Financial Results
Fiscal 2024

March 13, 2025

Notes to readers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 52-WEEKS ENDED December 29, 2024

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. and its subsidiaries (collectively referred to as "NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's audited consolidated financial statements (including notes) (the "Financial Statements") for the 13-week and 52-week period ended December 29, 2024 and has been prepared as of March 13, 2025.

This MD&A contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such forward-looking statements, including, but not limited to, the factors described in the Company's public filings available on SEDAR+ at www.sedarplus.ca. See "Forward-Looking Statements" in Appendix A. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS® Accounting Standards") and, except where otherwise indicated, are presented in U.S. dollars, which is the functional currency of NFI. Unless otherwise indicated, the financial information contained in this MD&A has been prepared in accordance with IFRS and references to "$" or "dollars" mean U.S. dollars, "C$" means Canadian dollars, and "GBP" and "£" mean British Pounds Sterling.

QUARTERLY AND ANNUAL REPORTING PERIODS

The quarterly and annual reporting periods for Fiscal 2024 and Fiscal 2023 are as follows:

Period from January 1, 2024 to December 29, 2024 ("Fiscal 2024")				**Period from January 2, 2023 to December 31, 2023 ("Fiscal 2023")**			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	March 31, 2024	("2024 Q1")	13	Quarter 1	April 2, 2023	("2023 Q1")	13
Quarter 2	June 30, 2024	("2024 Q2")	13	Quarter 2	July 2, 2023	("2023 Q2")	13
Quarter 3	September 29, 2024	("2024 Q3")	13	Quarter 3	October 1, 2023	("2023 Q3")	13
Quarter 4	December 29, 2024	("2024 Q4")	13	Quarter 4	December 31, 2023	("2023 Q4")	13
Fiscal year	December 29, 2024		52	Fiscal year	December 31, 2023		52

Specific references and definitions are used throughout this MD&A that are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies. Non-IFRS measures in this MD&A have been denoted with an "NG". Please see the "Non-IFRS and Other Financial Measures" section. References to LTM mean last-twelve months ("LTM"). References to North America mean the United States and Canada.

Notes to readers

The Company has two reportable segments which are the Company's strategic business units: Manufacturing Operations and Aftermarket Operations. The strategic business units offer different products and services, and are managed separately because they require different technology, marketing strategies, and operations.

The Manufacturing Operations segment derives its revenue from the design, manufacture, service and support of new transit buses, motor coaches, medium-duty, cutaway buses, the installation of infrastructure for electric vehicles and the third-party sales of fiberglass reinforced polymer components. Based on management's judgment and applying the aggregation criteria in IFRS 8.12, the Company's bus/coach manufacturing operations and medium-duty/cutaway manufacturing operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution and regulatory environment.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses, coaches and medium-duty/cutaway buses, both for the Company's and third-party products.

Single and double deck buses manufactured by New Flyer and Alexander Dennis Limited ("Alexander Dennis" or "AD") are classified as "transit buses". ARBOC Specialty Vehicles, LLC manufactures body on-chassis or low floor "cutaway" and monocoque "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, heavy-duty transit buses, medium-duty buses and cutaways, are referred to as "buses". A "motor coach" or "coach" is a 35 foot to 45-foot over-the-highway bus typically used for intercity transportation and travel over longer distances than heavy-duty transit buses and is typically characterized by (i) high deck floor, (ii) baggage compartment under the floor, (iii) high-backed seats with a coach-style interior (often including a lavatory), and (iv) no accommodation for standing passengers. "Product lines" include heavy-duty transit buses, motor coaches, pre-owned coaches, cutaway and medium-duty buses.

Zero-emission buses ("ZEBs") refers to vehicles that do not have internal combustion engines. In the case of NFI, ZEBs include trolley-electric, hydrogen fuel cell-electric, and battery-electric buses and motor coaches. All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motor coaches is measured in, or based on, "equivalent units" (or "EUs"). One EU represents one production "slot", being one 30-foot, 35 foot, 40-foot, 45-foot heavy-duty transit bus, one double deck bus, one medium-duty bus, one cutaway bus or one motor coach, as the case may be, whereas one articulated transit bus represents two EUs as it takes up two production slots. An articulated transit bus is an extra-long transit bus (approximately 60-feet in length), composed of two passenger compartments connected by a joint mechanism. The joint mechanism allows the vehicle to bend when the bus turns a corner yet have a continuous interior.

A summary of the Company's order, delivery, and backlog[NG] information can be found in Appendix B.

NFI's mobility solutions

Leaders in Propulsion Agnostic Mobility Solutions

60+
Models with various propulsion offerings (battery electric, hydrogen, hybrid, CNG, and diesel)

44
Facilities Across the Group

13
Countries with an NFI vehicle in service

~9,000
Team Members Globally

15,135 EUs
of combined firm (5,860) and option (9,275) backlog[NG]

$12.8B
Value of total firm ($4.7B) and option ($8.1B) backlog[NG]

240M+
Electric Service Miles Driven

40%
of total backlog[NG] is ZEB EUs

570+
EV chargers delivered via Infrastructure Solutions™ since 2018

92+
Megawatts charging capacity delivered via Infrastructure Solutions™ since 2018

Financial Highlights for Fiscal 2024

$3,122.3M
Total Revenue

$349.4M
Gross Profit

$214.4M
Adjusted EBITDA(1)

($17.8M)
Free Cash Flow (1)

($0.03)
Net Loss Per Share

9,489 EUs
in LTM New Orders

5,860 EUs
In Firm Backlog(2)

4,547
EUs Delivered

($3.3M)
Net loss

$15.3M
Cash Flow generated by operating activities

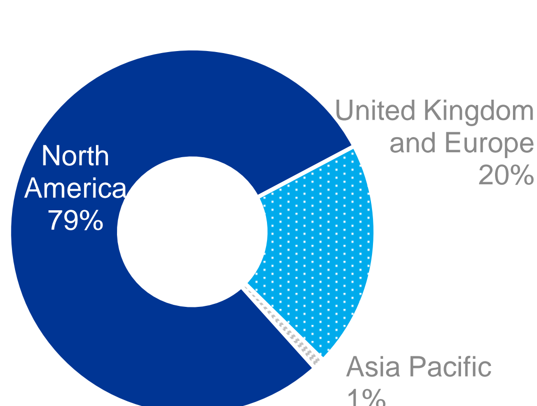
$126.8M
Liquidity (2)(3)

($0.03)
Adjusted Net Loss Per Share(4)

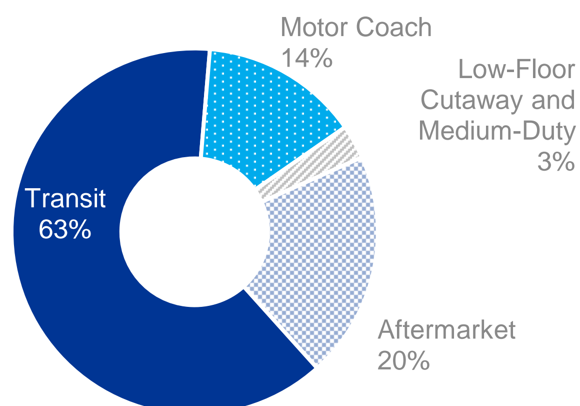
7,094 EUs
Active Bids

9,275 EUs
In Option Backlog(2)

1. Represents a non-IFRS measure, meaning it is not a defined term under IFRS and does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. See Non-IFRS and Other Financial Measures section.
2. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.
3. Without consideration given to the minimum liquidity requirement of $50 million.
4. Represents a non-IFRS ratio, meaning it is derived from a non-IFRS measure, which does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. The ratio is calculated using adjusted net income, which is a non-IFRS measure. See Non-IFRS and Other Financial Measures section.



Revenue by Geography

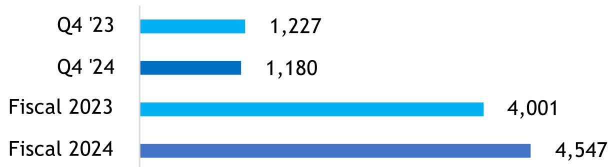


Revenue by Product

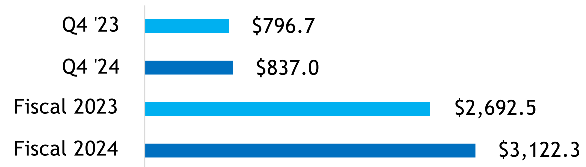
We Move People

Key Performance Indicators

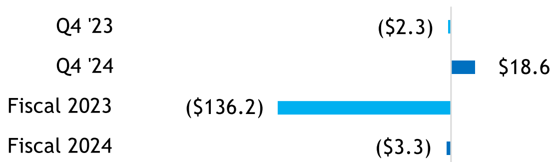
Deliveries (EUs)



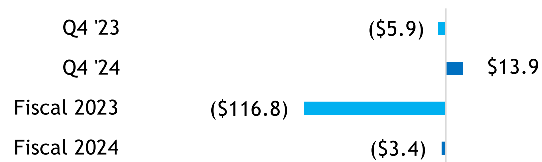
Revenue ($ millions)



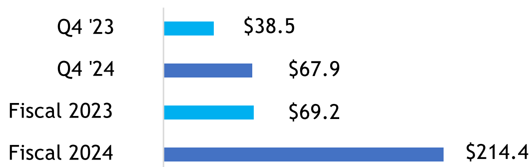
Net (Loss) Earnings ($ millions)



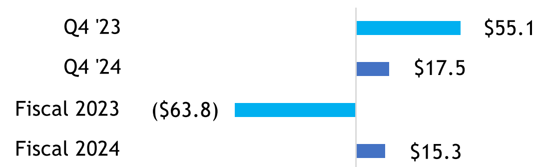
Adjusted Net (Loss) Earnings[NG] ($ millions)



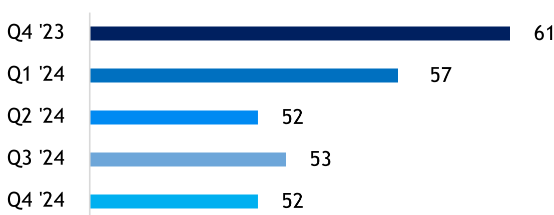
Adjusted EBITDA[NG] ($ millions)



Net cash generated by (used in) operating activities ($ millions)

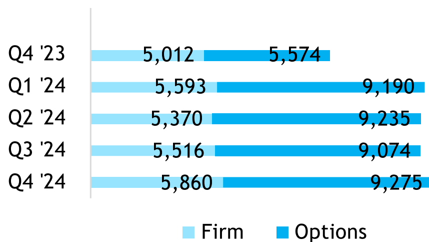


Working Capital Days[NG]

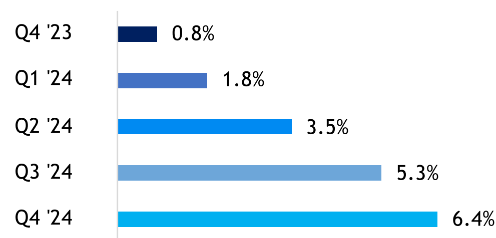


Total Liquidity[NG] ($ millions)

Backlog[NG] (EUs)



ROIC[NG]



Financial Results

During the fourth quarter of 2024, NFI continued to see improvements with year-over-year increases in the average sale price of its buses and coaches, and their associated per unit margin, Adjusted EBITDA[NG] and net income metrics. NFI's fourth quarter Heavy-Duty Transit ("Transit") operations in North America were negatively impacted by seat supply disruption that increased raw materials and work-in-process inventory and delayed planned deliveries into 2025. During the quarter, the Company executed on a detailed action plan with the affected supplier to improve delivery performance. The Aftermarket business segment ("Aftermarket") experienced another strong period of performance, with year-over-year growth in revenue and quarterly Adjusted EBITDA[NG]. Fiscal 2024 saw Aftermarket deliver its highest revenue and Adjusted EBITDA performance in NFI's history.

The Company's end markets remain healthy, with significant order and award activity, a robust public bid environment, and an improved competitive market in North America.

Full details of the Company's orders, deliveries, and backlog[NG] information can be found in Appendix B.

Deliveries (EUs)	2024 Q4	2023 Q4	% Change	Fiscal 2024	Fiscal 2023	% Change
Transit buses	835	923	(9.5 %)	3,258	2,942	10.7 %
Motor coaches	180	202	(10.9 %)	667	635	5.0 %
Medium-duty and cutaway	165	102	61.8 %	622	424	46.7 %
New vehicle deliveries	1,180	1,227	(3.8 %)	4,547	4,001	13.6 %
Pre-owned coach	2	37	(94.6 %)	127	236	(46.2 %)
Zero-emission deliveries (included in the above totals)	308	236	30.5 %	1,036	878	18.0 %
Zero-emission deliveries as a percentage of total new vehicle deliveries	26.1 %	19.2 %	35.9 %	22.8 %	21.9 %	3.8 %

Revenue ($ millions)	2024 Q4	2023 Q4	% Change	Fiscal 2024	Fiscal 2023	% Change
Transit buses	513.9	511.2	0.5 %	1,928.5	1,654.4	16.6 %
Motor coaches	122.9	121.7	1.0 %	432.7	390.8	10.7 %
Medium-duty and cutaway	21.7	14.4	50.6 %	77.3	50.7	52.5 %
Total New Vehicle Revenue	**658.5**	**647.3**	**1.7 %**	**2,438.5**	**2,095.9**	**16.3 %**
Pre-owned coach	8.4	5.8	44.0 %	15.9	21.6	(26.3 %)
Infrastructure Solutions™	11.6	5.1	126.8 %	26.2	11.0	137.3 %
Fiberglass reinforced polymer components	1.6	2.8	(44.5 %)	10.3	8.9	15.3 %
Manufacturing Revenue	**679.9**	**661.0**	**2.9 %**	**2,490.9**	**2,137.5**	**16.5 %**
Aftermarket	157.1	135.7	15.8 %	631.4	555.0	13.8 %
Total Revenue	**837.0**	**796.7**	**5.1 %**	**3,122.3**	**2,692.5**	**16.0 %**
North America	625.2	610.4	2.4 %	2,452.7	2,119.4	15.7 %
United Kingdom and Europe	193.9	164.2	18.1 %	626.9	523.4	19.8 %
Asia Pacific	17.9	22.1	(19.0 %)	42.7	49.7	(14.1 %)

Manufacturing revenue for 2024 Q4 increased by $18.9 million, or 2.9 %, compared to 2023 Q4. The increase was mainly due to more favourable product mix for Transit along with higher medium-duty and low-floor cutaway vehicle deliveries. Notwithstanding the ongoing seating supply challenge beginning in 2024 Q3, the Company has seen improvement in the performance of its overall supplier base resulting in improved on-time production over the past year, supporting NFI's continued efforts to ramp-up vehicle production rates. Overall, NFI saw significant improvement in deliveries and revenue from the prior year with an increase in annual deliveries and a 16.5 % increase in Manufacturing segment annual revenue.

In 2024 Q4, Manufacturing deliveries decreased by 47 EUs, or 3.8 % from 2023 Q4. In 2024 Q4, Transit deliveries were the most negatively impacted by the seat supply issue and lower labour production efficiency. Overall, zero-emission bus and coach deliveries for 2024 Q4 increased by 30.5 % from 2023 Q4. During Fiscal 2024, ZEB deliveries were 1,036 compared to 878 in Fiscal 2023. This represents the highest annual ZEB deliveries in Company history. ZEBs as a percentage of total new vehicle deliveries increased to 26.1 % in 2024 Q4 from 19.2 % in 2023 Q4. The fourth-quarter performance contributed to NFI achieving 22.8 % of its Fiscal 2024 deliveries being ZEBs. Transit is the primary driver of ZEB deliveries with fewer electric propulsion deliveries in coach and low-floor cutaways.

Quarterly revenue of the Company's Infrastructure Solutions™ division was $11.6 million for 2024 Q4, an increase of $6.5 million from 2023 Q4. The increase is primarily due to the timing of delivery and completion of open contracts. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 496 plug-in and 78 overhead charger projects, for 70 different customers. Infrastructure Solutions™ has 25 active projects under contract, with 3 new projects added in 2024 Q4.

Aftermarket revenue for 2024 Q4 continued to show strong performance with an increase of $21.4 million, or 15.8 %, compared to 2023 Q4. The increase is mainly related to increased volume in the North America region, including the sale of parts used in other OEM vehicles, and improved pricing and procurement savings. The Company also benefited from higher retrofit programs in North America and an expanded webstore in both North America and the UK for private customers.

Net Earnings (Loss) ($ millions, except per share amounts)	2024 Q4	2023 Q4	% Change	Fiscal 2024	Fiscal 2023	% Change
Manufacturing	15.8	8.9	*77.5 %*	4.0	(96.5)	*104.1 %*
Aftermarket	27.2	24.7	*10.1 %*	119.6	101.7	*17.6 %*
Corporate	(24.4)	(35.9)	*32.0 %*	(126.9)	(141.4)	*10.3 %*
Net Earnings (Loss)	**18.6**	**(2.3)**	***908.7 %***	**(3.3)**	**(136.2)**	***97.6 %***
Adjusted Net Earnings (Loss)[NG]	13.9	(5.9)	*335.6 %*	(3.4)	(116.8)	*97.1 %*
Net Earnings (Loss) per Share	0.16	(0.02)	*900.0 %*	(0.03)	(1.48)	*98.0 %*
Adjusted Net Earnings (Loss) per Share[NG]	0.12	(0.05)	*340.0 %*	(0.03)	(1.27)	*97.6 %*

Adjusted EBITDA[NG] ($ millions)	2024 Q4	2023 Q4	% Change	Fiscal 2024	Fiscal 2023	% Change
Manufacturing	35.2	11.1	*217.2 %*	84.2	(42.1)	*300.0 %*
Aftermarket	32.8	29.5	*11.1 %*	139.5	120.2	*16.1 %*
Corporate	(0.1)	(2.1)	*95.7 %*	(9.3)	(8.9)	*(4.5 %)*
Total Adjusted EBITDA[NG]	**67.9**	**38.5**	***76.4 %***	**214.4**	**69.2**	***209.8 %***
Adjusted EBITDA[NG] as a percentage of revenue						
Manufacturing	5.2 %	1.7 %	*205.9 %*	3.4 %	(2.0 %)	*270.0 %*
Aftermarket	20.9 %	21.7 %	*(3.7 %)*	22.1 %	21.7 %	*1.8 %*
Total	**8.1 %**	**4.8 %**	***68.8 %***	**6.9 %**	**2.6 %**	***165.4 %***

In 2024 Q4, Manufacturing operations experienced net earnings of $15.8 million compared to net earnings of $8.9 million in 2023 Q4. The increase in net earnings was driven by a favourable product mix and a reduction in operating costs. Manufacturing operations achieved Adjusted EBITDA[NG] of $35.2 million, an increase of $24.1 million, or 217.2 %, compared to 2023 Q4 Adjusted EBITDA[NG] of $11.1 million. The increase in Manufacturing Adjusted EBITDA[NG] from 2023 Q4 to 2024 Q4 was primarily due to greater overall gross margins, favourable sales mix, and non-recurring labour and overhead costs. The increase in Fiscal 2024 Manufacturing net earnings and the increase in Fiscal 2024 Manufacturing Adjusted EBITDA[NG] is attributable to the same items that impacted quarterly results.

The 2024 Q4 Aftermarket segment net earnings increased by $2.5 million, or 10.1 %, compared to 2023 Q4. The increase was primarily due to increased sales volume, including the sale of parts used in other OEM vehicles, improved pricing, and procurement savings. In 2024 Q4, the Aftermarket segment achieved Adjusted EBITDA[NG] of $32.8 million, a $3.3 million, or 11.1 %, year-over-year increase, primarily due to the same items that impacted Aftermarket net earnings. Increases in Aftermarket net earnings and Adjusted EBITDA[NG] for Fiscal 2024 are primarily due to the same items that impacted quarterly increases. Aftermarket delivered another record Adjusted EBITDA[NG] performance in Fiscal 2024, outpacing Fiscal 2023's record by 16.1 %.

