind of why we said we thought 2010 is going to be strong for CWI anyway. It has nothing to do with the Emission Standard change.

On the heavy duty side, yes, you know, there is a big transition. And you know, as you know, there's been all kinds of turmoil and controversy in the heavy duty engine side on the diesel front, on the introduction of urea as part of the SCR, Selective Catalytic Reduction, aftertreatment systems that are pretty universal now in the 2010 diesel product.

It's—it is going to create a lot of turmoil on the diesel fleets. I think on the natural gas side people are going to be pleased with performance and fuel economy of our 2010 product as we introduce it. So we haven't seen any real, you know, any real pushback from anybody on this emission transition for us.

The Australia product as Mike kind of alluded to, the Australia product's the same this year. It will change next year. So we expect Australia will be picking up this year.

So as I summarize this, I know I've gone on a bit, but we don't really see the January 2010 date as having any significant impact on our plans. It's a transition. We're shifting markets, we're shifting focus to new opportunities. We think the product is well set up for customer satisfaction and that's what we want to achieve next year.

Michael Willemse

Okay. And just one last question, on the NAT Gas Act, with the, you know, recent changes in congress are you concerned about some gridlock kind of delaying the passage of the Act or I guess what's your related thinking there?

David Demers, Chief Executive Officer

I think, you know, we've been cautious. This has got to be the third quarter we talked about NAT Gas. I'm looking at Darren. It's been out there for quite a while, and, you know, as, you know, I'm not going to say we wouldn't love to see the NAT Gas Act pass because it would be a game changer. It has really captured the attention of a lot of market participants on both the natural gas producer side as well as the truck manufacturer side and truck fleet, so that's great. It's done its job. It's got people looking at the economics of natural gas.

I can tell you, because we've said this many times, we are not relying on subsidy programs like this as part of our strategic plan. So we're proceeding as if it's not in place and won't be in place because we have to. Washington is always an interesting place and certainly we can't predict when and where legislation is going to get passed or put into place. Plus that would be stupid to ignore it. It's potentially a very large, game changing opportunity in terms of our economics. It would vault us forward by years in our plan to get to that economic parity. So we do need to be ready to scale up if we need to and that's what we've been working on, is how can we scale up quickly in the event that economic parity is achieved relatively quickly through a process like NAT Gas Act.

So it's kind of two sided. We are pushing ahead as if it isn't in play. We are confident that we've got a strong business opportunity without the NAT Gas Act. If it passes we want to be ready to maintain leadership and happy customers, you know, in the wild market that would follow it too. So if and when we'll be ready. If we get some more time to get ready, that's fine too. If it happens next week, you know, party's on. So we're trying to be conservative and optimistic at the same time.

Mike Gallagher

I wanted to just add one thought. You mentioned the gridlock. I guess we're fortunate that we're not part of the healthcare bill. But there is a view that there's a ton of bipartisan support for the NAT Gas Act actually, and there is a view that it could be seen as kind of a win-win

for both sides of the House and Senate, and might even get some wind at its sails around that. But as Dave said, it's very difficult to predict.

I would say just on a development this morning, there's a new Senate (inaudible) bill that was introduced, and that does in fact include the one year extension on the fuel tax credit as part of it, which we're very happy about. That would have been a small part of this broader NAT Gas Act that we're talking about.

Michael Willemse

Okay, good. Thanks for that. Thank you.

Operator

Thank you. Once again, please press star, one for any questions or comments. Our next question is from Ian Tharp from Dundee Securities. Please go ahead.

Ian Tharp

Hi, thanks, and good afternoon, everyone. Well, a lot of questions have been covered, and I wanted to go to the Asia sales. Just looking at your quarter-on-quarter revenues, it looks like your Asian sales were down quite a bit in the quarter. Just any colour on the Asian sales that would have accounted for that.

