

Westport reports results for second fiscal quarter ending September 30, 2003

For Immediate Release

October 28, 2003

Vancouver, BC – Westport Innovations Inc. (TSX:WPT) today reported results for its second fiscal quarter ended September 30, 2003 and provided an update on operations.

Westport's net loss for the quarter was \$9.8 million (\$0.17 per share), compared with a loss of \$13.6 million (\$0.27 per share) during the same period in fiscal 2003, representing a 28% improvement over the same period last year. For the six month period ending September 30, 2003, our loss was \$18.1 million compared to \$25.0 million the same quarter last year.

"Westport is pleased to report our fiscal 2004 second quarter earnings. As the 28% decrease in our quarterly and year to date net loss shows, we are continuing to manage our burn rate. Moreover, engine unit sales to the end of September actually increased by 12% and US dollar revenues were up 16% year over year although these growth numbers were not reflected on our top line because of the depreciation in the US dollar," said David Demers, President & CEO of Westport Innovations. "The closing of our \$22.0 million financing in August has provided us with more flexibility in our operating plans and a stronger balance sheet for Westport."

Total revenue in Canadian dollars was flat at \$6.9 million compared to the same quarter last year, but in US dollars total revenue was up 16% because of increased parts margin, higher volumes and product mix. On a year to date basis, total revenue increased by 25% in US dollars. This increase has been offset by a 12% depreciation in the US dollar this quarter over this quarter last year. Product gross margins improved by 10% to 23% from 21% because of customer and product mix. Parts revenue also increased to \$650,000 from \$384,000.

Expenses, excluding cost of product revenue, totalled \$12.0 million, down from \$14.1 million the same quarter last year. Research and development, the largest expense category, was down 22% to \$7.1 million from \$9.2 million in the same quarter last year, and on a year to date basis, has decreased 24% to \$13.8 million from \$18.2 million. This drop is primarily attributed to funding awarded by Technology Partnership Canada in March 2003 and other government funding, which together have increased to \$5.5 million from \$0.4 million to the end of September year over year and our commitment to pace program spending with available funding and market opportunities.

At the end of September 30, 2003, cash, short-term investments and accounts receivable, net of accounts payable, totalled \$31.8 million compared to \$26.8 million at March 31, 2003. In August, Westport issued twelve million common shares at \$1.90 per share through a bought deal financing, offering net proceeds of \$22.0 million in new capital. As part of its commitment to its profitability goals, Westport continues to focus on its advanced technology and diversification paths.

Business Programs Update

CWI

Cummins Westport Inc. (CWI) increased engine shipments year over year and is focused on achieving stated targets of 30% growth in unit sales for fiscal 2004.

Early in the quarter, CWI announced the sale of up to 600 engines to the Metropolitan Transportation Authority of Los Angeles for transit bus service. This was the first order for the 320-horsepower L Gas Plus

engine. The base order of 200 engines including its option for 400 more is CWI's largest engine order to date. The L Gas Plus will be in trials later this year at Norcal and will be released in mid-2004.

In July, CWI reported its first order for engines powered by liquefied natural gas (LNG) in China. The engines will be installed in new buses for transit service in Beijing. The city of Beijing alone will have over 18,000 buses in transit service by 2008, which is equivalent to approximately 30% of the total transit bus market in the US. Delivery of the 75 B-series engines will be complete this year. Beijing's commitment to improve air quality ahead of the Olympics in 2008 has been a driving factor in their interest to purchase CWI's natural gas engines.

"We have an economic value proposition in China, unlike any other market," said Hugh Foden, President of Cummins Westport. "Where US markets are driven by environmental factors, Asian markets are more motivated by economic issues and opportunities."

After the close of the quarter, CWI announced further expansion and sales in China. The new market of Chongqing and the repeat sales into Xian mark significant achievements for CWI and signal deeper market penetration and a satisfied customer base. CWI's success in China suggests that a local assembly option will facilitate further penetration into the Asian market with lower cost, low-emissions engines.

CWI continued to advance its Westport-Cycle™ heavy-duty engine technology during the quarter. The ISX G heavy-duty engine achieved certification to California Air Resources Board (CARB) Optional Low NOx standards of 1.5 grams per brake horsepower hour (g/bhp-hr). The ultimate target is to achieve NOx levels of 0.2 g/bhp-hr in a cost effective manner to meet 2010 emissions regulations.

Development work on the 60-liter QSK engine for power generation has also advanced during the quarter. Shortly after the close of the quarter, CWI announced it has now commissioned the field trial unit in Grande Prairie, Alberta, which is now delivering 1.6 megawatts of power to the Alberta Power Pool. Engineers and technicians are currently implementing the final touches on the generator set installed in Anaheim, California. Westport continues to monitor the demand in the distributed power generation market and will determine the pace of the program based on market conditions and funding sources.