The 2024 Q4 Corporate net loss decreased by $11.5 million compared to 2023 Q4 mainly due to decreased interest expenses and financing costs as well as lower realized foreign exchange losses. Corporate Adjusted EBITDA[NG] increased by $2.0 million compared to 2023 Q4, primarily due to lower operating expenses in 2024 Q4 as discussed in the results from operations section on page 19. Fiscal 2024 Corporate net loss decreased due to the same items that impacted quarterly results. The Fiscal 2024 Corporate Adjusted EBITDA[NG] increased due to the same items that impacted quarterly results.

Net cash generated by (used in) operating activities and Free Cash Flow[NG] ($ millions, except per share amounts)	2024 Q4	2023 Q4	*% Change*	Fiscal 2024	Fiscal 2023	*% Change*
Net cash generated by (used in) operating activities	17.5	55.1	*(68.2 %)*	15.3	(63.8)	*124.0 %*
Free Cash Flow[NG]	0.6	2.7	*(77.8 %)*	(17.8)	(101.4)	*82.4 %*
Free Cash Flow[NG] (CAD dollars)	0.8	3.6	*(77.8 %)*	(24.1)	(134.8)	*82.1 %*
Free Cash Flow per Share[NG] (CAD dollars)	0.01	0.03	*(66.7 %)*	(0.20)	(1.47)	*86.4 %*

Cash generated by operating activities in 2024 Q4 was $17.5 million, a decrease of $37.6 million or 68.2 %, compared to cash generated by operating activities in 2023 Q4 of $55.1 million. This increase in cash used was primarily driven by increases in working capital balances, such as inventory and accounts receivable, offset by increases in accounts payable and deferred revenue balances. The Fiscal 2024 net cash generated by operating activities increased by 124.0 % compared to Fiscal 2023, primarily due to significant decreases in net losses, and an increase in cash provided by working capital, partially offset by cash capital expenditures.

Free Cash Flow[NG] in 2024 Q4 decreased by $2.1 million, or 77.8 %, compared to 2023 Q4, mainly due to a decrease in cash generated by operating activities, the acquisition of intangible assets during the quarter, and an increase in current income taxes paid as the Company delivered positive net earnings.

	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4
Working Capital Days[NG]	52	53	52	57	61
Total Liquidity[NG] ($ million)	$126.8	$145.8	$178.7	$166.4	$188.2
Backlog[NG] (EUs)	15,135	14,590	14,605	14,783	10,586
ROIC[NG]	6.4 %	5.3 %	3.5 %	1.8 %	0.8 %

As part of the Company's increased focus on cash generation and leverage reduction, the Company is actively pursuing activities to reduce Working Capital Days[NG]. At the end of 2024 Q4, Working Capital Days[NG] were 52, compared to 53 at the end of 2024 Q3, and 61 at the end of 2023 Q4. The year-over-year decrease in Working Capital Days is mainly attributable to the Company's successful efforts in achieving milestone billings, progress payment contract structures with customers, and extended payment terms with certain suppliers. Offsetting this positive improvement was higher work-in-progress inventory reflecting the impact of seat supply disruption on North American transit deliveries. As the Company continues to ramp up production, NFI is continuing to focus efforts on lowering work-in-process inventory by resolving its supplier challenges and accelerating customer acceptance programs to lower working capital balances and improve Working Capital Days[NG].

The Company's liquidity[NG] position, which combines cash on-hand, plus available capacity under its First Lien Secured Facilities, without consideration given to the minimum banking liquidity[NG] requirement of $50 million under the Secured Facilities (which has been waived for December 29, 2024), was $126.8 million at the end of 2024 Q4, a decrease of $19.0 million, or 13.0 % from 2024 Q3. Total liquidity[NG] position was negatively impacted by repayments of long-term and unsecured debt, offset by the positive impact of increased milestone billings and advance payments - reflected in the Company's deferred revenue balances. Overall, NFI increased its draw on its secured facilities lowering total overall liquidity[NG].

At the end of 2024 Q4, the Company's total backlog[NG] (firm orders and options) was 15,135 EUs, a 3.7 % increase compared to 14,590 EUs at the end of 2024 Q3. The year-over-year increase was driven primarily by NFI recording its highest annual new orders in Company history in Fiscal 2024. Backlog[NG] at the end of 2024 Q4 had a total dollar value of $12.8 billion.

The 2024 Q4 ROIC[NG] increased by 5.6 % to 6.4 % from 2023 Q4, due to the increase in Adjusted EBITDA[NG] offset by an increase in the invested capital base[NG]. The increase in invested capital[NG] is primarily due to a gradual increase in long-term debt, higher working capital balances and a large increase in the fair market value of the embedded derivative relating to NFI’s convertible debentures.

2024 Q4 Highlights

During the fourth quarter of 2024, NFI continued to see year-over-year improvement in many of the Company's key operational and financial metrics, including revenue, Adjusted EBITDA[NG], and Working Capital Days[NG]. The Company recorded positive net earnings of $18.6 million, a significant improvement from a $2.3 million net loss in 2023 Q4. NFI's backlog continued to grow, reaching a record of approximately $12.8 billion at the end of 2024 Q4. NFI's strong backlog of approximately 15,000 EUs of various propulsion types, matches the Company's propulsion agnostic approach to provide the widest range of vehicle types for its customers. This backlog provides visibility on the Company's expected growth in 2025 and beyond.

NFI experienced supply chain disruptions during the quarter, primarily related to seats for North American transit buses. The Company has worked with the seat supplier to execute on a recovery plan, including onsite support from NFI's fabrication team members, which saw improvement in the supplier's overall performance towards the end of the quarter. The seat supplier encountered this situation due to several factors occurring within a similar timeframe: the recovery of production capacity and material availability following the pandemic, a ramp-up of orders for seats, a move into a new manufacturing facility, and the loss of key management staff, which led to severe disruptions for their operations and remaining staff. While NFI saw some improvement from the recovery plan, the seat disruption did move certain planned 2024 deliveries into 2025. At the end of the quarter, NFI had 170 EUs of buses in inventory essentially complete, apart from seats. This was an increase from the end of 2024 Q3. This number reduced to approximately 103 EUs as of March 9, 2025. The delays have caused several bus deliveries to be pushed into 2025 while they await parts to be completed. NFI has continued to take numerous actions to support supply performance improvements, including earlier order placement to suppliers, use of alternative suppliers, an enhanced and dedicated supplier development team, and carrying higher levels of inventory for certain components. These initiatives have helped improve consistency of supply of production parts and components, but due to the highly customized nature of North American transit products and ongoing issues with a few select suppliers, the Company continues to experience supply chain challenges and there continues to be a risk of supply disruptions going forward.

NFI's Aftermarket segment built upon the momentum it has experienced throughout the year with strong financial results in 2024 Q4. Revenue and Adjusted EBITDA[NG] increased 15.8% and 11.1% year-over-year, respectively. The factors contributing to the strong results include an increasing number of vehicles being put into service by transit agencies and private operators, increasing fleet age, customers rebuilding inventory levels to avoid supply shortages and retrofit programs being carried out by numerous customers in North America and Asia-Pacific (APAC).

ARBOC, NFI's medium-duty and cutaway business segment, continued its success in 2024 with 165 EUs delivered in 2024 Q4, a 61.8% year-over-year increase, representing its highest quarterly deliveries ever, and contributing to ARBOC's highest ever annual deliveries.

As of the end of 2024 Q4, NFI employed almost 9,000 team members across all of its global locations, down slightly from the 9,100 team members as of the end of 2024 Q3, reflecting headcount reductions within NFI's UK operations.

Strong Market Demand and Increasing Procurements

NFI experienced a strong fourth quarter with new orders reaching 1,904 EUs. While orders were down 19.4% year-over-year due to the high bid universe in 2023, orders were up 81.3% from 2024 Q3, reflecting the strong bid environment in North American markets. Firm orders made up 60.2% of the quarterly orders.

Forward demand metrics remained strong in 2024 Q4 with 3,657 EUs in Bids Submitted to customers, 3,437 EUs in Bids in Process and 28,891 EUs in the Company's total North American Bid Universe. NFI's backlog[ng] at the end of 2024 Q4 was 15,135 EUs and remained at record levels with an approximate value of $12.8 billion, up 6.5% from the previous quarter, and up 61.2% year-over-year, giving the Company its highest backlog ever. See Appendix B for details.

The Company also had 277 EUs in bid awards pending (where NFI had received notification of award from the customer, but formal purchase order documentation had not yet been finalized) as at the end of 2024 Q4. The combination of pending awards and active bids is expected to position NFI for new additions to its backlog[NG] in 2025.

Quarterly New Wins

During the fourth quarter of 2024, the Company announced a few major milestones and contract awards, including:

- New Flyer of America Inc. received a new contract award from Washington Metropolitan Area Transit Authority for up to 500 buses. The award is a mix of ZEBs and hybrid buses, adding to NFI's robust 2024 Q4 backlog.
- New Flyer of America Inc. received an order from New York's Metropolitan Transit Authority for 265 ZEBs to add to its fleet. This additional options order was part of a 2024 Q1 contract.

- Motor Coach Industries (MCI) received a new contract with Houston METRO for the purchase of 100 MCI D45 CRT high-floor coaches. The initial purchase for the contract included 50 firm orders and 50 options, but during Q4 METRO exercised their option to convert the remaining 50 EUs to firm.

Offering the Industry's Broadest Solutions

NFI remained focused on executing its strategy of offering vehicles with the broadest propulsion type and turn-key solutions for the transit and coach industry. During the quarter, NFI added 473 EUs in ZEBs to its backlog and 1,431 EUs of non-ZEBs. NFI also installed 30 chargers and has an Infrastructure Solutions™ backlog of 91 chargers.

NFI's backlog of clean propulsion systems, including compressed natural gas, diesel-electric hybrid and ZEBs represents approximately 60% of total backlog. The Company's vehicle offering includes over 60 models with six different propulsion types, matching the needs of the widest range of customers.

Other Events in and following the Quarter

In early January 2025, NFI announced strategic enhancements to its Board of Directors with the appointment of Chan Galbato to succeed Wendy Kei as Board Chair, as well as the appointments of Aziz Aghili and Maryse Saint-Laurent. The appointments of independent directors Mr. Galbato, Mr. Aghili, and Ms. Saint-Laurent further strengthens the Board's expertise in manufacturing, supply chain management, human resources, and capital markets.

In November 2024, MCI announced the shipment of the first electric coach out of its Pembina, North Dakota facility. The coach is part of an order of nine battery-electric coaches and gives the Company great flexibility when it comes to being a leading propulsion-agnostic motor coach manufacturer.

Subsequent Events

As part of NFI's overall action plan to improve liquidity and financial flexibility it executed on several transactions subsequent to quarter-end including:

- Obtaining a waiver for the $50 million minimum liquidity requirement under its senior secured facilities, effective until March 31, 2025, providing access to those funds, if required
- Resuming a $75 million receivable financing program with CIBC Capital Markets that enhances NFI's financial flexibility, accelerates cash flow from its accounts receivables and lowers interest expense, while maintaining NFI's strong relationships with its customers

Outlook

Management anticipates improvements to revenue, gross profit, net earnings, Adjusted EBITDA[NG], Free Cash Flow[NG], and ROIC[NG], in the near- and longer-term as the Company executes on its backlog[NG], increases bus and coach production, delivers a higher number of ZEBs, grows its aftermarket business and benefits from the growing demand for its buses, coaches and parts, and the services provided by Infrastructure Solutions™.

Management believes market demand for NFI's products is evident through the Company's continued new orders and a strong public transit funding environment in North America. This funding environment drives the Company's North American Public Bid Universe which currently has active bids of 7,094 EUs, and a five-year forecasted customer demand of 21,797 EUs. In addition, the Company has seen improved competitive dynamics within the North American market, leading to the Company recording its highest new awards ever in 2024, with expectations for further large awards in 2025. NFI has also seen overall increases in market demand within public and private coach and low-floor cutaway markets driven by increasing ridership, travel and return to work initiatives. NFI's UK and international business has seen softer demand when compared to North America, primarily due to increased foreign and domestic competition.

NFI's strategy to provide the broadest offering of propulsion agnostic buses and coaches has positioned the Company well to realize upon growing demand as it can support customers diverse fleet plans. This offering includes low and no-emission buses and coaches, alongside its broader solutions offering of aftermarket parts, training, Infrastructure Solutions™ and financing.

As previously disclosed, the highly customized nature of NFI's products can result in specific suppliers having a significant impact on the Company's operations and new vehicle production, as currently evidenced by the seat supply disruption. The Company anticipates that there will continue to be challenges in receiving certain components as suppliers recover their operations and as NFI increases production of ZEBs (where the supply chain is not as experienced as in traditional propulsion systems). NFI has implemented strategies to mitigate overall supply chain risk and those specifically related to ZEBs, including the utilization of multiple battery suppliers for specific regions, partnering with larger, more established suppliers, providing increased lead time for component purchases and carrying higher levels of inventory for certain components. The Company may continue to experience quarterly fluctuations in the delivery of buses and coaches based on supply availability and customer acceptance.

Overall, NFI has continued to see a significant decline in its moderate and high-risk suppliers, now down to a few suppliers out of the Company's top 750 suppliers, driven by a combination of improvements in global supply chain health and actions taken by NFI's supply and sourcing teams. Based on year-to-date performance in 2025 and actions planned for the first and second quarter, NFI anticipates that it will see significant improvements in seat supply performance and a reduction in its inventory of buses that are complete, but missing seats, within its North American transit operations in the second quarter of 2025. As the Company takes steps to bring online a new Buy America compliant seat supplier in the second half of 2025, it anticipates that NFI and the broader industry will see sustained improvements in seat supply performance.

Government Investments in Public Transportation

The Company's bus and coach product lines (New Flyer, ARBOC, MCI and AD) are primarily used for public transit, which remains a critical method of transportation and an economic enabler for cities around the world. Public transit has also been a significant and focused area of investment for governments as they seek to improve ridership access, reduce urban congestion, and achieve emissions targets. These public investments increased NFI's new orders throughout 2022, 2023, and 2024.

The importance of long-term government funding in key markets cannot be understated, as it allows public transit agencies to proceed with confidence regarding their multi-year fleet replacement plans and capital asset procurements. Ridership level trends in the U.S. remain strong, with the latest available APTA Ridership Trends Dashboard report (as of 2024 Q4) showing bus ridership growth of 9.2% in 2024 and 7.1% year-over-year. The growing trend in APTA's Ridership report, with the largest growth in 2024 coming from cities of two million or more, is attributed to various factors such as, but not limited to, increased services and bus routes, return-to-office mandates, and the continued growth of non-office jobs. Continued recovery in ridership levels is important to support the operating costs of transit agencies, including the purchase of aftermarket parts and services.

There are federal funding programs within the U.S., Canada and the U.K. that support the purchase of public transit buses and commuter coaches. This includes the U.S. Infrastructure Investment and Jobs Act ("IIJA") of 2021, the Canadian Public Transit Fund launched in 2024 and the U.K.'s Zero Admission Bus Regional Areas (ZEBRA) funding programs. Generally, these funding programs provide visibility into order demand as they are multi-year programs that support firm orders and backlog options. Recent U.S. executive actions may have a significant adverse effect on IIJA funding as detailed below.

NFI continues to advance discussions and initiatives to improve bus manufacturing contract structures in the United States and Canada, and has been incorporating milestone billing payment structures into new contracts, which provide payments throughout the build period of a new vehicle, rather than receiving 100% of the purchase price following final delivery and customer acceptance. These new structures have

been introduced into bids and contracts following the FTA's issuance of the February 2024 "Dear Colleague" letter to transit agencies that receive federal funding for bus purchases. The Company has also negotiated amendments to implement milestone billing structures into pre-2024 contracts wherever possible. While it will take time for the benefits of these structures to be fully reflected in NFI's financial results, the Company has seen success in increasing advance and progress payments with growth in the Company's deferred revenue balances.

In response to growing demand from Canadian customers, NFI announced Project "True North", its subsidiary New Flyer's all-Canadian build project, which is expected to increase its Canadian manufacturing capacity by up to 240 EUs by 2027. Not only will this project allow for full Canadian bus builds, but it is expected that it will also free up U.S. capacity to service more U.S. customers across NFI's network.

As the market leader in North American transit bus and coach production, management believes NFI is well-positioned for both the near- and long-term growth based on the Company's firm and option backlog and the multi-year commitments being made by governments in these markets.

In the U.K., government support has helped improve demand for buses, especially low- and zero-emission, yet the competitive environment remains challenging, with foreign manufacturers, that are not required to employ domestic labour, having secured a higher proportion of government funded contracts from recent contract awards. NFI has seen a desire by government leadership to ensure that funds allocated to the bus industry provide wider community and social benefit in the U.K, but no local labour requirements have yet been mandated. Alexander Dennis will continue its efforts to secure additional orders and awards, but has lowered its production rates and associated labour as it navigates through a more competitive market.

Other Markets

NFI's North American private customer markets served by MCI and ARBOC continue to see recovery with volumes increasing and pricing more appropriately reflecting current input costs and inflation. The North American motor coach space has been especially positive with strong demand in the tour and charter segment.

NFI's Aftermarket business primarily sells bus and coach parts to public and private customers, and also provides service to private operators. The Aftermarket business delivered another year of record performance in 2024, with strong contributions from North American and international markets. NFI anticipates that its Aftermarket segment will continue to generate revenue growth and strong margin contribution in 2025, although growth rates are not expected to be as high as those seen in 2023 and 2024.

The Company also continues to focus on growing its NFI Infrastructure Solutions™ business to assist customers in assessing their charging infrastructure requirements and to manage infrastructure procurement and project installation. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 496 plug-in and 78 overhead charger projects, for a total of 92 megawatts ("MW") charging capacity, for 70 different customers. Through 2025, Infrastructure Solutions™ is scheduled to deliver 35 plug-in and 56 overhead depot chargers, for a total of 18 MW. Infrastructure Solutions™ has 25 active projects under contract, with three new projects for 2024 Q4.

Financial Guidance

NFI provides the following financial guidance for Fiscal 2025.

	Previous 2025 Targets	2025 Guidance
Revenue	~$4 billion	$3.8 to $4.2 billion
ZEBs (electric) as a percentage of manufacturing sales	~40%	35% - 40%
Adjusted EBITDA[NG]	>$350 million (with a $400 million annualized run rate by the fourth quarter)	$320 to $360 million
Cash Capital Expenditures	~$55 million	$50 to $60 million
ROIC[NG]	>12%	9% to 12%

Please refer to NFI's news release dated November 6, 2024 for information regarding the previously disclosed 2025 targets.

The 2025 guidance ranges for the selected financial metrics provided in the table above take into consideration management's current outlook combined with year-to-date performance and are based on the assumptions set out below. NFI's guidance does not include the

impacts of U.S. and Canadian tariffs (see description below). In addition, the guidance does not reflect potential escalated impacts on supply chains or other factors arising directly or indirectly as a result of ongoing conflicts in Ukraine, Russia or other jurisdictions. The purpose of the financial guidance is to assist investors and others in understanding management's current expectations for the Company's financial performance going forward. The information may not be appropriate for other purposes. Information about guidance, including the various assumptions underlying it, is forward-looking and should be read in conjunction with the section "Forward-Looking Statements" and the related disclosure and information about various assumptions, factors, and risks that may cause actual future financial and operating results to differ from management's current expectations.

The guidance in the table above is driven by numerous expectations and assumptions, including but not limited to the following:

- **Revenue:** Anticipated revenue growth in 2025 is based on expected deliveries of at least 5,000 EUs in 2025 resulting from NFI's firm order backlog[NG], current 2025 production schedules, expected backlog[NG] option order conversion, and anticipated 2025 new vehicle orders combined with anticipated Aftermarket parts sales. Revenue guidance reflects a higher volume of ZEB sales, higher average vehicle prices in NFI's backlog[NG] and anticipated product mix benefits. The guidance range also reflects only limited potential variances in delivery volumes from supply disruption at current levels, product mix, and slower UK market demand.

- **ZEB deliveries as a percentage of total deliveries:** These expectations are based on NFI's firm order and option backlog[NG], anticipated option conversions from backlog[NG], active bids, and anticipated future orders in 2025.