Elaine Wong, Executive Vice President and Chief Financial Officer

I think, quarters are lumpy and it depends on who's actually taking deliveries at that period. And also sometimes when you look at the percentage rates, it's—every area could actually be up, but just depending on where your primary shipments are going. So I would just say it's just the timing of when the Asian customers are taking delivery.

Ian Tharp

Okay, so it's not any underlying trend in China or any of the other markets really.

Elaine Wong, Executive Vice President and Chief Financial Officer

No—

Darren Seed, Vice President, Investor Relations & Communications

And some of the engines end up actually in the buses in South America as well, even though the original shipments go to Asia, so it's—

Elaine Wong, Executive Vice President and Chief Financial Officer

Yeah, and India—keep in mind, India is not in Asia as well, so you are primarily the Chinese market, and—

Ian Tharp

Okay, well, I'll leave that answer as uncertain then. And moving on to—

Elaine Wong, Executive Vice President and Chief Financial Officer

I'm not sure I like that answer, Ian...

David Demers, Chief Executive Officer

I think what he's saying is we report the number but it doesn't mean anything, so okay.

Elaine Wong, Executive Vice President and Chief Financial Officer

I'm thinking of your model. If you're trying to model where things are coming from I think it's just, you kind of have to just kind of look at it on an overall revenue basis.

Ian Tharp

We'll just attach the lumpy moniker to it and...

Elaine Wong, Executive Vice President and Chief Financial Officer

Sounds good.

David Demers, Chief Executive Officer

Lumpy is always safe.

Ian Tharp

Okay, it's lumpy. Okay, so moving on the next market question. It looks like with the ports starting to, and if I can use the phrase "wind down" here, by the end of April, and Australia really being the bulk of the rest of the sales for HD, I wonder if you can talk a bit about the activity in Australia which really has to kind of shore up demand for HD. I know part of that may come from Clean Cities and other organic growth but just talking a bit about Australia if you could.

Elaine Wong, Executive Vice President and Chief Financial Officer

Mike?

Mike Gallagher

Sure. Australia has actually picked up steam in the last few months, partly kind of as the tail of the development with some tax incentives that were put in place for use by last June 30th in terms of commitment. So there was a movement, and we're just starting to see trucks move now as a result of that. So we're seeing an awful lot of interest there, let's say, both from fleets and from fuel providers, so this is relatively new as well. So we would expect that to continue and to trend upward over time around overall economics.

With respect to the broader, heavy duty product, the existing one, the GX, we will see some continuing activity at the ports and I think we've referred to

another round of tendered price procurement in 2010. Don't have all the details yet but I would expect it to be of a similar order of magnitude as the recent procurement, which we would expect to do well at both the Cummins Westport and Westport product.

And then I think, you know, Dave I think talked about interest throughout North America with fleet and the heavy duty product, and I think we would continue to see some development there, whether through special incentive programs like Clean Cities, DOE, and others, or the NAT Gas Act, or just the roll out of 2010 products. So we could watch that segment for movement and evolution.

Ian Tharp

Okay, great. And then just one final one. Going back to the Volvo, and I may have missed it in the subtle details, I know you're just talking about the business model now. We're all eagerly awaiting how that is formed. But I wonder if you can walk us through some of your thinking around the work that's been done to date on the engines, how would you would tool up manufacturing with Volvo and then obviously leading on to revenues from that joint venture.

David Demers, Chief Executive Officer

I wouldn't say we're just started to talk about business model. We've been talking about business model from day one, I think.

Ian Tharp

Right, right.

David Demers, Chief Executive Officer

It's a really intriguing relationship, frankly. We're really enjoying it. Engineering work has gone really well. We think we've got a pretty good handle on a number of product opportunities. I don't want to go into a lot more detail on that. Obviously there is a first product that's targeted, and it's probably not what people expect. It's not North American trucks as the first product. We think that there's a very large global market developing for

alternative fuel engines, and Volvo, as one of the world leaders, want to, you know, want to introduce world leading products. So let's just leave that one at that.