Under the joint venture agreement of March 2001, CWI will see a significant change in its operations as of January 1, 2004. The agreement states that Westport will fund the losses of the joint venture until December 31, 2003 after which point the two parents will contribute equally to the cash needs of CWI. Cummins also has the right at any time to dissolve the joint venture, paying a negotiable fee to Westport linked to Westport's investments in intellectual property within CWI, and both parties continuing with a supplier/customer relationship on commercial terms to be negotiated.

As we have previously disclosed, formal discussions between Cummins and Westport commenced some time ago to reach agreement on the CWI business plan going forward, and the corresponding commitments to CWI from each parent under that plan. Although no decisions have yet been made, Westport anticipates that the discussions will conclude before the end of the calendar year.

Development Projects with Isuzu, MAN & Ford

Ford's interest in Westport technology continues with the agreement announced in July for Westport to support the automaker's hydrogen engine development program. Ford purchased fuel injection hardware, controls and engineering support from Westport based on a hydrogen-specific version of Westport's patented direct injection technology.

NEWS RELEASE

In September, Westport showcased the results of its Isuzu program with the impressive success of the prototype ELF CNG-DI truck at the Michelin Challenge Bibendum in Sonoma, California. Bibendum is the world's largest environmental event and the premier competition for alternative fuel vehicles aimed at sustainable transportation. The prototype ELF won two gold medals, in the efficiency and emissions categories, and one silver medal in the vehicle noise category. The truck has now returned to Japan, where it will undergo further testing and development.

"The ELF CNG-DI's achievements at Bibendum are a tribute to the immense amount of work both Westport and Isuzu have put into the program and we are very pleased with the results," said Michael Gallagher, Chief Operating Officer for Westport. "We are honored to be a part of this joint project with Isuzu and look forward to continued collaboration with the automaker."

Westport's development program with MAN for CNG-powered heavy-duty trucks is also progressing. Funding from MAN, Ruhrgas and other German gas industry members has assisted in the completion of tests at MAN in Germany. We have seen some impressive results and the engine will now be tested in our own facility in Dortmund, Germany. The market studies around the opportunity for this natural gas automotive product in Germany and elsewhere in Europe is currently underway.

Westport Innovations Inc. is the leading developer of gaseous fuel engine technologies. It develops, manufactures and sells a wide range of engines for commercial transportation applications such as trucks and buses through Cummins Westport Inc., its joint venture with Cummins Inc. Technology development alliances are in place with a number of other leading engine manufacturers, including Ford, MAN, Isuzu, and BMW to develop engines that operate using cleaner-burning fuels such as natural gas, propane, hydrogen, and blended fuels such as HCNG.

Westport has scheduled a public conference call for Tuesday, October 28, 2003 at 8 am (Pacific Time) to discuss the quarterly results. To access the conference call by telephone, please call 1-888-295-1311 no later than 7:55 am on October 28. Alternatively, the webcast of the conference call can be accessed through the Westport web site at www.westport.com by following the link on the investor information menu. Replays will be available in streaming audio shortly after the conclusion of the conference call.

To view the financials and management's discussion and analysis, please point your browser to the following link: <http://www.westport.com/investor/financial.php>

Note: This document contains forward-looking statements about Westport's business, operations, technology development or to the environment in which it operates, which are based on Westport's estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, or are beyond Westport's control. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they are made. Westport disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For further information, please contact:

Gordon Neal

Director, Investor Relations

Phone: (604) 718-2046 Fax: (604) 718-2001

Email: invest@westport.com Web: www.westport.com

WESTPORT INNOVATIONS INC.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

	September 30, 2003	March 31, 2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,629,558	\$ 2,981,999
Short-term investments	29,069,660	25,137,389
Accounts receivable	5,409,115	7,080,281
Prepaid expenses	462,614	266,892
	<u>36,570,947</u>	<u>35,466,561</u>
Long-term investments	12,206,286	12,206,286
Equipment, furniture and leasehold improvements	34,669,213	33,038,443
Accumulated amortization	(18,856,733)	(15,881,378)
	<u>15,812,480</u>	<u>17,157,065</u>
Intellectual property	3,314,160	3,314,160
Accumulated amortization	(2,126,659)	(1,746,635)
	<u>1,187,501</u>	<u>1,567,525</u>
	<u>\$ 65,777,214</u>	<u>\$ 66,397,437</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,251,009	\$ 8,316,177
Demand instalment loan	1,842,105	2,500,000
Current portion of capital lease obligations	255,436	369,999
Current portion of warranty liability	3,869,752	4,186,348
	<u>10,218,302</u>	<u>15,372,524</u>
Capital lease obligations	701,316	832,270
Warranty liability	2,893,943	2,960,881
Shareholders' equity:		
Share capital:		
Issued: 63,759,877 (2003 - 51,316,053)		
common shares (note 4)	211,942,400	189,864,603
Other equity instruments (note 5)	3,289,658	2,600,892
Additional paid in capital	86,616	40,664
Deficit	(163,355,021)	(145,274,397)
	<u>51,963,653</u>	<u>47,231,762</u>
	<u>\$ 65,777,214</u>	<u>\$ 66,397,437</u>