- **Adjusted EBITDA[NG]:** Adjusted EBITDA[NG] performance is driven by anticipated new vehicle deliveries, product mix, including a higher percentage of ZEB deliveries, Aftermarket segment contributions and anticipated improvements in operating margins due to higher average vehicle sales prices (as currently reflected in NFI's backlog[NG]), improved labour efficiency, and improved overhead absorption with higher delivery volumes. The range provided also reflects assumptions on improving supply chain performance and the impacts of slower UK market demand.

- **Cash Capital Expenditures:** Cash capital expenditures are based on planned investments in maintenance and growth projects. The guidance reflects the expected acquisition and disposal of property, plant and equipment and the acquisition of intangible assets relating to such projects, but does not include expected lease payments and are net of any government contributions to support the Company's All Canadian Build project (Project "True North").

- **ROIC[NG]:** Guidance provided for 2025 is driven by the factors noted above combined with the expectation that there will not be significant changes in tax rates from current levels.

- **Seasonality:** The Company anticipates quarterly year-over-year growth in revenue and Adjusted EBITDA[NG]. Sequentially, the Company anticipates a decrease in Adjusted EBITDA[NG] in the first quarter of 2025 as compared to the fourth quarter of 2024, as the first quarter of the year is typically the slowest period in private markets, and as it manages through the current seat supply related disruption.

NFI anticipates that its current cash position and capacity under its existing senior first lien credit facilities, cash generated from operating activities, and anticipated success in obtaining progress payments or milestone payments from customers, alongside access to capital markets, will be sufficient to fund operations, meet financial obligations as they come due, and provide the funds necessary for capital expenditures. NFI continues to explore opportunities to improve financial flexibility and liquidity while lowering its total interest expense, including a specific focus on potential refinancing or extension of its senior first lien credit facility in Fiscal 2025.

Impact of U.S. and Canadian Tariffs and U.S. Policy Developments

NFI is taking numerous actions to alleviate the potential impacts of U.S. and Canadian tariffs, including leveraging the Company's localized production facilities, regionalized service and aftermarket parts distribution networks, and contractual terms of its firm orders. However, there remains a significant amount of imports and exports of parts, components, partially and fully assembled buses that travel across the U.S. and Canada border. NFI anticipates that a significant portion of increased costs resulting from U.S. and Canadian tariffs impacting its public transit buses and public motorcoaches can be passed on to end customers through contractual obligations and through general price increases. This is likely to require negotiation with customers and such contractual protections may not cover all costs or be effective for extended periods. It may be more difficult to pass on the impacts of increased input costs in private coach markets, as they do not have the same contractual terms. NFI anticipates that tariffs may lead to a reduction in private coach demand (and associated production) within North America. In addition, there may also be near-term cash flow implications due to the payment timing of tariffs and there may also be a decrease in order sizes due to higher prices.

Recent Executive Orders from the U.S. administration have signalled a review and potential pause of federal funding under the Infrastructure Investment and Jobs Act, including for transit vehicles. Based on discussions with U.S. transit agency customers, the Company does not expect that these potential funding reductions will impact the Company's firm order backlog[NG], which is comprised of legally binding purchase contracts. However, this may impact potential new bus and coach orders, and the conversion of bus and coach options into firm orders, particularly in the case of electric vehicles. As the Company offers a wide range of propulsion agnostic bus and coach models, it

expects that any decrease in electric vehicle orders would likely be replaced by orders for other propulsion types, including clean diesel, compressed natural gas or diesel electric hybrids.

Among other things, NFI's guidance is subject to the risk that U.S. and Canadian Tariffs, and other trade measures and U.S. policy developments may evolve in unpredictable ways. The impact of tariffs and other trade measures on general economic conditions, supply chain health, customer demand and the Company's business is uncertain and could be materially adverse. In addition, the current seat supply disruptions may be extended and/or exacerbated beyond management's current expectations, the risk of additional supply or operational disruptions. See Appendix A Forward Looking Statements for risks and other factors and the Company's filings on SEDAR at www.sedarplus.ca.

Selected Quarterly and Annual Financial and Operating Information

The following selected consolidated financial and operating information of the Company has been derived from and should be read in conjunction with the historical and current Financial Statements of the Company.

Fiscal Period	Quarter	Revenue[1]	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[NG]	Earnings (loss) per Share
($ thousands, except per Share figures)						
2024						
	Q4	836,989	36,034	18,564	67,886	0.16
	Q3	711,344	25,516	(14,993)	53,205	(0.13)
	Q2	851,233	36,362	2,547	59,411	0.02
	Q1	722,749	10,651	(9,414)	33,936	(0.08)
	Total	**3,122,315**	**108,563**	**(3,296)**	**214,438**	**(0.03)**
2023						
	Q4	796,712	25,555	(2,329)	38,455	(0.02)
	Q3	710,343	(13,760)	(39,926)	11,167	(0.42)
	Q2	660,292	(11,297)	(48,101)	12,178	(0.62)
	Q1	525,134	(21,749)	(45,964)	7,409	(0.60)
	Total	**2,692,481**	**(21,251)**	**(136,164)**	**69,209**	**(1.48)**
2022						
	Q4	689,353	(142,144)	(152,405)	(7,094)	(1.98)
	Q3	514,047	(41,051)	(40,167)	(13,281)	(0.53)
	Q2	397,952	(63,497)	(56,009)	(20,624)	(0.73)
	Q1	459,330	(41,481)	(27,795)	(16,660)	(0.36)
	Total	**2,060,682**	**(288,173)**	**(276,376)**	**(57,659)**	**(3.58)**

Comparison of Fourth Quarter 2024 Results

($ thousands)	2024 Q4	2023 Q4[1]	Fiscal 2024	Fiscal 2023[1]
Statement of Earnings Data				
Revenue				
North America	499,810	501,191	1,948,005	1,673,734
United Kingdom and Europe	168,836	142,831	527,399	435,919
Asia Pacific	11,234	16,952	15,510	27,875
Manufacturing operations	679,880	660,974	2,490,914	2,137,528
North America	125,345	109,180	504,658	445,657
United Kingdom and Europe	25,079	21,409	99,528	87,512
Asia Pacific	6,685	5,151	27,215	21,784
Aftermarket operations	157,109	135,740	631,401	554,953
Total revenue	$ 836,989	$ 796,714	$ 3,122,315	$ 2,692,481
Earnings (loss) from operations	$ 36,034	$ 25,555	$ 108,563	$ (21,251)
Earnings (loss) before interest and income taxes	$ 46,646	$ 22,757	$ 124,476	$ (16,828)
Net Earnings (loss)	$ 18,564	$ (2,329)	$ (3,296)	$ (136,164)
Adjusted EBITDA[NG]	$ 67,886	$ 38,455	$ 214,438	$ 69,209
Cash capital expenditures	$ 8,522	$ 10,122	$ 30,314	$ 26,714

Results of Operations

The discussion below with respect to revenue, operating costs, expenses, and earnings from operations has been divided between the Manufacturing and Aftermarket operations segments.

Revenue

($ thousands)	2024 Q4	2023 Q4[1]	Fiscal 2024	Fiscal 2023[1]
Manufacturing Revenue	679,880	660,974	2,490,914	2,137,528
Aftermarket Revenue	157,109	135,740	631,401	554,953
Total Revenue	836,989	796,714	3,122,315	2,692,481
Earnings (loss) from Operations	36,034	25,555	108,563	(21,251)
Earnings (loss) before interest and income taxes	46,646	22,757	124,476	(16,828)
Earnings (loss) before income tax expense	18,848	(14,521)	(6,464)	(169,070)
Net Earnings (loss)	18,564	(2,329)	(3,296)	(136,164)

Manufacturing revenue for 2024 Q4 increased by $18.9 million, or 2.9%, compared to 2023 Q4. In 2024 Q4, revenue increased because of an improved average selling price per unit delivered, which was up approximately 12.8% year-over-year. This reflects the Company's efforts to improve pricing for inflation and a higher number of ZEBs. Manufacturing revenue for Fiscal 2024 increased by $353.4 million, or 16.5%, compared to Fiscal 2023. Fiscal 2024 revenue increased as a result of higher deliveries and improved contract pricing within North America.

Aftermarket revenue for 2024 Q4 increased by $21.4 million, or 15.7% compared to 2023 Q4. Aftermarket revenue for Fiscal 2024 increased by $76.4 million, or 13.8%, compared to Fiscal 2023. Quarterly and full year figures increased due to higher sales volume as the Aftermarket segment has experienced an increase in demand during the respective periods. Aftermarket sales were higher across each region.

Cost of sales

($ thousands)	2024 Q4	2023 Q4[1]	Fiscal 2024	Fiscal 2023[1]
Manufacturing				
Direct cost of sales	541,578	555,166	1,985,459	1,818,740
Depreciation and amortization	16,496	17,255	67,922	71,027
Other overhead	74,151	45,195	272,126	200,663
Manufacturing cost of sales	632,224	617,616	2,325,507	2,090,430
As percent of Manufacturing sales	93.0 %	93.4 %	93.4 %	97.8 %
Aftermarket				
Direct cost of sales	109,426	89,730	435,156	371,532
Depreciation and amortization	3,078	2,425	12,209	9,754
Aftermarket cost of sales	112,504	92,155	447,365	381,286
As percent of Aftermarket sales	71.6 %	67.9 %	70.9 %	68.7 %
Total Cost of sales	744,728	709,771	2,772,872	2,471,716
As percent of sales	89.0 %	89.1 %	88.8 %	91.8 %

The consolidated cost of sales for 2024 Q4 increased by $35.0 million, or 4.9 %, compared to 2023 Q4. The consolidated cost of sales for Fiscal 2024 increased by $301.2 million, or 12.2 %, compared to Fiscal 2023.

Cost of sales from Manufacturing operations in 2024 Q4 was $632.2 million (93.0 % of Manufacturing operations revenue) compared to $617.6 million (93.4 % of Manufacturing operations revenue) in 2023 Q4, an increase of $14.6 million, or 2.4 %. Cost of sales from Manufacturing operations in Fiscal 2024 was $2,325.5 million (93.4 % of Manufacturing operations revenue) compared to $2,090.4 million (97.8 % of Manufacturing operations revenue) in Fiscal 2023, an increase of $235.1 million, or 11.2 %. The quarterly and full year increase in cost of sales was driven by higher percentage of ZEB deliveries and higher overall deliveries, respectively. Cost of sales decreased as a percentage of revenue in Fiscal 2024, mainly due to an improvement in operational efficiencies that has resulted from improved supply availability. Cost of sales from Aftermarket operations in 2024 Q4 was $112.5 million (71.6 % of Aftermarket revenue) compared to $92.2 million (67.9 % of

Aftermarket revenue) in 2023 Q4, an increase of 17.5%. Cost of sales from Aftermarket operations in Fiscal 2024 was $447.4 million (70.9 % of Aftermarket revenue) compared to $381.3 million (68.7 % of Aftermarket revenue) in Fiscal 2023, an increase of 16.2%. Cost of sales increase is primarily due to increased sales and the variability in product mix, including higher aftermarket program revenues.

Gross Margins

($ thousands)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Manufacturing	47,656	43,356	165,407	47,098
Aftermarket	44,605	43,585	184,036	173,667
Total Gross Margins	92,261	86,941	349,443	220,765
As a percentage of sales				
Manufacturing	7.0 %	6.6 %	6.6 %	2.2 %
Aftermarket	28.4 %	32.1 %	29.1 %	31.3 %
	11.0 %	10.9 %	11.2 %	8.2 %

Manufacturing gross margin for 2024 Q4 of $47.7 million (7.0 % of Manufacturing revenue), increased by $4.3 million compared to a gross margin of $43.4 million (6.6 % of Manufacturing revenue) for 2023 Q4. Manufacturing gross margin for Fiscal 2024 of $165.4 million (6.6 % of Manufacturing revenue), increased by $118.3 million compared to a gross margin of $47.1 million (2.2 % of Manufacturing revenue) for Fiscal 2023. Manufacturing gross margin as a percentage of revenue increased in Fiscal 2024, mainly due to an improvement in favorable product mix and the recovery from operational inefficiencies faced in Fiscal 2023 and the completion of all legacy-inflation impacted contracts in the first half of 2024.

Aftermarket gross margins for 2024 Q4 of $44.6 million (28.4 % of Aftermarket revenue) increased by $1.0 million, or 2.3 %, compared to 2023 Q4 gross margins of $43.6 million (32.1 % of Aftermarket revenue). Aftermarket gross margins for Fiscal 2024 of $184.0 million (29.1 % of Aftermarket revenue) increased by $10.4 million, or 6.0 %, compared to Fiscal 2023 gross margins of $173.7 million (31.3 % of Aftermarket revenue). Aftermarket gross margin as a percentage of revenue remained stable in Fiscal 2024 when compared to Fiscal 2023.

Selling, general and administrative costs and other operating expenses ("SG&A")

($ thousands)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Selling expenses	9,007	8,836	33,315	29,539
General and administrative expenses	48,010	54,112	205,802	215,726
Total SG&A	57,017	62,948	239,117	245,265

The consolidated SG&A for 2024 Q4 of $57.0 million (6.8 % of consolidated revenue) decreased by $5.9 million, or 9.4 %, compared to $62.9 million (7.9 % of consolidated revenue) in 2023 Q4. The consolidated SG&A for Fiscal 2024 of $239.1 million (7.7 % of consolidated revenue) decreased by $6.1 million, or 2.5 %, compared to $245.3 million (9.1 % of consolidated revenue) in Fiscal 2023. Consolidated SG&A remained relatively consistent between quarters and year-over-year.

Footnotes:

1. Refer to Critical Accounting Estimates and Judgements on page 25.

Realized foreign exchange gain (loss)

In 2024 Q4, the Company recorded a realized foreign exchange gain of $0.8 million compared to a gain of $1.6 million in 2023 Q4. In Fiscal 2024, the Company recorded a realized foreign exchange loss of $1.8 million compared to a gain of $3.2 million in Fiscal 2023.

The Company uses foreign exchange forward contracts to buy various currencies in which it operates with U.S. dollars, Canadian dollars and GBP. The purchases of these currencies using foreign exchange forward contracts at unfavorable forward rates compared to the spot rates at settlement were the primary reason for the losses in the fiscal period.

Earnings (Loss) from operations

Consolidated earnings from operations in 2024 Q4 were $36.0 million (4.3 % of consolidated revenue) compared to earnings of $25.6 million (3.2 % of consolidated revenue) in 2023 Q4, an improvement of $10.5 million, or 41.0 %. Consolidated earnings from operations in Fiscal 2024 were $108.6 million (3.5 % of consolidated revenue) compared to losses of $21.3 million ((0.8 %) of consolidated revenue) in Fiscal 2023, an improvement of $129.8 million, or 610.9 %. Further explanations for these improvements are provided in the subsequent paragraphs below.

In 2024 Q4, earnings from operations attributable to the Manufacturing segment were $17.3 million (2.5 % of Manufacturing revenue) compared to losses of $3.3 million ((0.5 %) of Manufacturing revenue) in 2023 Q4. Earnings from Manufacturing operations in Fiscal 2024 were $2.1 million (0.1 % of Manufacturing revenue) compared to losses of $119.1 million ((5.6 %) of Manufacturing revenue) in Fiscal 2023, a increase of $121.2 million, or 101.7 %. The improved earnings as a percentage of revenue in both periods is mainly attributable to a favourable product mix.

Earnings from operations related to Aftermarket operations in 2024 Q4 were $27.2 million (17.3 % of Aftermarket revenue) compared to $24.7 million (18.2 % of Aftermarket revenue) in 2023 Q4. Earnings from Aftermarket operations in Fiscal 2024 were $119.5 million (18.9 % of Aftermarket revenue) compared to $101.7 million (18.3 % of Aftermarket revenue) in Fiscal 2023. Earnings from Aftermarket operations increased in both periods due to favourable sales mix and a reduction of inflationary impacts on the cost of labour, freight, and surcharges.

Unrealized foreign exchange (loss) gain

The Company has recognized a net unrealized foreign exchange (loss) gain consisting of the following:

($ thousands)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Unrealized (loss) gain on forward foreign exchanges contracts	(4,232)	1,694	(443)	76
Unrealized gain (loss) on other long-term monetary assets/liabilities	16,318	(2,954)	19,060	(3,772)
	12,086	(1,260)	18,617	(3,696)

At December 29, 2024, the Company had $65.9 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from January 2025 to June 2025. The related liability of $1.3 million (December 31, 2023: $1.5 million) is recorded on the statements of financial position as a current derivative financial instruments liability and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the consolidated statements of net loss and total comprehensive earnings (loss).

Earnings (loss) before interest and income taxes ("EBIT")

In 2024 Q4, the Company recorded EBIT of $46.6 million compared to an EBIT of $22.8 million in 2023 Q4. In Fiscal 2024, the Company recorded EBIT of $124.5 million compared to a loss before interest and income taxes of $16.8 million in Fiscal 2023. The improvement in EBIT was driven by higher aftermarket performance and improved gross margins within Manufacturing.

Interest and finance costs

The interest and finance charges for 2024 Q4 of $27.8 million decreased by $9.5 million compared to $37.3 million in 2023 Q4. The decrease is primarily due to fair market value gain on adjustment to the Company's prepayment option on second-lien debt. These reductions in interest and finance costs were offset by an increase in costs due to fair market value loss on adjustment to the Company's interest rate swap and cash conversion option. The fair market value gain of the prepayment option related to the Company's second-lien debt was $1.1 million. The Company's prepayment option had a fair market value gain of $9.6 million in Fiscal 2024.

The Company had a fair market value loss on its interest rate swap of $0.6 million in 2024 Q4 compared to no fair market value adjustment in 2023 Q4. The interest rate swap had a fair market value loss of $0.5 million in Fiscal 2024, compared to a loss of $9.4 million in Fiscal 2023. The Company's cash conversion option had a fair market value gain of $7.7 million in 2024 Q4 compared to a loss of $0.5 million in 2023 Q4. The cash conversion option had a fair market value gain of $6.6 million in Fiscal 2024, compared to a loss of $4.0 million in Fiscal 2023.

On July 20, 2023, the Company extinguished its interest rate swap contracts (valued at $20.2 million asset at the end of 2023 Q2) for total proceeds of $18.4 million. NFI's equity hedge (valued at $2.6 million liability at the end of 2023 Q2) was settled and removed from liabilities on the balance sheet.

On January 26, 2024, NFI entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%. Please see note 25 of the audited consolidated financial statements for disclosure of financial instruments and risk management.

Earnings (loss) before income taxes ("EBT")

EBT in 2024 Q4 of $18.8 million improved by $33.4 million compared to a loss before income taxes ("LBT") of $14.5 million in 2023 Q4. LBT for Fiscal 2024 of $6.5 million decreased by $162.6 million compared to LBT of $169.1 million in Fiscal 2023. The primary drivers of the changes of LBT are addressed in the Earnings (loss) from operations and Interest and finance costs sections above.

Income tax expense (recovery)

The income tax expense for 2024 Q4 was $0.3 million compared to a recovery of $12.2 million in 2023 Q4. The increased income tax expense is primarily due to positive net earnings.

The income tax recovery for Fiscal 2024 is $3.2 million, compared to a recovery of $32.9 million in Fiscal 2023. The decrease in the overall income tax recovery is primarily due to increased profitability, an increased state tax expense and a reduced foreign tax credit recovery offset by reduced deferred tax expense related to unrecognized deferred tax assets associated with Canadian loss carry-forwards, and restricted interest in the UK.

The Effective Tax Rate ("ETR") for 2024 Q4 was 1.5% and the ETR for 2023 Q4 was 84.0%. The ETR for Fiscal 2024 was 49.0% and the ETR for Fiscal 2023 was 19.5%. The 2023 Q4 ETR was detrimentally impacted by the non-recognition of deferred tax assets associated with Canadian loss carry-forwards, restricted interest in the UK, and the impact of BEPS Pillar Two.

Income tax expense recognized in the consolidated statement of net loss in Fiscal 2024 includes $1.1 million (Fiscal 2023: not applicable) related to Pillar Two income taxes.