In terms of how we're going to gear up for production, clearly we need to have new suppliers and new supply chain, and we need to partner with Volvo to recruit those relationships. That's been underway for probably a year now. I think the business model has all kinds of possibilities. Now, we are a bit unique in that we aren't a tier one manufacturer. We're not a fuel injector supplier. We are kind of an intermediary. We're a design house. We're a market creation operation. You know, we put together a bunch of the technology, so this does give us a lot more flexibility in terms of business model with a partner like Volvo, or Cummins for that matter. As you've seen we've done multiple business models with Cummins too. So I think that where this is going to go is something that's going to be creative and a win-win for both Westport and Volvo. And I think we're all going to make a lot of money and that's really what this is all about.

Ian Tharp

That's a good place to leave it. That's all I had. Thanks very much.

David Demers, Chief Executive Officer

Great.

Operator

Thank you. Our next question is from Bob Wallace from Raymond James. Please go ahead.

Bob Wallace

Thank you very much. First of all I'd like to say, thanks a lot, Elaine and Mike. Now, how are you going to replace Mike?

Mike Gallagher

I think Dave has given my job to about six people.

Bob Wallace

I see, it's that thing. Anyways, just that's all I wanted, is the operations in Korea. You mentioned Korea on this, just very briefly with Hyundai and the Clark thing and crossing over on that. Plus as you're saying, somewhere in the oil fields that this engine is being used, is that correct?

David Demers, Chief Executive Officer

Yes.

Bob Wallace

And other applications are being used or being looked at?

David Demers, Chief Executive Officer

Absolutely.

Bob Wallace

And—

David Demers, Chief Executive Officer

Would you like one Bob? They look very good. They're a very pretty engine. You can put it under your desk.

Bob Wallace

I've always wanted a pretty engine.

David Demers, Chief Executive Officer

Well, just write a cheque and no problem.

Bob Wallace

Well, where abouts? North America, Europe?

David Demers, Chief Executive Officer

In terms of market?

Bob Wallace

Yes, please.

David Demers, Chief Executive Officer

It's a global opportunity and they're being sold around the world.

Bob Wallace

They are being sold around—so there's multiple.

David Demers, Chief Executive Officer

Yes.

Bob Wallace

Okay, and this is all under the Juniper.

David Demers, Chief Executive Officer

Yes.

Bob Wallace

Thank you very much, then. Thanks, Mike, and thanks Elaine.

Elaine Wong, Executive Vice President and Chief Financial Officer

Thanks a lot, Bob.

Mike Gallagher, President and Chief Operating Officer

You're welcome.

Operator

Thank you. We have no more questions at this time. I would like to return the meeting over to Mr. Seed.

Darren Seed, Vice President, Investor Relations & Communications

Thank you, everyone. Actually I'll pass the mic over to Mike.

Mike Gallagher

I knew you were going to do that, thanks Darren. Really just a closing word of thanks. As we stated, or as I stated in our press release a couple of weeks ago, it truly has been an honour and a privilege to serve as Westport's President and Chief Operating Officer these past seven years. I've greatly enjoyed working with Dave and Elaine and Darren and the team in building Westport into what I think is a great company today with a great future.

I'm looking forward to my new role, my upgrade, to senior adviser. I'm going to be focusing on international, senior international energy and environmental relationships for the company, and helping Dave out in other ways as I can. And I look forward to continuing as Chairman of the Board of Cummins Westport and as a member of the Westport Board itself.

And lastly I just want to tell each of you, the many of you that I have worked with over the years, how much I've enjoyed my interactions with the financial community, and each of you, and particularly talking with each of you these past 29 quarter calls, so thanks very much.

**Darren Seed, Vice President, Investor Relations
and Communications**

Thank you, operator.

Operator

Thank you. The conference has now ended. Please disconnect your lines at this time and we thank you for your participation.