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

	Three months ended September 30		Six months ended September 30	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Product revenue	\$ 6,265,362	\$ 6,555,507	\$ 9,805,589	\$ 9,974,975
Parts revenue	650,455	384,103	1,467,722	672,486
	6,915,817	6,939,610	11,273,311	10,647,461
Cost of revenues and expenses:				
Cost of product revenue	4,804,686	5,191,077	7,610,347	7,870,065
Research and development (notes 6 and 7)	7,140,283	9,220,004	13,764,124	18,187,132
General and administrative (note 6)	1,379,999	1,438,040	2,598,058	2,636,521
Sales and marketing (note 6)	1,636,718	1,030,089	3,026,987	2,156,722
Foreign exchange (gain) loss	71,543	688,674	(834,311)	470,776
Amortization	1,713,648	1,637,249	3,371,379	3,193,142
Bank charges and interest on capital leases	72,513	119,395	174,993	193,986
	16,819,390	19,324,528	29,711,577	34,708,344
Loss before undernoted	9,903,573	12,384,918	18,438,266	24,060,883
Interest and other income	(153,170)	(413,157)	(357,642)	(920,662)
Writedown of long-term investment	-	1,356,300	-	1,356,300
Loss from investment accounted for by the equity method	-	303,495	-	516,547
Loss for the period	9,750,403	13,631,556	18,080,624	25,013,068
Deficit, beginning of period	153,604,618	108,146,093	145,274,397	96,764,581
Deficit, end of period	\$ 163,355,021	\$ 121,777,649	\$ 163,355,021	\$ 121,777,649
Basic and diluted loss per share	\$ 0.17	\$ 0.27	\$ 0.33	\$ 0.49
Weighted average common shares, used in computing loss per share basic and diluted	56,739,110	50,767,989	54,042,398	50,740,569

See accompanying notes to consolidated financial statements.

WESTPORT INNOVATIONS INC.

Consolidated Statements of Cash Flows (Expressed in Canadian dollars)

	Three months ended September 30		Six months ended September 30	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash provided by (used in):				
Operations:				
Loss for the period	\$ (9,750,403)	\$ (13,631,556)	\$ (18,080,624)	\$ (25,013,068)
Items not involving cash:				
Amortization	1,713,648	1,637,249	3,371,379	3,193,142
Stock based compensation expense	35,195	360,666	163,290	743,612
Accretion of TPC warrants (note 6 (b))	285,715	-	571,428	-
Write down of investment	-	1,356,300	-	1,356,300
Loss from investment accounted for by the equity method	-	303,495	-	516,547
	(7,715,845)	(9,973,846)	(13,974,527)	(19,203,467)
Change in non-cash operating working capital:				
Accounts receivable	3,959,576	97,047	1,671,166	(677,875)
Prepaid expenses	(243,519)	(3,613)	(195,722)	(60,117)
Accounts payable and accrued liabilities	(1,140,444)	(2,232,763)	(4,065,168)	(1,694,337)
Warranty liability	203,011	1,222,338	(383,534)	1,308,537
	(4,937,221)	(10,890,837)	(16,947,785)	(20,327,259)
Investments:				
Purchase of equipment, furniture, and leasehold improvements	(487,132)	(1,310,824)	(1,646,770)	(2,084,859)
Sale (purchase) of short-term investments, net	(15,927,263)	14,220,225	(3,932,271)	24,546,111
Acquisition of assets	-	(223,041)	-	(223,041)
	(16,414,395)	12,686,360	(5,579,041)	22,238,211
Financing:				
Issue of common shares, net of issuance costs	22,077,797	12,229	22,077,797	446,003
Repayment of demand instalment loan	(241,229)	(416,666)	(657,895)	(833,334)
Repayment of line of credit	-	(383,445)	-	(383,445)
Repayment of capital lease obligation	(135,006)	(80,945)	(245,517)	(173,463)
	21,701,562	(868,827)	21,174,385	(944,239)
Increase (decrease) in cash and cash equivalents	349,946	926,696	(1,352,441)	966,713
Cash and cash equivalents, beginning of period	1,279,612	900,571	2,981,999	860,554
Cash and cash equivalents, end of period	\$ 1,629,558	\$ 1,827,267	\$ 1,629,558	\$ 1,827,267
Supplementary information				
Interest paid	\$ 58,541	\$ 51,163	\$ 157,188	\$ 107,720
Non-cash transactions:				
Shares issued on exercise of performance share units	-	105,000	-	245,000
Shares issued on purchase of assets	-	106,497	-	106,497
Assumption of debt on purchase of assets	-	984,270	-	984,270
Assumption of capital assets by assumption of debt	-	623,828	-	623,828
Acquisition of intellectual property by issue of shares	-	106,497	-	106,497
Acquisition of intellectual property by assumption of debt	-	360,442	-	360,442

See accompanying notes to consolidated financial statements.