Net earnings (loss)

The Company reported net earnings of $18.6 million in 2024 Q4, an improvement of $20.9 million, or 896.6 %, compared to net losses of $2.3 million in 2023 Q4. The Company reported net losses of $3.3 million in Fiscal 2024, a decrease of $132.9 million, or 97.6 %, compared to net losses of $136.2 million in Fiscal 2023. The decrease in net loss for Fiscal 2024 is primarily due to increases in the Company's earnings from operations and decreases to interest and finance costs.

Net earnings (loss) ($ millions, except per Share figures)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Earnings (loss) from operations	36.0	25.6	108.6	(21.3)
(Gain) loss on disposition of property, plant and equipment	(0.2)	0.1	(0.2)	(0.8)
Impairment loss on intangible assets	(1.3)	-	(2.3)	-
(Loss) gain on debt modification	-	(1.6)	-	8.9
Loss on debt extinguishment	-	-	(0.2)	-
Unrealized foreign exchange gain (loss) on monetary items	12.1	(1.3)	18.6	(3.7)
Interest and finance costs	(27.8)	(37.3)	(130.9)	(152.2)
Income tax (expense) recovery	(0.3)	12.2	3.2	32.9
Net earnings (loss)	18.6	(2.3)	(3.3)	(136.2)
Net earnings (loss) per Share (basic)	0.16	(0.02)	(0.03)	(1.48)
Net earnings (loss) per Share (fully diluted)	0.13	(0.02)	(0.03)	(1.48)

The Company recorded net earnings per Share for 2024 Q4 of $0.16 compared to net loss per Share of $0.02 in 2023 Q4. The Company's net loss per Share for Fiscal 2024 was $0.03 compared to a net loss per Share of $1.48 in Fiscal 2023. The per Share net loss improved in Fiscal 2024 because of improved operational performance in both Manufacturing and Aftermarket, lower interest expenses, and an increase in the outstanding number of Shares.

Cash Flow

The cash flows of the Company are summarized as follows:

($ thousands)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	56,365	46,658	193,384	61,234
Interest paid	(30,183)	(19,110)	(121,107)	(109,389)
Income taxes (paid) recovered	(1,796)	8,407	(2,060)	29,304
Cash flow (invested in) provided by working capital	(6,894)	19,171	(54,877)	(44,962)
Net cash generated by (used in) operating activities	17,492	55,126	15,340	(63,813)
Net cash (used in) generated by financing activities	(24,093)	(65,072)	20,751	117,836
Net cash used in investing activities	(3,435)	(12,431)	(34,632)	(53,342)

Cash flow from operating activities

The 2024 Q4 net cash generated by operating activities of $17.5 million was mainly comprised of $24.4 million of net cash earnings offset by $6.9 million of cash invested in working capital. The 2023 Q4 net cash generated by operating activities of $55.1 million was comprised of $36.0 million of net cash earnings and $19.2 million of cash provided by working capital.

The Fiscal 2024 net cash generated by operating activities of $15.3 million was mainly comprised of $70.2 million of net cash earnings and $54.9 million of cash invested in working capital. The Fiscal 2023 net cash used in operating activities of $63.8 million was comprised of $18.9 million of net cash loss and $45.0 million of cash invested in working capital.

Cash flow from financing activities

The cash used in financing activities of $24.1 million during 2024 Q4 was comprised mainly of repayments to the Company's Secured Facilities[1], totaling $11.2 million and by repayments of obligations under leases of $8 million, and repayment of senior unsecured debt of $5 million. Net cash used by financing activities decreased by $41.0 million from 2023 Q4.

Cash generated by financing activities of $20.8 million during Fiscal 2024 is due to proceeds received from the Company's Secured Facilities[1], totaling $50.1 million, offset by repayments made to obligations under leases of $24.4 million. The improvement in Fiscal 2024 compared to Fiscal 2023 is primarily due to the large repayment of long-term debt that occurred in 2023 Q3.

Cash flow from investing activities

($ thousands)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Acquisition of intangible assets	(7,269)	(2,828)	(17,597)	(10,274)
Proceeds from disposition of property, plant and equipment	40	519	963	1,769
Investments in Long-term restricted deposits	5,379	-	5,379	(18,123)
Acquisition of property, plant and equipment	(8,522)	(10,122)	(30,314)	(26,714)
Proceeds from government grants	6,937	-	6,937	-
Cash used in investing activities	(3,435)	(12,431)	(34,632)	(53,342)

Cash used in investing activities increased in 2024 Q4, primarily due to increased investments in intangible assets alongside a decrease in proceeds received on property, plant and equipment. Cash used in investing activities was lower in Fiscal 2024, primarily due to decreased investment in long-term restricted deposits, partially offset by the increased investments in property, plant and equipment, and intangible assets. Long-term restricted deposits are collateral for a certain amount of the Company's letters of credit.

Credit risk

Financial instruments which potentially subject the Company to credit risk and concentrations of credit risk consist principally of cash, accounts receivable and derivatives. Management believes that the credit risk associated with accounts receivable is mitigated by the significant proportion of counterparties that are well established public transit authorities. Additionally, the U.S. federal government funds a substantial portion of U.S. public sector customer payments - up to 80% of the capital cost of new transit buses, coaches or cutaways - while the remaining 20% comes from state and municipal sources. There are a few U.S. public sector customers that obtain 100% of their funding from state and municipal sources. Canadian customers have similar funding sources in Canada. The maximum exposure to the risk of credit for accounts receivables corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the customer base being principally comprised of municipal and other local transit authorities.

The purchase of new coaches, transit buses or cutaways by private fleet operators is paid from the operators' own capital budgets and funded by their own cash flow or third party financing. A significant portion of private fleet operators choose to finance new coach purchases with lending organizations. In some cases, MCI assists in arranging this financing. The Company has experienced a nominal amount of bad debts with its private sales customers as most transactions require payment on delivery. Management has not observed, and does not anticipate significant changes to credit risk.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the earnings statement within SG&A. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against SG&A in the audited consolidated statements of net loss and total comprehensive earnings (loss).

The following table details the aging of the Company’s receivables and related allowance for doubtful accounts:

$ thousands		December 29, 2024		December 31, 2023
Current, including holdbacks	$	444,869	$	438,165
Past due amounts but not impaired				
1 – 60 days		28,531		20,123
Greater than 60 days		17,366		8,669
Less: allowance for doubtful accounts		(1,035)		(604)
Total accounts receivables, net	$	489,731	$	466,353

The counterparties to the Company's derivatives are chartered Canadian banks and international financial institutions. The Company could be exposed to loss in the event of non-performance by the counterparty. However, credit ratings and concentration of risk of the financial institutions are monitored on a regular basis.

Commitments and Contractual Obligations

The following table describes the Company’s maturity analysis of the undiscounted cash flows of leases and accrued benefit liabilities as at December 29, 2024:

$ thousands		Total	2025	2026	2027	2028	2029	Post 2029
Leases	$	212,435	25,585	21,786	19,726	13,138	10,702	121,496
Accrued benefit liability		2,800	2,800					
	$	215,235	28,385	21,786	19,726	13,138	10,702	121,496

As at December 29, 2024, outstanding surety bonds guaranteed by the Company totaled $307.4 million (December 31, 2023: $312.7 million). The estimated maturity dates of the surety bonds outstanding at December 29, 2024 range from February 2025 to December 2039. Management believes that adequate facilities exist to meet projected surety requirements.

The Company has not recorded a liability under these guarantees as management believes that no material events of default exist under any applicable contracts with customers.

Under the North American Secured Facility[1], the Company has established a letter of credit sub-facility of $150.0 million (December 31, 2023: $150.0 million). As at December 29, 2024, letters of credit totaling $80.5 million (December 31, 2023: $96.6 million) remain outstanding as security for contractual obligations of the Company under the North American Secured Facility[1]. This decrease is primarily driven by collateral requirements provided to support bonds associated with new contracts and the Company utilizing its additional capacity under the EDC facility to support bonding requirements.

The EDC facility includes two credit facilities of up to $165 million, to support supply chain financing ("supply chain financing facility") for $20 million and surety and performance bonding requirements for new contracts ("Guarantee Facility") for up to $145 million. The Guarantee Facility is made up of an Account Performance Security Guarantee ("PSG") up to $90 million and Surety Reinsurance Support up to $55 million.

The PSG program is in place to cover a standby letter of credit or letter of guarantee (in each case an "LOC"), required as part of a collateral package provided to support a surety facility where the new bonding capacity is a minimum of at least twice the face value of the LC. The underlying surety facility must only be supporting surety bonds required under contracts entered into by NFI, and where such Surety Bonds are bid bonds, performance bonds, regulatory bonds, license and permit bonds.

As at December 29, 2024, there was $134.7 million (December 31, 2023: $74.2 million) outstanding under the Guarantee Facility.

As at December 29, 2024, letters of credit in the UK totaling $7.5 million remained outstanding as security for contractual obligations of the Company outside of the UK facility (December 31, 2023: $18.7 million). Additionally, there were $38.0 million (December 31, 2023: $45.8 million) of letters of credit outstanding outside of the Secured Facilities[1].

Management believes that the Company was in compliance in all material respects with all applicable contractual obligations as at December 29, 2024. The Company has not provided for any costs associated with these letters of credit.

The Company does not have any off-balance sheet arrangements or any material capital asset commitments at December 29, 2024.

Through the normal course of operations, the Company has guaranteed payments and residual values to third party lenders on behalf of customers. As at December 29, 2024, the Company had guaranteed $2.1 million (December 31, 2023: $2.4 million) of these arrangements. The Company has not provided for any of these costs, as it does not believe it will have to pay out on any of these arrangements.

Share Option Plan

The Board adopted a Share Option Plan (the "2013 Option Plan") for NFI on March 21, 2013, under which certain employees of NFI and certain of its affiliates may receive grants of options to acquire Shares. The 2013 Option Plan was amended and restated on December 8, 2015, December 31, 2018 and August 5, 2020. Directors who are not employed with NFI are not eligible to participate in the 2013 Option Plan. A maximum of 3,600,000 Shares are reserved for issuance under the 2013 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date. The 2013 Option Plan expired on March 21, 2023, after which no new options were granted under the 2013 Option Plan.

The Board adopted a new share option plan on March 12, 2020 (the "2020 Option Plan"), which was approved by shareholders on May 7, 2020, and amended on August 5, 2020, under which certain employees of NFI and certain of its affiliates may receive grants of options to acquire Shares. Directors who are not employed with NFI are not eligible to participate in the 2020 Option Plan. A maximum of 3,200,000 Shares are reserved for issuance under the 2020 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

The following reconciles the Share options outstanding:

	Fiscal 2024		Fiscal 2023	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	2,018,117	C$26.00	1,910,057	C$27.41
Granted during the period	325,925	C$13.57	374,448	C$10.46
Expired during the period	(369,115)	C$24.64	(266,388)	C$14.32
Exercised during the period	(1,369)	C$10.46	—	C$0.00
Balance at end of period	1,973,558	C$24.25	2,018,117	C$26.00

Footnotes:

1. As described in the Capital Allocation section on page 26.

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company's Restricted Share Unit Plan for Non-Employee Directors, a maximum of 500,000 Shares are reserved for issuance to non-employee directors. The Company issued 13,292 director restricted share units ("Director RSUs"), with a total value of $0.2 million, in 2024 Q4. Approximately $0.1 million of the issued Director RSUs were exercised and exchanged for 5,479 Shares.

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2 of the audited consolidated financial statements.

Provisions

In the current year, management identified that certain warranties were incorrectly classified and accounted for as service-type rather than assurance-type. The correction of this error resulted in an immaterial prior period adjustment between Deferred Revenue and Warranty Provision amounting to $17.4 million and increase to revenue and cost of sales of $7.3 million.

This change had no effect on net loss, total equities, cash flows, or EPS.

New and amended standards adopted by the Company

IAS 1 – Presentation of Financial Statements

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020 and October 2022, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as noncurrent: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management assessed that this standard does not have a material impact on the audited consolidated financial statements and that the Company is in compliance with the required disclosure.

IAS 7 & IFRS 7 – Supplier financing arrangements - disclosures

The Company has adopted the disclosure requirements under IAS 7 and IFRS 7, effective for the fiscal period ending December 29, 2024. The required disclosures, including details on supplier finance arrangements, terms, payment due dates, liquidity risk, and liability breakdowns, are included in note 9 of the audited consolidated financial statements.

Standards Issued but not adopted

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements for the presentation and disclosure of information in the consolidated financial statements to help ensure they provide relevant information that faithfully represents the Company's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 - Presentation of Financial Statements once effective. Initial adoption of the requirements under IFRS 18 will be obligatory for annual reporting periods on or after January 1, 2027.

IFRS 7 and 9 - Amendments to the Classification and Measurement of Financial Instruments

The changes set criteria for derecognition of a financial liability settled through electronic transfer and include amendments for the classification of financial assets involving contractual terms that are consistent with a basic lending arrangement, assets with non-recourse features, and contractually linked instruments. Disclosure requirements change for investments in equity instruments designated at fair value through other comprehensive income and include a new requirement for disclosure of contractual terms that could change the timing or amount of contractual cash flows based on a contingent event that does not relate directly to changes in basic lending risks and costs.

IFRS 7 and 9 – Amendments for contracts referencing nature-dependent electricity related to hedge accounting

The changes relate to designation of contracts relating to nature-dependent electricity as hedging instruments and their disclosure requirements. Under the amendments an entity is permitted to designate as the hedged item a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument.

Initial adoption of the amendments under IFRS 7 and 9 will be obligatory for annual reporting periods on or after January 1, 2026. Management is currently assessing the impact of these standards on its consolidated financial statements.

Capital Allocation Policy

The Company has a capital allocation policy based on an operating model intended to provide consistent and predictable cash flow and maintain a strong balance sheet. This policy has established guidelines that are reviewed by the Board on a quarterly basis and provides targets for maintaining financial flexibility, business investment, and return of capital to shareholders.

Maintaining Financial Flexibility

The Company plans to prudently use leverage to manage liquidity[NG] risk. Liquidity[NG] risk arises from the Company's financial obligations and from the management of its assets, liabilities, and capital structure. This risk is managed by regularly evaluating the liquid financial resources to fund current and long-term obligations, and to meet the Company's capital commitments in a cost-effective manner.

The main factors that affect liquidity[NG] include sales volume and mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of debt obligations, interest costs, funding requirements of the Company's pension plans, income taxes, credit capacity, letters of credit for surety bonds, expected future debt and equity capital market conditions.

The Company's liquidity[NG] requirements are met through a variety of sources, including cash on hand, cash generated from operations, First Lien Secured Facilities (see below), leases, and debt and equity capital markets. The Company believes that its cash position and capacity under its First Lien Secured Facilities, combined with anticipated future cash flows and access to capital markets, will be sufficient to fund operations, meet financial obligations as they come due, and provide the funds necessary for capital expenditures, and other operational needs. It is possible that unexpected events could significantly impair the Company's liquidity[NG] and there can be no assurance that the Company would be able to obtain additional liquidity[NG] when required in such circumstances. Please refer to Appendix A of this MD&A for identified liquidity risks.

At December 29, 2024, the Company has convertible debentures outstanding of C$338 million ("Debentures"). The Debentures may be converted in whole or in part from time to time at the holder's option into 30.1659 Shares for each C$1,000 principal amount of Debentures, representing a conversion price of approximately C$33.15 per Share and total potential conversion of 10,196,074 shares.

The details of the covenants under the Secured Facilities are as follows:

	Total Leverage Ratio[NG]	Interest Coverage Ratio[NG]	Minimum Banking Liquidity[NG]	Senior Secured Net Leverage Ratio[NG]
2024 Q4	<4.75x	>1.25x	Waived[1]	<3.50x
2025 Q1	<4.75x	>1.75x	$50,000	<3.50x
2025 Q2	<4.25x	>2.00x	$50,000	<3.25x
2025 Q3	<4.25x	>2.25x	$50,000	<3.25x
2025 Q4 and after	<3.75x	>2.50x	$50,000	<3.00x

$ thousands	December 29, 2024	December 31, 2023
Banking Liquidity[NG] Position	$ 126,800	$ 170,131
Total Leverage Ratio[NG] (must be less than 4.75 [2023: waived])	4.37	Waived
Senior Secured Net Leverage Ratio[NG] (must be less than 3.50 [2023: waived])	3.09	Waived
Interest Coverage Ratio[NG] (must be greater than 1.25 [2023: waived])	1.51	Waived

As of December 29, 2024, NFI's banking covenant liquidity[NG] was $126.8 million, without consideration given to the minimum banking liquidity[NG] requirement of $50 million under the Secured Facilities, which was waived for 2024 Q4. As part of the Company's efforts to improve working capital and liquidity[NG], the Company has secured milestone payments and deposits from certain customers. The Company remains focused on cash and liquidity management, including efforts to accelerate deliveries and customer acceptances, accelerating customer payments through the pursuit of advance payments and deposits wherever possible, and improving supplier payment terms. As of December 29, 2024, the Company has $199.7 million in deferred revenue related to customer advanced payments and is continuing to work with other customers to obtain milestone payments to offset the working capital required to support the transition to ZEB and increased production levels.

Footnotes:

1. Refer to Outlook Financial Guidance and Liquidity on page 14.

The Company remains focused on deleveraging its balance sheet and returning to its targeted leverage levels of 1.5x to 2.5x total debt to Adjusted EBITDA[NG]. Management believes it will achieve its longer-term leverage targets as the Company delivers on its backlog[NG], and benefits from record government investments in public transportation, and growing demand for its buses, coaches, parts and services provided by Infrastructure Solutions™ services and Aftermarket sales. The reduction in leverage will also be driven by increased production rates, the anticipated stabilization of parts and components supply, and the active focus on reducing working capital.

The Company has entered into an agreement to amend the Interest Coverage Ratio requirement for 2024 Q3 and 2024 Q4. Although, NFI met the original covenant requirement, the Company proactively engaged with its banking partners to ensure continued compliance throughout 2024.

Compliance with financial covenants is reviewed monthly by management and reported to the Board. Other than the requirements imposed by borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on a quarterly basis or when strategic capital transactions arise.

The Company continuously evaluates its capital structure to match liquidity and capital needs with a desire to lower overall interest expenses. As the First Lien Secured Facilities mature in April 2026, and would become a current liability in April 2025, the Company has continued to advance its plans to extend or refinance them with a goal of obtaining a longer-term flexible capital structure that increases liquidity and lowers total interest expenses. The Company will continue to work on these initiatives in 2025.

Business Investment

The Company plans to invest in the current business for future growth and will continue to invest in common systems and LEAN manufacturing operations to improve quality and cost effectiveness, while also investing to expand the Company's expertise in ZEBs, Infrastructure Solutions™, and workforce development. The Company has made significant investments in its production facilities to achieve its strategy of offering the broadest range of vehicle offerings in Heavy-Duty transit, coach and low-floor cutaways. These investments have ensured that New Flyer has the ability to manufacture clean diesel, CNG, diesel electric hybrid and ZEBs across its network. Alexander Dennis has the ability to produce ZEBs and diesel buses at all of its facilities and MCI has invested in its production facilities to improve common line production for public and private markets, and combustion engine and ZEBs.

In November 2022, Alexander Dennis announced that several of its vehicles will now offer its next-generation electric chassis, driveline and battery system. Alexander Dennis has secured orders in the UK using this new technology, and, in 2023 Q2, Alexander Dennis delivered its first battery-electric buses to key customers in Hong Kong.

Alexander Dennis continues to advance its integrated aftermarket solution, AD24, which provides fleet telematics data, access to personalized online parts and technical publications plus connections to field support, service, training and invoice management. AD24 is one element of NFI's numerous investments into telematics solutions to assist customers to track detailed performance and maintenance metrics associated with their vehicles.

In October 2024, NFI announced that in response to growing demand for its products in Canada, the Company is expanding its Canadian manufacturing capabilities through its All Canadian Build project. NFI is co-investing in the project alongside government partners to support facility upgrades, zero-emission bus testing for Canadian customers, working capital, project administration, and other capital and operational costs. Construction activities began in October and the first bus builds are planned for the fourth quarter of 2025, with a continued ramp-up through 2026.

The Company's capital allocation priorities are currently focused on product development, deleveraging, strengthening its balance sheet and supporting the recovery of operations. While the Company will consider business acquisitions and partnerships that will further grow and diversify the business and contribute to long-term competitiveness, its current focus remains on deleveraging efforts. In addition, there are covenants under the Secured Facilities that limit the Company's ability to make acquisitions, pay dividends and make capital expenditures. Investment decisions are based on several criteria, including but not limited to: investment required to maintain or enhance operations; enhancement of cost effectiveness through vertical integration of critical supply and sub-assembly in-sourcing; and acquisitions in current or adjacent markets that are considered accretive to the business.

Return of Capital to Shareholders

The Company maintains a Share dividend policy that is consistent with the Company's financial performance and the desire to retain certain cash flows to support the ongoing requirements of the business and to provide the financial flexibility to pursue revenue diversification and growth opportunities. Under the terms of the Secured Facilities, the Company is not permitted to declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with Secured Facilities covenants.

The Company's 2024 Q4 Free Cash Flow[NG] was C$0.8 million, with no dividends declared during this period. For 2023 Q4, Free Cash Flow[NG] was C$3.6 million and no dividends were declared during the period.

Non-IFRS and Other Financial Measures

This MD&A is based on reported earnings in accordance with IFRS Accounting Standards and on the following non-IFRS and other financial measures:

Adjusted EBITDA[NG] and Net Operating Profit after Taxes[NG]

Management believes that Adjusted EBITDA[NG], and Net Operating Profit After Taxes ("NOPAT")[NG] are important measures in evaluating the historical operating performance of the Company. However, Adjusted EBITDA[NG] and NOPAT[NG] are not recognized earnings measures under IFRS Accounting Standards and do not have standardized meanings prescribed by IFRS. Accordingly, Adjusted EBITDA[NG] and NOPAT[NG] may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted EBITDA[NG] should not be construed as an alternative to net earnings or loss determined in accordance with IFRS Accounting Standards and NOPAT[NG] should not be construed as an alternative to earnings (loss) from operations determined in accordance with IFRS Accounting Standards as an indicator of the Company's performance.

The Company defines Adjusted EBITDA[NG] as earnings before interest, income tax, depreciation and amortization after adjusting for the effects of certain non-recurring, non-operating, and items occurring outside of normal operations that do not reflect the current ongoing cash operations of the Company. These adjustments are provided in the following table reconciling net earnings or losses to Adjusted EBITDA[NG] based on the historical financial statements of the Company for the periods indicated.

The Company defines NOPAT[NG] as Adjusted EBITDA[NG] less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%.

($ thousands)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Net earnings (loss)	18,564	(2,329)	(3,296)	(136,164)
Addback				
Income taxes	284	(12,192)	(3,167)	(32,906)
Interest expense[10]	27,798	37,278	130,940	152,242
Amortization	19,574	19,678	80,130	80,780
Loss (gain) on disposition of property, plant and equipment and right of use assets	224	(62)	192	789
Loss (Gain) on debt modification[13]	-	1,600	-	(8,908)
Loss on debt extinguishment[14]	-	-	234	-
Unrealized foreign exchange (gain) loss on non-current monetary items and forward foreign exchange contracts	(12,086)	1,260	(18,617)	3,696
Past service costs and other pension costs[7]	-	(7,000)	-	(2,236)
Equity settled stock-based compensation	42	700	2,233	2,618
Unrecoverable insurance costs and other[8]	-	893	116	893
Expenses incurred outside of normal operations[11]	11,057	132	11,057	2,166
Prior year sales tax provision[9]	-	41	-	101
Impairment loss on intangible assets[12]	1,250	-	2,278	-
Restructuring costs[6]	1,179	(1,544)	12,339	6,139
Adjusted EBITDA[NG]	67,886	38,455	214,438	69,209
Depreciation of property, plant and equipment and right of use assets	(11,505)	(11,848)	(47,781)	(49,370)
Tax at 31%	(17,478)	(8,248)	(51,664)	(6,150)
NOPAT[NG]	38,903	18,359	114,993	13,689
Adjusted EBITDA[NG] is comprised of:				
Manufacturing	35,206	11,094	84,189	(42,073)
Aftermarket	32,770	29,480	139,541	120,187
Corporate	(90)	(2,119)	(9,292)	(8,905)

(Footnotes on page 30)

Free Cash Flow[NG] and Free Cash Flow per Share[NG]

Management uses Free Cash Flow[NG] and Free Cash Flow per Share[NG] as non-IFRS measures to evaluate the Company's operating performance and liquidity[NG], to assess the Company's ability to pay dividends on the Shares, service debt, pay interest on the Debentures and meet other payment obligations. However, Free Cash Flow[NG] and Free Cash Flow per Share[NG] are not recognized earnings measures under IFRS Accounting Standards and do not have standardized meanings prescribed by IFRS. Accordingly, Free Cash Flow[NG] and the associated per Share figure may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Free Cash Flow[NG] should not be construed as an alternative to cash flows from operating activities determined in accordance with IFRS Accounting Standards as a measure of liquidity[NG] and cash flow. The Company defines Free Cash Flow[NG] as net cash generated by or used in operating activities adjusted for changes in non-cash working capital items and adjusted for items as shown in the reconciliation of net cash generated by operating activities (an IFRS Accounting Standards measure) to Free Cash Flow[NG] based on the Company's historical financial statements.

The Company generates its Free Cash Flow[NG] from operations and management expects this will continue to be the case for the foreseeable future. Net cash flows generated from operating activities are significantly impacted by changes in non-cash working capital. The Company uses its Secured Facilities to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow[NG].

The Company defines Free Cash Flow per Share[NG] as Free Cash Flow[NG] divided by the average number of Shares outstanding.

($ thousands, except per Share figures)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Net cash generated by (used in) operating activities	17,492	55,126	15,340	(63,813)
Changes in non-cash working capital items[2]	6,894	(19,171)	54,877	44,962
Interest paid[2]	30,183	19,110	121,107	109,389
Interest expense[2]	(30,633)	(31,906)	(124,631)	(125,642)
Income taxes paid (recovered)[2]	1,796	(8,407)	2,060	(29,304)
Current income tax (expense) recovery[2]	(12,950)	15,873	(36,311)	11,941
Repayment of obligations under lease	(7,982)	(7,305)	(24,360)	(21,712)
Cash capital expenditures	(8,522)	(10,122)	(30,314)	(26,714)
Acquisition of intangible assets	(7,269)	(2,828)	(17,597)	(10,274)
Proceeds from disposition of property, plant and equipment	40	519	963	1,769
Defined benefit funding[3]	355	918	2,830	3,185
Defined benefit expense[3]	(942)	(694)	(3,771)	(2,779)
Past service costs and other pension costs[7]	-	(7,000)	-	(7,000)
Expenses incurred outside of normal operations[11]	11,057	132	11,057	2,166
Equity hedge	-	-	-	3,765
Unrecoverable insurance costs and other[8]	-	893	116	893
Prior year sales tax provision[9]	-	41	-	101
Restructuring costs[6]	1,179	1,011	12,339	8,691
Foreign exchange gain (loss) on cash held in foreign currency[4]	(128)	(3,506)	(1,517)	(1,053)
Free Cash Flow[NG]	570	2,684	(17,812)	(101,429)
U.S. exchange rate[1]	1.4416	1.3246	1.3507	1.3293
Free Cash Flow (C$)[NG]	822	3,555	(24,058)	(134,827)
Free Cash Flow per Share (C$)[NG, 5]	0.0069	0.0299	(0.2022)	(1.4676)

1. U.S. exchange rate (C$ per US$) is the average exchange rate for the period.
2. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow^{NG} as these temporary fluctuations are managed through the Secured Facilities which are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the audited consolidated statements of cash flows net of interest and income taxes paid.
3. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow^{NG} as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.
4. Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS Accounting Standards; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow^{NG}.
5. Per Share calculations for Free Cash Flow^{NG} (C$) are determined by dividing Free Cash Flow^{NG} by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2024 Q4 was 119,034,893 and 118,961,396 for 2023 Q4. The weighted average number of Shares outstanding for Fiscal 2024 and Fiscal 2023 was 119,008,308 and 91,866,613, respectively.
6. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with restructuring initiatives. Free Cash Flow^{NG} reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
7. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. 2022 Q2 includes $7.0 million for the liability related to the closure of MCI's Pembina facility and withdrawal from the multi-employer pension plan. In 2023 Q4, the Company made the decision to continue operations of the Pembina facility indefinitely, thereby reversing the above adjustments made in 2022 Q2. Also included in Adjusted EBITDA^{NG} is $4.8 million of pension past service costs incurred during 2023 Q1.
8. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
9. Provision for sales taxes as a result of a previous state sales tax review.
10. Includes fair market value adjustments to interest rate swaps, cash conversion option on the Debentures, and to the prepayment option on the Company's second lien debt. 2024 Q4 includes a loss of $0.6 million compared to no loss in 2023 Q4 for the interest rate swaps. 2024 Q4 includes a loss of $7.7 million and 2023 Q4 includes a loss of $0.5 million on the cash conversion option. The prepayment option had a gain of $1.1 million in 2024 Q4 and a gain of $1.1 million in 2023 Q4.
11. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also, included is the additional $11.1 million in labour and overhead costs incurred as a result of the seat supply disruption.
12. In 2024 Q1, the Company recognized an impairment loss on a New Product Development ("NPD") project for $1.0 million, as well as an impairment loss on an internally developed intangible asset that was discontinued for $1.3 million in 2024 Q4.
13. As a result of the Company's Refinancing, the Company had recognized an accounting gain in 2023 Q3 stemming from the modification made to its Secured Facilities. In 2023 Q4, an accounting loss was recorded to adjust the gain on debt modification.
14. In 2024 Q2, the Company recognized an accounting loss for the debt extinguishment related to the amendments made to the MDC senior unsecured facility.

Adjusted Net Earnings (Loss)NG and Adjusted Net Earnings (Loss) per ShareNG

Management believes that Adjusted Net Earnings (Loss)NG and the associated per Share figure are important measures in evaluating the historical operating performance of the Company. Adjusted Net Earnings (Loss)NG and Adjusted Net Earnings (Loss) per ShareNG are not recognized measures under IFRS Accounting Standards and do not have standardized meanings prescribed by IFRS. Accordingly, Adjusted Net Earnings (Loss)NG and Adjusted Net Earnings (Loss) per ShareNG may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted Net Earnings (Loss)NG and Adjusted Net Earnings (Loss) per ShareNG should not be construed as an alternative to net loss, or net loss per share, determined in accordance with IFRS Accounting Standards as indicators of the Company's performance.

The Company defines Adjusted Net Earnings (Loss)NG as net earnings (loss) after adjusting for the after tax effects of certain non-recurring, non-operating and items occurring outside of normal operation, that do not reflect the current ongoing cash operations of the Company. These adjustments are provided in the following reconciliation of net earnings (loss) to Adjusted Net Earnings (Loss)NG based on the historical financial statements of the Company for the periods indicated.

The Company defines Adjusted Net Earnings (Loss)NG per share as Adjusted Net Earnings (Loss)NG divided by the average number of Shares outstanding.

($ thousands, except per Share figures)	2024 Q4	2023 Q4	Fiscal 2024	Fiscal 2023
Net earnings (loss)	18,564	(2,329)	(3,296)	(136,164)
Adjustments, net of tax[1, 2]				
Unrealized foreign exchange (gain) loss	(8,339)	869	(12,845)	2,550
Unrealized (gain) loss on interest rate swap	(443)	-	351	6,505
Unrealized (gain) loss on cash conversion option	(5,344)	355	(4,565)	2,730
Unrealized gain on prepayment option of second lien debt[3]	(740)	(769)	(6,611)	(442)
Accretion in carrying value of long-term debt associated with debt modification[4]	-	-	-	1,014
Gain on debt modification[5]	-	1,104	-	(6,147)
Accretion associated to gain on debt modification	(690)	(451)	(1,698)	(451)
Loss on debt extinguishment[6]	-	-	161	-
Equity swap settlement fee[7]	-	-	-	2,428
Equity settled stock-based compensation	29	483	1,540	1,806
Loss (gain) on disposition of property, plant and equipment	155	(43)	133	545
Past service costs and other pension costs[8]	-	(4,830)	-	(1,543)
Unrecoverable insurance costs and other[9]	-	616	80	616
Expenses incurred outside of normal operations[10]	7,629	(1,191)	7,629	213
Accretion in carrying value of convertible debt and cash conversion option	1,440	1,337	5,614	5,213
Prior year sales tax provision[11]	-	28	-	71
Impairment loss on intangible assets[12]	863	-	1,572	-
Restructuring costs[13]	814	(1,065)	8,514	4,236
Adjusted Net Earnings (Loss)NG	13,938	(5,886)	(3,421)	(116,820)
Earnings (Loss) per Share (basic)	0.16	(0.02)	(0.03)	(1.48)
Earnings (Loss) per Share (fully diluted)	0.13	(0.02)	(0.03)	(1.48)
Adjusted Net Earnings (Loss) per Share (basic)NG	0.12	(0.05)	(0.03)	(1.27)
Adjusted Net Earnings (Loss) per Share (fully diluted)NG	0.11	(0.05)	(0.03)	(1.27)

1. Addback items are derived from the historical financial statements of the Company.
2. The Company has utilized a rate of 31.0% to tax effect the adjustments for the periods above.
3. The unrealized gain on the prepayment option is related to the Company's second lien debt instrument. The gain is the result of an increase in the options fair value between September 29, 2024 and December 29, 2024.
4. Normalized to exclude the over accretion of transaction costs relating to the Company's Secured Facilities.
5. As a result of the Company's Refinancing, the Company has recognized an accounting gain stemming from the modification made to its Secured Facilities.
6. In 2024 Q2, the Company recognized an accounting loss for the debt extinguishment related to the amendments made to the MDC senior unsecured facility.
7. In Fiscal 2023, the Company settled its equity swaps which were used to hedge the exposure associated with changes in value of its Shares with respect to outstanding management restricted units ("Management RSUs") and a portion of the outstanding performance share units ("PSUs"), and deferred share units ("DSUs").
8. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. In 2022 Q2, $7.0 million liability was recorded related to the anticipated closure of MCI's Pembina facility and withdrawal from the multi-employer pension plan. In 2023 Q4, the Company made the decision to continue operations of the Pembina facility indefinitely, thereby reversing the above adjustments made in 2022 Q2. Also included is $4.8 million of pension past service costs incurred during 2023 Q1.
9. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
10. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.
11. Provision for sales taxes as a result of a previous state sales tax review.
12. In 2024 Q1, the Company recognized an impairment loss on an NPD project for $1.0 million, as well as an impairment loss on an internally developed intangible asset that was discontinued for $1.3 million in 2024 Q4.
13. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with other restructuring initiatives. Free Cash Flow[NG] reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.

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Reconciliation of Shareholders' Equity to Invested Capital[NG]

($ thousands)	2024 Q4	2024 Q3	2024 Q2	2024 Q1
Shareholders' Equity	707,754	699,717	704,031	697,580
Addback				
Long term debt	610,237	610,624	576,145	562,324
Second lien debt	173,741	173,309	172,910	172,568
Obligation under lease	129,511	130,020	131,382	135,959
Convertible debentures	218,020	230,453	225,628	225,972
Senior unsecured debt	50,040	56,210	54,997	61,081
Derivatives	(10,497)	2,327	(2,740)	(1,783)
Cash	(49,557)	(59,720)	(77,445)	(68,491)
Invested Capital[NG]	1,829,249	1,842,940	1,784,908	1,785,210
Average of invested capital[NG] over the quarter	1,807,077	1,813,922	1,785,059	1,791,868

	2023 Q4	2023 Q3	2023 Q2	2023 Q1
Shareholders' Equity	702,913	706,177	495,140	533,756
Addback				
Long term debt	536,037	583,948	935,605	911,203
Second lien debt	172,396	172,975	-	-
Obligation under lease	138,003	130,102	124,405	127,247
Convertible debentures	228,985	221,427	225,081	218,719
Senior unsecured debt	61,796	60,838	87,363	86,431
Derivatives	8,010	6,814	(9,422)	(17,164)
Cash	(49,615)	(75,498)	(57,488)	(59,375)
Invested Capital[NG]	1,798,525	1,806,783	1,800,684	1,800,817
Average of invested capital[NG] over the quarter	1,802,654	1,803,734	1,800,751	1,776,276

Invested Capital[NG]

Invested Capital[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. Management believes that Invested Capital[NG] is an important measure in evaluating the Company's financial position. The Company defines Invested Capital[NG] as total interest-bearing debt plus derivative liabilities plus equity less cash on hand.

ROIC[NG]

ROIC[NG] is not a recognized measure under IFRS Accounting Standards and its components do not have standardized meanings prescribed by IFRS. Management believes that ROIC[NG] is an important measure in evaluating the historical performance of the Company. The Company defines ROIC[NG] as NOPAT[NG] divided by average invested capital for the last 12-month period.

Total Liquidity[NG]

Total Liquidity[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines total liquidity[NG] as cash on-hand plus available capacity under its North American and UK Secured Facilities, without consideration given to the minimum banking liquidity requirement under the Secured Facilities.

Banking Liquidity[NG]

Banking Liquidity[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines banking liquidity[NG] as cash on-hand plus available capacity under its North American Secured Facilities, without consideration given to the minimum banking liquidity requirement under the Secured Facilities.

Working Capital Days[NG]

Working Capital Days[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines Working Capital Days[NG] as the calculated number of days to convert working capital to cash. It is calculated by the number of days in the last twelve months (Fiscal 2024 - 364 days) divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

Working Capital Days[NG] is calculated based on the following line items on the audited consolidated statement of financial position: Accounts Receivable and Inventories less Accounts Payables and Accrued Liabilities, Deferred Revenue and Provisions.

Book-to-Bill Ratio[NG]

Book-to-bill ratio[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines book-to-bill ratio[NG] as new firm orders and exercised options divided by new deliveries.

Backlog[NG]

Backlog[NG] value is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines backlog[NG] as the number of EUs in the backlog multiplied by their expected selling price.

Total Leverage Ratio[NG]

Total Leverage Ratio[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. TLR[NG] is calculated as aggregate indebtedness of the Company, not including the Company's Debentures and certain non-financial products, but including any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The TLR[NG] was reintroduced in 2024 Q3.

Interest Coverage Ratio[NG]

Interest Coverage Ratio[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. ICR[NG] is calculated as the same trailing twelve month Adjusted EBITDA[NG] as the Total Leverage Ratio[NG] divided by trailing twelve-month interest expense on the Secured Facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

Total Net Debt to Capitalization[NG]

Total Net Debt to Capitalization[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. TNDC[NG] is calculated as borrowings on the Secured Facilities and any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by shareholders' equity, as shown on the Company's balance

sheet, plus borrowings on the Secured Facilities. The TNDC[NG] covenant excludes the impact of any actual goodwill write-downs up to a maximum of $100 million.

Minimum Adjusted EBITDA[NG]

The Minimum Adjusted EBITDA[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Minimum Adjusted EBITDA[NG] covenant was first tested with the month ending September 30, 2023, but included results from the period May 1, 2023 to September 30, 2023. The covenant continued on a cumulative basis until April 30, 2024, at which point it became a trailing-twelve month test for the second quarter of 2024. The Minimum Adjusted EBITDA[NG] tests were based on calendar month-end dates from September 2023 to June 2024.

Senior Secured Net Leverage[NG]

Senior Secured Net Leverage[NG] includes the Secured Facilities and is calculated as indebtedness on those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The Senior Secured Net Leverage[NG] was reintroduced in 2024 Q3.

Controls and Procedures

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined under rules adopted by the Canadian Securities Administrators. ICFR were designed under the supervision of, and with the participation of, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). The Company's ICFR are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS Accounting Standards.

Management adheres to the "Internal Control – Integrated Framework 2013" ("COSO 2013") from the Committee of Sponsoring Organizations of the Treadway Commission.

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company's ICFR as of December 29, 2024 in accordance with the criteria established in COSO 2013, and concluded that the Company's ICFR are effective.

There have been no changes in our internal controls over financial reporting that occurred during 2024 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

ICFR, no matter how well designed, have inherent limitations. Therefore, ICFR can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The Company's CEO and CFO have concluded that disclosure controls and procedures as at December 29, 2024 were effective.

Appendix A

Meaning of Certain References

References in this MD&A to the “Company” are to NFI and all of its direct or indirect subsidiaries, including New Flyer Industries Canada ULC (“NFI ULC”), New Flyer of America Inc. (“NFAI”), The Aftermarket Parts Company, LLC (“TAPC”), KMG Fabrication, Inc. ("KMG"), Carfair Composites Inc. (“CCI”) and Carfair Composites USA, Inc. (“CCUI”, and together with "CCI", "Carfair"), The Reliable Insurance Company Limited, ARBOC Specialty Vehicles, LLC ("ARBOC"), New MCI Holdings, Inc. and its affiliated entities (collectively, "MCI”), NFI Holdings Luxembourg s.a.r.l., and Alexander Dennis Limited and its affiliated entities (collectively, "AD"). References to “New Flyer” generally refer to NFI ULC, NFAI, TAPC, KMG, CCI, and CCUI. References in this MD&A to “management” are to senior management of NFI and the Company.

The Shares trade on the Toronto Stock Exchange (“TSX”) under the symbol NFI, and the Convertible Debentures trade on the TSX under the symbol NFI.DB. As at December 29, 2024, 119,021,723 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI’s Annual Information Form and information circular, is available on SEDAR+ at http://www.sedarplus.ca.

References to NFI's geographic regions for the purpose of reporting global revenues are as follows: "North America" refers to Canada, United States, and Mexico; United Kingdom and Europe refer to the United Kingdom and Europe; and "Asia Pacific" or "APAC" refers to Hong Kong, Malaysia, Singapore, Australia, and New Zealand.

Forward-Looking Statements

This MD&A contains “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian securities laws, which reflect the expectations of management regarding the Company’s future growth, financial performance and liquidity and the Company’s strategic initiatives, plans, business prospects and opportunities, including the impact of and recovery from supply chain disruptions and plans to address them, the steps the Company plans to take to improve liquidity and the impact of tariffs, other trade measures and U.S. policy developments regarding federal vehicle funding. The words “believes”, “views”, “anticipates”, “plans”, “expects”, “intends”, “projects”, “forecasts”, “estimates”, “guidance”, “goals”, “objectives”, “targets” and similar words or expressions of future events or conditional verbs such as “may”, “will”, “should”, “could”, “would” are intended to identify forward-looking statements. These forward-looking statements reflect management’s current expectations regarding future events and the Company’s financial and operating performance and speak only as of the date of this MD&A. By their very nature, forward-looking statements require management to make assumptions and involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and give rise to the possibility that management’s predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that the assumptions may not be correct and that the Company’s future growth, financial condition, ability to generate sufficient cash flow, maintain adequate liquidity and manage supply chain disruptions and the Company’s strategic initiatives, objectives, plans, business prospects and opportunities, will not occur or be achieved.

The Company continues to experience various global and regional supply chain and logistics challenges, inflationary price increases for parts, components and other inputs used in the manufacturing processes, as well as labour shortages. The Company has taken various steps to mitigate these issues (including the current North American seat supply issue), but they continue to have a significant negative impact on the Company’s business, operating results, financial condition and liquidity. These issues may continue and/or worsen, including as the Company continues to ramp up production levels. While NFI has experienced significant improvement in overall supplier performance, the supply of certain parts and components continues to be challenged and may deteriorate, including with respect to other parts and components. There can be no assurance as to if or when production operations will return to pre-pandemic production rates or deliveries. Supply chain issues could also potentially expose the Company to liquidated damages penalties under certain transit bus and motor coach purchase contracts if it is unable to meet the applicable delivery deadlines under such contacts. While the Company is closely managing its liquidity, it is possible that various events (such as delayed deliveries and customer acceptances, delayed customer payments, supply chain issues, product recalls and warranty claims) could significantly impair the Company’s liquidity and there can be no assurance that the Company would be able to obtain additional liquidity when required in such circumstances. In addition, as the Company is in the process of ramping up production levels and an increasing percentage of the Company’s orders are ZEBs that have a higher manufacturing cost, the Company’s working capital requirements have increased compared to prior years. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period or have access to additional capital when required in such circumstances and the Company’s financial performance and condition, obligations, cash flow and liquidity and its ability to maintain compliance with the covenants under its credit facilities may be impaired.

The level, type, coverage and duration of tariffs and other trade measures imposed by the US and Canada is fluidly evolving and may continue to change and evolve in unpredictable ways. The impact of tariffs and other trade measures on general economic conditions, customer demand and on the Company’s business is uncertain and may be significant. Such impacts may include general inflationary pressures as well as new and exacerbated supply chain disruptions leading to production inefficiencies, delivery delays and additional liquidity deterioration. It is impossible to predict the full impact on the Company of tariffs or other trade actions, and if they are in place for an extended period they may have a material adverse effect on the Company’s business, operating results, financial condition and

liquidity and may result in the Company not achieving the guidance provided above. In addition, U.S. federal funding for transit buses and coaches, including electric vehicles, could potentially be significantly reduced as a result of the U.S. administration's recent executive orders and potential policy changes. This could significantly impact the ability of U.S. transit agencies to purchase vehicles from the Company, which would likely have the most significant impact on purchases of electric vehicles. There can be no assurance as to the continuation or future amount of U.S. federal funding for transit bus and coach purchases.

Specific reference is made to the factors described above in this MD&A and in the section entitled "Risk Factors" in the Company's Annual Information Form for a discussion of the factors that may affect forward-looking statements and information. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements and information. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that could cause actions, events or results not to be as anticipated, estimated or intended or to occur or be achieved at all. The forward-looking statements and information contained herein are made as of the date of this MD&A (or as otherwise indicated) and, except as required by law, the Company does not undertake to update any forward-looking statement or information, whether written or oral, that may be made from time to time by the Company or on its behalf. The Company provides no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers and investors should not place undue reliance on forward-looking statements and information.

Appendix B - 2024 Fourth Quarter Bid Universe and Order Activity

Demand for Transit Buses and Motor Coaches

The Company's "Total Bid Universe" metric tracks known active public competitions in Canada and the United States and attempts to provide an overall indication of anticipated heavy-duty transit bus and motor coach public sector market demand. It is a point-in-time snapshot of: (i) EUs in active competitions, defined as all requests for proposals received by the Company and in process of review plus bids submitted by the Company and awaiting customer action (what NFI considers to be active bids), and (ii) management's forecast, based on data provided by operators for their fleet replacement plans, of expected EUs to be placed out for competition over the next five years.

In 2024 Q4, active bids of 7,094 EUs were down 18.8% year-over-year, and down 19.0% from 2024 Q3. The year-over-year decline was primarily driven by the Total Bid Universe reaching an all-time high in 2023 resulting in NFI recording its highest quarterly new awards ever at 5,421 EUs in 2024 Q1. The Company ended 2024 Q4 with 3,437 bids in process, and another 3,657 bids submitted, which is expected to drive further new orders in 2025.

The forecasted five-year North American industry procurement remains strong at 21,797 EUs. As of 2024 Q4, the Total Bid Universe was 28,891 EUs, down from its all-time high of 31,682 EUs in 2023 Q3, with the decrease driven by new orders received in 2024. The Company expects that the forecasted five-year North American industry procurement will remain high in 2025 as transit agencies continue to formalize their short- and long-term procurement plans linked to the multi-billion funding programs announced and/or launched by governments in Canada and the U.S.

As at 2024 Q4, 15,218 EUs, or 52.7%, of the Total Bid Universe are ZEBs.

The Total Bid Universe EUs fluctuate significantly from quarter-to-quarter based on public tender activity procurement and award processes.

	Bids in Process (EUs)	Bids Submitted (EUs)	Active EUs	Forecasted Industry Procurement over 5 Years (EUs)[1]	Total Bid Universe (EUs)
2023 Q4	1,101	7,631	8,732	22,098	30,830
2024 Q1	1,470	3,940	5,410	21,350	26,760
2024 Q2	3,609	3,153	6,762	21,415	28,177
2024 Q3	5,533	3,226	8,759	20,690	29,449
2024 Q4	**3,437**	**3,657**	**7,094**	**21,797**	**28,891**

1. Management's estimate of anticipated future industry procurement over the next five years is based on direct discussions with select U.S. and Canadian transit authorities. This estimate includes potential public customers activity for New Flyer and MCI vehicles, but it excludes potential ARBOC and Alexander Dennis sales in Canada and the U.S.

Procurement of heavy-duty transit buses and motor coaches by the U.S. and Canadian public sector is typically accomplished through formal multi-year contracts and purchasing schedules (state and national contracts, agency purchasing contracts), while procurement by the private sector in North America, the UK and Europe and Asia Pacific is typically made on a transactional basis. As a result, the Company does not maintain a Total Bid Universe for private sector buses and coaches.

The sale of cutaway and medium-duty buses manufactured by ARBOC is accomplished on a transactional purchase order basis through non-exclusive third-party dealers who hold contracts directly with the customers. Bids are submitted by and agreements are held with a network of dealers. Cutaway and medium-duty bus activity is therefore not included in the Total Bid Universe metric.

Due to the transactional nature of the procurement process in the UK, European and Asia Pacific markets, Alexander Dennis does not have a Total Bid Universe metric like the one seen in North American public markets. Alexander Dennis does, however, maintain a current sales pipeline, which continued to see improvement throughout 2024. The increase in industry market demand was on display as UK and Ireland total market delivery volumes grew by 48% year-to-date in 2024 Q4 and continue to be driven by customers' fleet recovery and replacement plans. Alexander Dennis has continued to voice concerns to UK and Scottish governments regarding the uneven playing field that exists for UK bus manufacturers, who support higher wages and better domestic employment rights, while combating lower-cost foreign importers who have no investment requirement in the UK. The Company will continue to advance those discussions with a focus on increasing domestic content requirements or increased tariffs to improve the playing field for domestic players.

In Asia Pacific, the Hong Kong market is highly cyclical, and, following busier periods in 2015 through 2018, the market declined as anticipated. Alexander Dennis remains the market leader for double-deck buses in the Hong Kong market and expects to see stable annual

deliveries and slow recovery, reflecting typical market cyclicality, in 2025. In 2023 Q2, Alexander Dennis delivered its first battery-electric buses to key customers in Hong Kong and secured additional ZEB orders in this market in 2023 Q4. New Zealand and Singapore remain highly cyclical markets with more predictable purchasing expectations based on vehicle age; Alexander Dennis continues to see significant opportunities in both markets and is also pursuing additional expansion programs in South Africa and the Middle-East region.

Order activity

New orders (firm and options) during 2024 Q4 totaled 1,904 EUs, a 19.4% decrease from 2023 Q4. New firm and option orders for Fiscal 2024 were 9,489 EUs, an increase of 55.0% from Fiscal 2023. This increase reflects several major awards that NFI received during the year from the New York City Transit Authority (for up to 2,090 EUs), New Jersey Transit (for up to 1,300 EUs) and Stagecoach UK (244 EUs). The timing of new orders can vary based on transit agency procurement processes, with the fourth quarter typically being a busier period tied to agency and operator approval meetings.

2024 Q4 was an average period for option conversion, which can vary from quarter-to-quarter, with 437 EUs converted. These 437 EUs contributed to 865 EUs converted in Fiscal 2024, representing a conversion ratio of 76%. *Further details on options are provided below under the "Options" section.*

In 2024 Q4, the Company received orders for 473 EUs of battery-electric, zero-emission vehicles, a decrease from the 988 EUs of ZEB orders in 2023 Q4 and an increase from 227 EUs of ZEB orders in 2024 Q3. These 473 EUs of ZEBs equate to 24.8% of all new firm and option orders for the quarter.

277 EUs of new firm and option orders were pending from customers at the end of 2024 Q4, where approval of the award to the Company had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog[NG].

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2023 Q4	2,361	6,121	54	404
2024 Q1	5,421	9,669	131	491
2024 Q2	1,114	9,866	129	331
2024 Q3	1,050	9,946	168	482
2024 Q4	**1,904**	**9,489**	**437**	**865**

Options

In 2024 Q4, 119 options expired, as compared to 45 options that expired in 2024 Q3, and 55 options that expired in 2023 Q4. Option expiries can vary significantly quarter-to-quarter. From 2021 to 2023, certain agencies allowed a portion of older options to expire as they re-evaluated their longer-term fleet planning decisions with an increased focus on the procurement of ZEBs rather than traditional internal combustion engine propulsion. NFI has replenished a significant number of expired options through new orders, with its option backlog[ng] growing by approximately 93% from the end of 2021 to 2024 Q4. In Fiscal 2024 the option conversion rate improved to 76.3%. The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis.

A significant number of public transit and public coach contracts in the U.S. and Canada have a term of three to five years. In addition, some contracts in the UK and APAC also have multi-year terms. The table below shows the number of option EUs that have either expired or have been exercised annually over the past five years, as well as the current backlog[NG] of options that will expire each year if not exercised.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
A) Options Expired (EUs)	1,202	819	1,920	575	268						4,784
B) Options Exercised (EUs)	953	1,110	638	404	865						3,970
C) Current Options by year of expiry (EUs)						975	1,388	1,388	1,531	3,993	9,275
D) Conversion rate % = B / (A+B)	**44 %**	**58 %**	**25 %**	**41 %**	**76 %**						

In addition to contracts for identified public customers, the Company has increased its focus on purchasing schedules (state and national contracts, and cooperative agency purchasing agreements) with the objective of having multiple available schedules, from which customers within a prescribed region or from defined list, can purchase. The Company is currently named on over 41 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog[NG] as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer makes an order under one of these agreements, the purchase is

recorded as a firm order. The Company has received more than 2,500 vehicle awards from these schedules since the start of 2018, reflecting their growing use by North American transit agencies as a procurement alternative.

The Company's 2024 Q4 Book-to-Bill[NG] ratio (defined as new firm orders and exercised options divided by new deliveries) was 134.2%, an increase from 111.2% in 2023 Q4. This increase was driven by a decrease in deliveries and the timing of customer awards. Fiscal 2024 Book-to-Bill[NG] was 121.4%, an increase from 113.0% for Fiscal 2023, primarily driven by increased deliveries and the timing of customer awards.

Backlog[NG]

The Company's total backlog[NG] consists of buses sold primarily to U.S. and Canadian public transit and coach customers and private operators in the UK, US and internationally. The majority of the backlog[NG] relates to New Flyer transit buses for public customers with some of the backlog[NG] consisting of units from MCI, AD, and ARBOC. Options for ARBOC vehicles are held by dealers, rather than the manufacturer, and are not included as options in the NFI backlog[NG], but are reflected to firm backlog[NG] when the vehicles are ordered by the dealer.

Transit buses and motor coaches incorporating clean propulsion systems, including compressed natural gas, diesel-electric hybrid, and ZEBs, which consist of trolley-electric, fuel cell-electric, and battery-electric buses, represent approximately 60.0% of the total backlog[NG] as of the end of 2024 Q4, relatively flat from 59.6% as of the end of 2024 Q3. As at the end of 2024 Q4, there were 6,101 EUs of ZEBs in the backlog[NG], representing 40.3% of the total backlog[NG], relatively flat from 41.0% as at the end of 2024 Q3, and up from 35.7% as at the end of 2023 Q4.

	2024 Q4			2024 Q3			2023 Q4		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	5,516	9,074	14,590	5,370	9,235	14,605	4,863	4,693	9,556
New orders	1,147	757	1,904	998	52	1,050	1,371	990	2,361
Options exercised	437	(437)	—	168	(168)	—	54	(54)	—
Shipments[1]	(1,180)	—	(1,180)	(994)	—	(994)	(1,227)	—	(1,227)
Cancelled/expired	(60)	(119)	(179)	(26)	(45)	(71)	(49)	(55)	(104)
End of period	**5,860**	**9,275**	**15,135**	**5,516**	**9,074**	**14,590**	**5,012**	**5,574**	**10,586**
Consisting of:									
Heavy-duty transit buses	4,816	8,744	13,560	4,573	8,758	13,331	4,146	5,265	9,411
Motor coaches	349	531	880	282	316	598	246	309	555
Cutaway and medium-duty buses	695		695	661		661	620	—	620
Total Backlog[NG]	**5,860**	**9,275**	**15,135**	**5,516**	**9,074**	**14,590**	**5,012**	**5,574**	**10,586**

1. Shipments do not include delivery of pre-owned coaches as these coaches are not included in the backlog[NG].

At the end of 2024 Q4, the Company's total backlog[NG] of 15,135 EUs (firm and options) increased by 3.7% from the end of 2024 Q3, and increased by 43.0% from the end of 2023 Q4. The increase was driven by record awards in 2024 Q1, offset by higher deliveries and fewer cancellations/expiries on a LTM basis. Backlog[NG] for 2024 Q4 has a total dollar value of $12.8 billion, a 6.5% increase from 2024 Q3 and a 61.2% increase from 2023 Q4.

The average price of an EU in total backlog[NG] is now $0.84 million, a 12.8% increase from 2023 Q4. This increase was driven by the impacts of improved pricing, increased ZEB orders and general improvements in contract margins.

The summary of the values is provided below.

	2024 Q4		2024 Q3		2023 Q4	
		EUs		EUs		EUs
Total firm orders	$4,713.8	5,860	$4,168.8	5,516	$3,249.8	5,012
Total options	$8,066.4	9,275	$7,830.5	9,074	$4,677.6	5,574
Total backlog[NG]	**$12,780.2**	**15,135**	**$11,999.3**	**14,590**	**$7,927.4**	**10,586**

NFI is a leading provider of propulsion agnostic bus and coach mobility solutions. Offering a wide range of bus models and propulsion types, alongside aftermarket parts, service, training, Infrastructure Solutions and financing. NFI meets today's urban demands for scalable smart mobility solutions. Together, NFI is enabling more livable cities through connected, clean, and sustainable transportation.

NFI has almost 9,000 team members in ten countries and offers the widest range of sustainable drive systems available, including zero-emission electric (trolley, battery, and fuel cell), natural gas, electric hybrid, and clean diesel.

In total, NFI supports its installed base of over 100,000 buses and coaches around the world.

NFI's common shares trade on the TSX under the symbol NFI and its convertible debentures trade on the TSX under the symbol NFI.DB.

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Consolidated Financial Statements of

NFI GROUP INC.

December 29, 2024

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Independent Auditor's Report

To the Shareholders and Board of Directors of NFI Group Inc.

Opinion

We have audited the consolidated financial statements of NFI Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 29, 2024 and December 31, 2023, and the consolidated statements of net loss and total comprehensive earnings (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 29, 2024 and December 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 29, 2024. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill – ADL Manufacturing – Refer to Notes 2 and 7 of the financial statements

Key Audit Matter Description

Annually, the Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each of its cash generating units ("CGUs"), which is the higher of its fair value less

costs of disposal and its value in use, to their carrying amount. The Company determined the recoverable amount of the ADL Manufacturing CGUs ("identified CGU") to be the value in use, which was estimated using a discounted cash flow model. This required management to make significant estimates and assumptions including those related to future cash inflows and outflows, growth rate and discount rate.

At the annual evaluation date, the recoverable amount of the CGU exceeded its carrying amount and no impairment was recognized.

While there are several key assumptions that are required to estimate the recoverable amount of the identified CGU, the assumptions with the highest degree of subjectivity and impact on the recoverable amounts are related to the determination of forecast of future revenues, operating margins and discount rate. This required significant auditor attention as these estimates are subject to estimation uncertainty. Auditing these estimates and assumptions required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort including the involvement of fair value specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the determination of the forecasts of future revenues, operating margins and discount rate used to estimate the recoverable amount of the identified CGU included the following, among others:

- Evaluated management's ability to accurately forecast future revenues and operating margins by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of the forecast of future revenues and operating margins by comparing the forecasts to:
    - Historical revenues and operating margins
    - Known changes in the Company's operations and its industry
    - Internal reports including production and backlog supported by contracts
    - Internal communications to management and the Board of Directors
    - Macroeconomic and market specific information
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rate by testing the source information underlying the determination of the discount rate, developing a range of independent estimates and comparing those to the discount rate selected by management.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider

whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Paul Stauch.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 13, 2025

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF NET LOSS AND TOTAL COMPREHENSIVE EARNINGS (LOSS)
52-weeks ended December 29, 2024 ("Fiscal 2024") and 52-weeks ended December 31, 2023 ("Fiscal 2023")
(in thousands of U.S. dollars except per share figures)

	Fiscal 2024	Fiscal 2023 Restated (note 2.16)
Revenue (note 26)	$ 3,122,315	$ 2,692,481
Cost of sales (note 4)	2,772,872	2,471,716
Gross Profit	349,443	220,765
Sales, general and administration costs and other operating expenses	239,117	245,265
Foreign exchange loss (gain)	1,763	(3,249)
Earnings (loss) from operations	108,563	(21,251)
Loss on disposition of property, plant and equipment and right-of-use asset	(192)	(789)
Gain on debt modification	—	8,908
Impairment loss on intangible assets	(2,278)	—
Loss on debt extinguishment	(234)	—
Unrealized foreign exchange gain (loss) on monetary items	18,617	(3,696)
Earnings (loss) before interest and income taxes	124,476	(16,828)
Interest and finance costs		
Interest on long-term debt	88,168	86,456
Interest on convertible debt	12,382	12,519
Interest on senior unsecured debt (note 17)	5,581	10,514
Accretion in carrying value of long-term debt (note 18)	9,841	4,415
Accretion in carrying value of convertible debt (note 20)	8,136	7,554
Accretion in carrying value of senior unsecured debt (note 17)	321	474
Interest expense on lease liability	9,816	8,084
Other interest and bank charges	12,382	5,964
Fair market value gain on prepayment option of second lien debt (note 19)	(9,580)	(640)
Equity swap settlement fee	—	3,519
Fair market value loss on interest rate swap (note 25b)	510	9,427
Fair market value (gain) loss on cash conversion option (note 20)	(6,617)	3,956
	130,940	152,242
Loss before income tax expense	(6,464)	(169,070)
Income tax expense (recovery) (note 16)		
Current income tax expense (recovery)	36,311	(11,941)
Deferred income tax recovery	(39,479)	(20,965)
	(3,168)	(32,906)
Net loss for the period	$ (3,296)	$ (136,164)
Other comprehensive earnings (loss)		
Actuarial gain (loss) on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	6,261	(4,754)
Unrealized foreign exchange gain on translation of foreign operations - this item will not be reclassified subsequently to profit	66	12,137
Total comprehensive earnings (loss) for the period	3,031	(128,781)
Net loss per share (basic) (note 22)	$ (0.03)	$ (1.48)
Net loss per share (diluted) (note 22)	$ (0.03)	$ (1.48)

The accompanying notes are an integral part of the consolidated financial statements.

NFI GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 29, 2024
(in thousands of U.S. dollars)

	December 29, 2024	December 31, 2023 Restated (note 2.16)
Assets		
Current		
Cash	$ 49,557	$ 49,615
Accounts receivable (note 3, 25e)	489,731	466,353
Inventories (note 4)	959,633	762,581
Income tax receivable	1,980	26,314
Other current asset (note 8, 25a)	6,937	-
Prepaid expenses and deposits	25,342	18,988
	1,533,180	1,323,851
Property, plant and equipment (note 5)	192,670	194,474
Right-of-use asset (note 6)	108,092	114,437
Derivative financial instruments (note 19, 25a, b)	12,347	2,767
Goodwill and intangible assets (note 7)	956,954	976,377
Accrued benefit asset (note 11)	9,299	4,337
Other long-term assets (note 8, 25a)	43,670	50,676
Deferred tax assets (note 16)	57,920	33,041
	$ 2,914,132	$ 2,699,960
Liabilities		
Current		
Accounts payable and accrued liabilities (note 9)	627,536	547,626
Income tax payable	4,640	—
Derivative financial instruments (note 25a, b)	1,340	1,481
Current portion of long-term liabilities (note 10)	290,413	186,893
Senior unsecured debt (note 17)	19,609	—
	943,538	736,000
Accrued benefit liability (note 11)	2,511	3,035
Obligations under leases	112,699	120,044
Deferred compensation obligation (note 12)	1,671	3,198
Deferred revenue (note 14)	29,323	14,246
Provisions (note 15)	48,037	65,258
Deferred tax liabilities (note 16)	33,315	46,756
Derivative financial instruments (note 20, 25a, b)	2,855	9,296
Senior unsecured debt (note 17)	30,431	61,796
Long-term debt (note 18)	610,237	536,037
Second lien debt (note 19)	173,741	172,396
Convertible debentures (note 20)	218,020	228,985
	$ 2,206,378	$ 1,997,047
Commitments and contingencies (note 18)		
Shareholders' equity		
Share capital (note 21)	1,241,397	1,240,163
Stock option and restricted share unit reserve (note 13)	14,249	13,673
Accumulated other comprehensive income	10,736	4,409
Deficit	(558,628)	(555,332)
	$ 707,754	$ 702,913
	$ 2,914,132	$ 2,699,960

The accompanying notes are an integral part of the consolidated financial statements.

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended December 29, 2024

(in thousands of U.S. dollars)

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Shareholders' Equity
Balance, January 1, 2023 (restated)	**$ 988,218**	**$ 11,285**	**$ (2,979)**	**$ (419,168)**	**$ 577,356**
Net loss	—	—	—	(136,164)	(136,164)
Other comprehensive gain	—	—	7,388	—	7,388
Equity transaction cost	(10,476)	—	—	—	(10,476)
Share-based compensation, net of deferred income taxes	—	2,756	—	—	2,756
Shares issued – private placement	170,458	—	—	—	170,458
Shares issued	91,963	(368)	—	—	91,595
Balance, December 31, 2023	**$ 1,240,163**	**$ 13,673**	**$ 4,409**	**$ (555,332)**	**$ 702,913**
Net loss	—	—	—	(3,296)	(3,296)
Other comprehensive gain	—	—	6,327	—	6,327
Equity transaction cost	7	—	—	—	7
Share-based compensation, net of deferred income taxes	—	1,753	—	—	1,753
Shares issued (note 21)	1,227	(1,177)	—	—	50
Balance, December 29, 2024	**$ 1,241,397**	**$ 14,249**	**$ 10,736**	**$ (558,628)**	**$ 707,754**

The accompanying notes are an integral part of the consolidated financial statements.

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

52-Weeks ended December 29, 2024 ("Fiscal 2024”) and 52-weeks ended December 31, 2023 ("Fiscal 2023)

(in thousands of U.S. dollars)

	Fiscal 2024	Fiscal 2023
Operating activities		
Net loss for the period	$ (3,296)	$ (136,164)
Income tax recovery	(3,168)	(32,906)
Depreciation of property, plant and equipment	47,782	49,370
Amortization of intangible assets	32,348	31,410
Impairment loss on intangible assets	2,278	—
Share-based compensation	2,233	2,618
Interest and finance costs recognized in profit or loss	147,137	148,926
Gain on fair value adjustment for total return swap	—	(3,765)
Unrealized foreign exchange (gain) loss on monetary items	(18,617)	3,696
Foreign exchange loss on cash held in foreign currency	1,517	1,053
(Gain) loss on fair value adjustment for cash conversion option	(6,617)	3,315
Gain on fair value adjustment for prepayment option	(9,580)	—
Loss on disposition of property, plant and equipment	192	789
Impairment recovery on property, plant and equipment	—	(2,558)
Gain on debt modification	—	(8,908)
Loss on debt extinguishment	234	—
Past service costs	—	4,764
Defined benefit expense	3,771	2,779
Defined benefit funding	(2,830)	(3,185)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	193,384	61,234
Changes in non-cash working capital items (note 23)	(54,877)	(44,962)
Cash generated by operating activities before interest and income taxes paid	138,507	16,272
Interest paid	(121,107)	(109,389)
Income taxes (paid) recovered	(2,060)	29,304
Net cash generated by (used in) operating activities	15,340	(63,813)
Financing activities		
Repayment of obligations under lease	(24,360)	(21,712)
Proceeds (repayment) from revolving credit facilities	50,054	(192,401)
Share issuance	50	262,055
Share issuance recovery (cost)	7	(10,476)
Proceeds on other long-term liabilities	—	18,374
(Repayment) proceeds from senior unsecured debt	(5,000)	61,996
Net cash generated by financing activities	20,751	117,836
Investing activities		
Acquisition of intangible assets	(17,597)	(10,274)
Proceeds from disposition of property, plant and equipment	963	1,769
Disposition of (investment in) long-term restricted deposits	5,379	(18,123)
Acquisition of property, plant and equipment (note 26)	(30,314)	(26,714)
Proceeds from government grants used to acquire assets	6,937	—
Net cash used in investing activities	(34,632)	(53,342)
Effect of foreign exchange rate on cash	(1,517)	(1,053)
Decrease in cash	(58)	(372)
Cash — beginning of period	49,615	49,987
Cash — end of period	$ 49,557	$ 49,615

The accompanying notes are an integral part of the consolidated financial statements.

1. CORPORATE INFORMATION

1.1 Corporate information

NFI Group Inc. (“NFI”) was incorporated on June 16, 2005 under the laws of the Province of Ontario (NFI and its subsidiaries collectively referred to as the “Company”). The Company is a leading independent global bus manufacturer providing a comprehensive suite of mass transportation solutions under brands: New Flyer® (heavy-duty transit buses), Alexander Dennis ("AD") (single and double-deck buses), Plaxton (motor coaches), MCI® (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses) and NFI Parts™ (aftermarket parts sales). NFI’s common shares (the “Shares”) are listed on the Toronto Stock Exchange (“TSX”) under the symbol “NFI”. NFI's convertible debentures are listed on the TSX under the symbol "NFI.DB".

These audited consolidated financial statements (the "Statements") were approved by NFI's board of directors (the "Board") on March 13, 2025.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these Statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The Statements were prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS®) (“IFRS Accounting Standards”) which require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses.

2.2 Principles of consolidation

The Statements include the accounts of the Company's subsidiaries.

Subsidiaries are entities over which NFI has control, where control is achieved when NFI: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. NFI holds 100% of the voting rights in, and therefore controls, all of its subsidiaries.

The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to NFI, and are de-consolidated from the date control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

- cost is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, and business acquisition related expenses are expensed as incurred;
- identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;
- the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and
- if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is reassessed and any remaining difference is recognized directly in the consolidated statements of net loss and total comprehensive earnings (loss).

Inter-company transactions between subsidiaries are eliminated on consolidation.

2.3 Reportable Segments

The Company’s reportable segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The President and Chief Executive Officer of NFI has authority for resource allocation and assessment of the Company’s performance and therefore acts as the CODM.

2.4 Foreign currency

The Company operates with multiple functional currencies. The Statements are presented in U.S. dollars as this presentation is most meaningful to financial statement users. References to “$” are to U.S. dollars, references to “C$” are to Canadian dollars, references to "£" are to British pounds sterling. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of items that form part of the net investment in the foreign operation are recorded in unrealized foreign exchange gain (loss) on translation of foreign operations in other comprehensive earnings (loss).

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Monetary balances denominated in a currency other than U.S. dollars are translated at the rates of exchange existing at the end of the period, and the results of the operations are translated at average rates of exchange over the period. Non-monetary balances are translated at the exchange rate prevailing at the date of the transaction.

Foreign exchange gains and losses that relate to borrowings, non-current monetary items and non-current forward foreign exchange contracts are presented in the consolidated statements of net loss and comprehensive earnings (loss) within “unrealized foreign exchange gain (loss) on non-current monetary items”.

All other foreign exchange gains and losses are presented in the consolidated statements of net loss and total comprehensive earnings (loss) within “foreign exchange loss (gain) ”.

2.5 Revenue recognition

Manufacturing Operations

Persuasive evidence of an arrangement exists in the form of a written contract. A process is in place that initiates a pre-shipment acceptance by the customer at the Company’s plant. This acceptance prior to shipment mitigates the likelihood of customer’s dissatisfaction with the final product upon delivery to the customer. Revenue is recorded when the vehicle is delivered, shipped, or picked up by the customer. The customer does not have a legal right to return the delivered products after the acceptance period, or deviate from the agreed upon price. The Company’s contract clearly identifies a fixed and determinable price.

In connection with its sales of new coaches, the Company at times agrees to accept a pre-owned coach in exchange and gives the buyer a credit equal to the pre-owned coach's then-current fair value. Any credit provided to the customer in excess of the fair value of the pre-owned coach is deducted from the selling price of the new coach.

When a single sale transaction requires the delivery of more than one product or service (multiple performance obligations), the revenue recognition criteria are applied to the separately identifiable performance obligations. A performance obligation is considered to be separately identifiable if the product or service delivered has stand-alone value to that customer and the fair value associated with the product or service can be measured reliably. The amount recognized as revenue for each performance obligation is its fair value in relation to the fair value of the contract as a whole. Management has determined that the standard base warranty included in the bus or coach purchase is not a separate performance obligation and therefore recognized upon delivery of the vehicle.

The Company sells extended warranty contracts that provide coverage in addition to the basic coverage. Proceeds from the sale of these contracts are deferred and amortized into revenue over the extended warranty period commencing at the end of the basic warranty period.

The Company also receives proceeds from the sale of extended warranties relating to major subsystems such as engines, transmissions, axles, batteries, fuel cells, and air conditioning that are purchased for the customer from the original equipment manufacturer (“OEM”). Revenue is not recognized on these proceeds, as the Company is an agent to the transaction.

The Company, from time-to-time, may enter into arrangements with customers where the customer has requested that the Company defer shipping a vehicle and instead hold it for a specified period until the customer is able to take possession. The Company recognizes revenue for bill and hold arrangements when the arrangement is substantive, the product is identified separately as belonging to the customer and ready for physical transfer to the customer, and the Company cannot use the product or allocate it to another customer. The Company does not recognize revenue on any bus or coach firm or option orders that have not yet been delivered except on bill and hold arrangements. The Infrastructure Solutions™ business sources, installs and commissions electric vehicle chargers, and constructs the related charging infrastructure. Revenues related to the supply, installation and commissioning of electric vehicle chargers are recognized upon delivery. Revenues related to construction of charging infrastructure are recognized over time using the cost-to-cost input method. The cost-to-cost method measures the Company's progress toward completion based on the total costs incurred relative to the total estimated contract costs.

Operating lease revenue is recorded on a straight-line basis in the period earned over the life of the contract and is recognized in revenue in the consolidated statements of net loss and total comprehensive earnings (loss) due to its operating nature.

Aftermarket Operations

Persuasive evidence of an arrangement exists in the form of an authorized sales order. The customer is invoiced, and revenue is recorded at the time the part is delivered using a commercial shipper. For parts not kept in stock, the parts required by the customer and shipment details are provided to the supplier and the parts are shipped from the supplier directly to the customer's location, these transactions are recorded on a gross basis as the Company is the principal in the arrangement.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

The price list for parts clearly identifies a fixed and determinable price, while also describing that the Company has no legal obligation to accept the return of goods other than on defective and/or warrantable parts product. Aftermarket parts revenue does not contain any revenue related to the bus or coach warranty.

2.6 Employee benefits

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined by independent actuaries using the projected unit credit method. Actuarial remeasurement is comprised of actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), and is reflected immediately in the consolidated statements of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income (loss) is reflected immediately in accumulated other comprehensive income and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are comprised of service costs (including current service cost, past service cost gains on curtailments and settlements), net interest expense or income and remeasurement.

The asset or liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan.

Payments to defined contribution plans are expensed as incurred, which is as the related employee service is rendered.

2.7 Share-based compensation plans

The Company operates cash-settled and equity-settled share-based compensation plans under which it receives services from executive management and non-employee members of the Board.

For the cash-settled plans (note 13), the expense is determined based on the fair value of the liability at the end of the reporting period until the awards are settled. Certain share-based compensation plans include non-market performance conditions. The Company`s accounting policy is to recognize the impact of non-market performance conditions by adjusting the number of awards that are expected to vest. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions on compensation expense (note 27) in the consolidated statements of net loss and total comprehensive earnings (loss).

For the equity-settled plans (note 13), share-based payments to executive management are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is the stock option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related stock option reserve is transferred to share capital. Upon expiry, the recorded value is transferred to retained earnings. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statements of net loss and total comprehensive earnings (loss) such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the stock option reserve. Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statements of net loss and total comprehensive earnings (loss).

2.8 Cash

Cash and cash equivalents comprise cash on hand, demand deposits and investments with an original maturity at the date of purchase of three months or less.

2.9 Accounts receivables

Accounts receivables are amounts due from customers from the rendering of services or sale of goods in the ordinary course of business. Accounts receivables are classified as current assets if payment is due within one year or less. Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost, less impairment, if any.

The Company maintains an allowance for doubtful accounts and sales adjustments to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within “Sales, general and administration costs and other operating expenses” in the consolidated statements of net loss and total comprehensive earnings (loss).

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing inventories to their existing location and condition. In the case of finished goods inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.11 Property, plant and equipment

Property, plant and equipment are recorded at cost reduced by applicable investment tax credits, less accumulated depreciation and impairment losses. Depreciation is calculated at the following annual rates:

Building and building improvements	4% declining-balance basis
Machinery and equipment	25% declining-balance basis
Demo buses and coaches	20% - 50% straight-line basis
Computer hardware and software	30% declining-balance basis
Office equipment	20% declining-balance basis
Buses and coaches available for lease	20% - 50% straight-line basis

Property, plant and equipment are tested for impairment as described under “Impairment of non-financial assets” in note 2.15.

2.12 Right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated based on the lease term of the asset using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms are as follows:

Land, building and building improvements	4 - 35 years
Machinery and equipment	15 months - 5 years
Automobiles	13 months - 3 years
Office equipment	14 months - 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be determined, the Company uses its incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Intangible assets

Identifiable intangible assets are initially recorded at cost. Based on management's forecasts and business plans and the going concern of the Company, the trade names intangible asset (note 7) has been deemed to have an indefinite life, except for the "NABI Parts" tradename which is amortized over its useful life of 12 years. For purposes of impairment testing, the fair value of trade names is determined using an income approach.

Intangible assets that have a finite life are amortized using the straight-line method over the estimated useful lives of the assets as follows:

Patents and Licenses	5-12 years
Backlog of sales orders	1-2 years
Customer relationships	21 years
Internally developed intellectual property	5-7 years

Identifiable intangible assets with finite and indefinite lives are tested for impairment as described under "Impairment of non-financial assets" in note 2.15.

2.14 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Separately recognized goodwill is tested at the end of every reporting period for possible impairment when there are events or changes in circumstances that indicate that their carrying amounts may not be recoverable and also tested annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.15 Impairment of non-financial assets

Non-financial assets with finite lives are tested at the end of every reporting period for possible impairment when there are events or changes in circumstances that indicate that their carrying amounts may not be recoverable. In addition, non-financial assets that are not amortized are subject to an annual impairment assessment. The carrying values of identifiable intangible assets with indefinite lives are tested annually for impairment because they are not amortized. Impairment is determined by comparing the recoverable amount of such assets with their carrying amounts. Any impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount within earnings of continuing or discontinued operations, as appropriate.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash generating units ("CGUs"). The Company evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration.

2.16 Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses, unless the losses relate to an onerous contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured as at each consolidated statements of financial position date using the then current discount rate. The increase in the provision due to passage of time is recognized as interest expense.

At the time of sale, a provision for warranty claims relating to the base warranty on the entire bus or motor coach and a corrosion warranty on the related structure, is recorded and charged against operations. This warranty provision is based upon management's best estimate of expected future warranty costs utilizing past claims experience. Actual warranty expenditures are charged against the provision as incurred.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

In the current year, management identified that certain warranties were incorrectly classified and accounted for as service-type rather than assurance-type. The correction of this error resulted in an immaterial prior period adjustment between Deferred Revenue and Warranty Provision amounting to $17.4 million and increase to revenue and cost of sales of $7.3 million. This change had no effect on net loss, total equities, cash flows, or EPS.

2.17 Long-term debt and second lien debt

Long-term debt and second lien debt are recognized initially at fair value, net of transaction costs incurred. Debt is subsequently stated at amortized cost with any difference between the proceeds and the amortized cost recognized in the consolidated statements of net loss and total comprehensive earnings (loss) over the term of the debt using the effective interest method.

Debt is classified as a current liability unless the Company has an unconditional right to defer settlement for at least 12 months after the date of the consolidated statements of financial position.

2.18 Convertible debentures

Convertible debentures issued by NFI are convertible unsecured debentures that can be converted to share capital at the option of the holder. Upon conversion, NFI has the option to pay the holder in share capital or cash, this creates a derivative liability. The host liability component of the financial instrument is recognized initially at fair value of a similar liability that does not have a conversion option, net of transaction costs incurred, and is subsequently stated at amortized cost with any difference between the proceeds and the amortized cost recognized in the consolidated statements of net loss and total comprehensive earnings (loss).

The cash conversion option, net of transaction costs is treated as an embedded derivative which is recognized at fair value through profit and loss.

2.19 Financial instruments

Financial assets

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Financial assets at fair value through profit or loss

Classification

Financial assets at fair value through profit or loss are financial assets held for trading or designated as fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category include derivative financial instruments and are classified as short or long term assets in the consolidated statements of financial position.

Recognition and measurement

Financial assets are initially recognized at fair value and subsequently carried at fair value through profit and loss, with changes recognized in the consolidated statements of net loss and total comprehensive earnings (loss). Transaction costs are expensed as incurred.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Financial assets carried at amortized cost

Classification

Financial assets classified as amortized cost are non-derivative financial assets that the Company intends to hold in order to collect the contractual cash flows and have fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the date of the consolidated statements of financial position, which are classified as non-current assets. Assets in this category include accounts receivables, income tax receivables, deposits and cash and are classified as current assets in the consolidated statements of financial position.

Recognition and measurement

Financial assets carried at amortized cost are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Financial liabilities carried at amortized cost

Financial liabilities primarily consist of accounts payable and accrued liabilities, derivative financial instruments, convertible debt, other long-term liabilities and long-term debt. Financial liabilities are initially measured at fair value and subsequently measured at amortized cost unless classified as fair value through profit or loss.

Hedge accounting and derivative instruments

The Company enters into foreign currency, interest rate, and share forward contract derivatives to manage the associated risks. Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivative instruments are recognized in the consolidated statements of net loss and total comprehensive earnings (loss), except for effective changes for designated derivatives under hedge accounting.

Cash Conversion Option

An embedded derivative is a derivative component attached to a non-derivative contract. The Company has an embedded derivative, the cash conversion option of NFI's convertible debentures (note 20). The cash conversion option meets separation criteria outlined in IFRS 9.4.3.3, and is recognized and measured separately from convertible debentures. This embedded derivative is measured in accordance with IFRS Accounting Standards, measured initially at fair value, with changes in fair values recognized within the consolidated statements of net loss and total comprehensive earnings (loss).

Prepayment option on second lien debt

An embedded derivative is a derivative component attached to a non-derivative contract. The Company has an embedded derivative, the prepayment option of the Company's second lien debt (note 19). The prepayment option meets separation criteria outlined in IFRS 9.4.3.3, and is recognized and measured separately from second lien debt. This embedded derivative is measured in accordance with IFRS Accounting Standards, measured initially at fair value, with changes in fair values recognized within the consolidated statements of net loss and total comprehensive earnings (loss).

2.20 Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of net loss and total comprehensive earnings (loss) except to the extent it relates to items recognized directly in equity, in which case the related tax is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using the tax rates under the laws that were enacted or substantively enacted at the date of the consolidated statements of financial position.

Deferred tax is accounted for using the liability approach and is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the consolidated statements of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax is calculated based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply to the year of realization or settlement based on tax rates and laws enacted or substantively enacted at the date of the consolidated statements of financial position.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed as at the date of each consolidated statements of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognized for all taxable temporary differences except to the extent that the deferred tax liability arises from: the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). As well, deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

International Tax Reform - Pillar two model rules

In May 2023, the IASB amended IAS 12, Income taxes, for International tax reform - Pillar two Model Rules. The amendments to IAS 12 have been introduced in response to the Organization for Economic Co-operation and Development's BEPS Pillar Two rules and include a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities. The Company has adopted the mandatory temporary exception relating to deferred income taxes related to Pillar Two. In June 2024, Canada enacted its Pillar Two legislation which is effective for annual reporting periods beginning on or after January 1, 2024. The Pillar Two legislation did not have a material impact on the Statements.

2.21 Investment tax credits

The Company has earned investment tax credits ("ITCs") relating to a percentage of eligible current and capital research and development expenditures incurred in each taxation year. ITCs are recognized when there is reasonable assurance that the Company will comply with the associated conditions and the grants will be received. The ITCs are recognized either as a reduction in cost of sales on the consolidated statements of net loss and total comprehensive earnings (loss), or as a reduction in intangibles, or property, plant and equipment, depending on where the original costs which gave rise to the credits were recorded.

2.22 Vendor Rebates

The Company records certain consideration received from a vendor, which is probable and can be reasonably estimated, as a reduction of the cost of purchases during the period.

2.23 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in the consolidated statements of net loss and total comprehensive earnings (loss) in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include inventories, property, plant and equipment, intangible assets, goodwill, provisions, accrued benefit liability, deferred compensation obligation, and deferred income taxes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are addressed below.

Inventories

The value associated with inventory require management to make estimates associated with allocating labour and overhead costs to inventory in the period. Determining the net realizable values of inventory also requires management to make significant estimates.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

The value associated with property, plant and equipment is dependent on the estimated useful lives and the residual value of the assets. Actual results will vary from these estimates.

Intangible assets and goodwill

The values associated with the initial recognition and impairment tests of the intangible assets and goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives.

These significant estimates are subject to the Company's future results. These determinations will affect the amount of amortization expense on intangible assets recognized in future periods.

Management assesses impairment by comparing the recoverable amount of an intangible asset or goodwill with its carrying value. The determination of the recoverable amount involves significant estimation by management.

Management has determined that for purposes of this evaluation the Company has five CGUs: North American bus/coach manufacturing, ARBOC, AD manufacturing, AD aftermarket parts operations, and NFI Parts – North American aftermarket parts operations.

Goodwill is allocated to the Company's five CGUs for the purpose of impairment testing. The Company performs its annual test for impairment of goodwill in the fourth quarter of each year and also when indicators of impairment exist.

Insurance provisions

Estimated provision around the Company's insurance risk retention involves significant estimates. Management estimates the related provision based on historical information, as well as any available information on actual claims. Management engages an actuary to assist with these calculations, but future experience could vary significantly from historical information.

Accrued benefit liability

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Determination of benefit expense requires assumptions such as the discount rate to measure obligations and return on assets, the projected age of employees upon retirement, life expectancy and the expected rate of future compensation changes.

Actual results will differ from results which are estimated based on assumptions. See note 2.6 for certain assumptions made with respect to employee benefits.

Deferred compensation obligation

The deferred compensation obligation is based on estimated future results of the Company. These results could vary significantly from actual future results. This would result in a significant change to the future compensation expense.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income before they expire. Management's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of the Company's ability to utilize the underlying future tax deductions changes, the Company would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined.

The Company is subject to taxation in multiple jurisdictions. Significant judgment is required in determining the worldwide provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using management's best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions as at the date of each consolidated statements of financial position. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Provision for warranty and campaign costs

The Company offers warranties on the buses and coaches it sells. Management estimates the related provision for future warranty claims and campaigns based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include quality initiatives, as well as parts and labour costs.

Critical judgments in applying accounting policies

The following critical judgments that were made by management have the most significant effect on the amounts recognized in the Statements.

Revenue recognition

As described in note 2.5, management assessed the criteria for the recognition of revenue related to arrangements that have multiple components as set out in IFRS 15. Also, judgment is necessary to determine when components can be recognized separately and the allocation of the related consideration allocated to each component.

Also as described in note 2.5, management assessed the criteria for the recognition of revenue in an agency relationship related to the sale of extended warranties that are purchased for the customer from the OEM as set out in IFRS 15.

Functional currency

Management assessed the criteria for the determination of functional currency as set out in IAS 21. An entity is required to place the greatest weight on the currency that influences the pricing of the transactions or the primary economic environment in which the entity operates, rather than focusing on the currency in which the transactions are denominated in. Items included in the financial statements of each consolidated entity of the Company are measured using the functional currency. The Statements are presented in the U.S. dollar, which is the Company's functional and presentation currency.

The financial statements of entities that have a functional currency different from that of the Company's (“foreign operations”) are translated into U.S. dollars. All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

Goodwill

Judgment is required in the selection of CGUs and the allocation of assets and liabilities to these CGUs, which is necessary to assess the impairment of long-term assets, goodwill and intangible assets.

2.24 New standards adopted

IAS 1 – Presentation of Financial Statements

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020 and October 2022, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as noncurrent: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management assessed that this standard does not have a material impact on the audited consolidated financial statements and that the Company is in compliance with the required disclosure.

IAS 7 & IFRS 7 – Supplier financing arrangements - disclosures

The Company has adopted the disclosure requirements under IAS 7 and IFRS 7, effective for the fiscal period ending December 29, 2024. The Company has elected not to present select comparative information as permitted upon first time adoption of the standard. The required disclosures, including details on supplier finance arrangements, terms, payment due dates, liquidity risk, and liability breakdowns, are included in note 9.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.25 Standards issued but not yet adopted

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements for the presentation and disclosure of information in the consolidated financial statements to help ensure they provide relevant information that faithfully represents the Company's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 - Presentation of Financial Statements once effective. Initial adoption of the requirements under IFRS 18 will be obligatory for annual reporting periods on or after January 1, 2027. Management is currently assessing the impact of these standards on the Statements.

IFRS 7 and 9 - Amendments to the Classification and Measurement of Financial Instruments

The changes set criteria for derecognition of a financial liability settled through electronic transfer and include amendments for the classification of financial assets involving contractual terms that are consistent with a basic lending arrangement, assets with non-recourse features, and contractually linked instruments. Disclosure requirements change for investments in equity instruments designated at fair value through other comprehensive income and include a new requirement for disclosure of contractual terms that could change the timing or amount of contractual cash flows based on a contingent event that does not relate directly to changes in basic lending risks and costs.

IFRS 7 and 9 – Amendments for contracts referencing nature-dependent electricity related to hedge accounting

The changes relate to designation of contracts relating to nature-dependent electricity as hedging instruments and their disclosure requirements. Under the amendments an entity is permitted to designate as the hedged item a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument.

Initial adoption of the amendments under IFRS 7 and 9 will be obligatory for annual reporting periods on or after January 1, 2026. Management is currently assessing the impact of these standards on the Statements.

3. ACCOUNTS RECEIVABLE

	December 29, 2024	December 31, 2023
Trade, net of allowance for doubtful accounts (note 25e)	$ 449,081	$ 430,261
Other	40,650	36,092
	$ 489,731	$ 466,353

4. INVENTORIES

	December 29, 2024	December 31, 2023
Raw materials	$ 394,521	$ 360,575
Work in process	477,398	331,119
Finished goods	87,714	70,887
	$ 959,633	$ 762,581

	Fiscal 2024	Fiscal 2023
Cost of inventories recognized as expense and included in cost of sales	$ 2,647,729	$ 2,363,585
Write-down of inventory to net realizable value in cost of sales	4,413	2,331
Reversals of a previous write-down in inventory	—	225

5. PROPERTY, PLANT AND EQUIPMENT

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Office equipment	Demo buses and coaches	Buses and coaches available for lease	Total
Cost	$ 119,053	$ 230,017	$ 58,741	$ 8,059	$ 53,283	$ 24,915	494,068
Accumulated depreciation	26,522	155,130	43,750	6,098	43,973	22,812	298,285
January 1, 2023 net book value	92,531	74,887	14,991	1,961	9,310	2,103	195,783
Additions	9,140	13,482	1,856	15	2,171	50	26,714
Transfer (to) from inventory	—	(57)	—	—	897	(1,752)	(912)
Disposals	(2,306)	(143)	—	—	—	—	(2,449)
Depreciation charge	(4,183)	(16,622)	(4,240)	(363)	(4,268)	(257)	(29,933)
Reversal of impairment	2,558	—	—	—	—	—	2,558
Cumulative translation adjustment	534	1,918	103	1	157	—	2,713
December 31, 2023 net book value	98,274	73,465	12,710	1,614	8,267	144	194,474
Additions	6,800	17,923	2,220	(66)	703	2,734	30,314
Transfer (to) from inventory	(3,168)	514	(163)	—	(58)	(1,885)	(4,760)
Disposals	(212)	(293)	(3)	—	(15)	—	(523)
Depreciation charge	(4,027)	(16,524)	(3,625)	(164)	(4,193)	(625)	(29,158)
Cumulative translation adjustment	(208)	2,685	(10)	(5)	(139)	—	2,323
December 29, 2024 net book value	$ 97,459	$ 77,770	$ 11,129	$ 1,379	$ 4,565	$ 368	$ 192,670

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Office equipment	Demo buses and coaches	Buses and coaches available for lease	Total
Recorded as:							
Cost	$ 128,979	$ 245,217	$ 60,700	$ 8,075	$ 56,508	$ 23,213	$522,692
Accumulated depreciation	30,705	171,752	47,990	6,461	48,241	23,069	328,218
December 31, 2023 net book value	$ 98,274	$ 73,465	$ 12,710	$ 1,614	$ 8,267	$ 144	$194,474
Cost	$ 132,191	$ 266,046	$ 62,744	$ 8,004	$ 56,999	$ 24,062	$550,046
Accumulated depreciation	34,732	188,276	51,615	6,625	52,434	23,694	357,376
December 29, 2024 net book value	$ 97,459	$ 77,770	$ 11,129	$ 1,379	$ 4,565	$ 368	$192,670

6. RIGHT-OF-USE ASSETS

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Total
Cost	$ 151,036	$ 50,402	$ 15,191	$ 216,629
Accumulated Depreciation	53,257	42,063	13,678	108,998
January 1, 2023 net book value	97,779	8,339	1,513	107,631
Additions	21,421	4,867	1,610	27,898
Disposals	(1,976)	(70)	—	(2,046)
Depreciation charge	(13,249)	(5,403)	(785)	(19,437)
Cumulative translation adjustment	385	6	—	391
December 31, 2023 net book value	104,360	7,739	2,338	114,437
Additions	9,069	4,372	1,212	14,653
Modification	(1,742)	—	—	(1,742)
Disposals	(593)	(39)	—	(632)
Depreciation charge	(13,328)	(4,337)	(960)	(18,625)
Cumulative translation adjustment	117	(116)	—	1
December 29, 2024 net book value	$ 97,883	$ 7,619	$ 2,590	$ 108,092

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Total
Recorded as:				
Cost	170,866	55,205	16,801	242,872
Accumulated Depreciation	66,506	47,466	14,463	128,435
December 31, 2023 net book value	104,360	7,739	2,338	114,437
Cost	177,717	59,422	18,013	255,152
Accumulated Depreciation	79,834	51,803	15,423	147,060
December 29, 2024 net book value	$ 97,883	$ 7,619	$ 2,590	$ 108,092

Total cash outflows for payments on lease liabilities was $32.8 million for the period ended December 29, 2024 (2023: $29.8 million) of which $22.7 million (2023: $21.7 million) was for principal repayments.

The Company assessed the extension periods embedded within each lease for inclusion in the lease liabilities on a lease-by-lease basis. When it determined it was reasonably certain to exercise the extension option within the lease, the Company has included those extension periods in the initial recognition of the right-of-use asset and lease liability. Significant leases where assumptions have been made are long-term building leases.

7. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trade names	Patents and Licenses	Customer relationships	Internally developed intellectual property	Total
Cost	$ 409,703	$ 265,497	$ 154,448	$ 516,642	$ 11,338	$ 1,357,628
Accumulated amortization	—	2,338	147,567	220,553	749	371,207
January 1, 2023 net book value	409,703	263,159	6,881	296,089	10,589	986,421
Additions	—	—	33	—	10,241	10,274
Amortization charge	—	(275)	(6,454)	(23,878)	(803)	(31,410)
Cumulative translation adjustment	3,468	2,262	231	5,572	(441)	11,092
December 31, 2023 net book value	413,171	265,146	691	277,783	19,586	976,377
Additions	—	—	37	—	17,560	17,597
Amortization charge	—	(275)	(724)	(28,888)	(2,461)	(32,348)
Impairment loss	—	—	—	—	(2,278)	(2,278)
Cumulative translation adjustment	(656)	(563)	13	(426)	(762)	(2,394)
December 29, 2024 net book value	$ 412,515	$ 264,308	$ 17	$ 248,469	$ 31,645	$ 956,954
Recorded as:						
Cost	$ 413,171	$ 267,759	$ 154,712	$ 522,214	$ 21,138	1,400,732
Accumulated amortization	—	2,613	154,021	244,431	1,552	424,355
December 31, 2023 net book value	413,171	265,146	691	277,783	19,586	976,377
Cost	412,515	267,196	154,485	520,712	35,658	1,412,304
Accumulated amortization	—	2,888	154,468	272,243	4,013	455,350
December 29, 2024 net book value	$ 412,515	$ 264,308	$ 17	$ 248,469	$ 31,645	$ 956,954

In 2024 Q1, the Company recognized an impairment loss on a New Product Development ("NPD") project for $1.0 million. As well as an impairment loss on an internally developed intangible asset that is discontinued for $1.3 million in 2024 Q4.

The Company performed its annual impairment test on goodwill and indefinite-life intangible assets for all CGUs. The recoverable amount of the Company's CGUs is determined based on the greater of value-in-use calculations and fair value less costs to sell. Value-in-use calculations, which was determined to be the recoverable amount, use estimated cash flow projections based on adjusted financial plans approved by the Board covering five-year periods and discount rates based on weighted average cost of capital of similar businesses.

The discount rates used in the estimation of the recoverable amount for all CGUs are set out below.

CGUs	2024	2023
North America Bus and Coach manufacturing	14.0 to 15.0%	14.5 to 15.5%
ARBOC	14.8 to 15.8%	15.0 to 16.3%
AD manufacturing	13.8 to 14.8%	13.5 to 14.8%
AD parts	14.0 to 15.0%	13.5 to 14.8%
NFI Parts	13.3 to 14.3%	14.3 to 15.5%

Cash flows beyond this period are extrapolated using a steady estimated growth rate based on the long-term average annual growth rate of 3% for each industry in which the CGUs operate. Management has determined planned cash flows based on a projected production schedule, past performance and expectations of market development. The discount rates used reflect specific risks relating to the relevant CGUs.

Sensitivity testing is conducted as part of the annual impairment tests. Management believes that any reasonable change in the key assumptions used to determine the recoverable amounts would not result in an impairment at the North American bus/coach manufacturing CGU, ARBOC CGU, AD parts CGU or NFI Parts CGU.

Impairment of the AD manufacturing CGU may result if a combination of the following changes occurs:

7. GOODWILL AND INTANGIBLE ASSETS (Continued)

- The discount rate is higher by at least 1.0%
- The long-term growth rate is lower by 1.0%

8. OTHER LONG-TERM ASSETS

	December 29, 2024	December 31, 2023
Restricted deposit(s) (note 25b)	$ 46,999	$ 45,441
Long-term accounts receivable	3,608	5,235
Less: Current portion of restricted deposits(s)	(6,937)	—
	$ 43,670	$ 50,676

Long-term restricted deposit(s) is collateral for certain of the Company's letters of credit.

On March 22, 2024, the Company entered into a contribution agreement with Manitoba Development Corporation (“MDC”), in which the Company received CAD$10 million on December 6, 2024 for the purpose of improving its production capabilities for zero-emission buses. In accordance with IAS 7.48, the Company is required to disclose restricted cash and cash equivalent balances relating to the agreement. At December 29, 2024, the funds received and restricted for use as outlined in the agreement totaled $7.0 million and are disclosed in the current portion of restricted deposit(s) line item above.

9. SUPPLIER FINANCING ARRANGEMENTS

On August 11, 2014, the Company entered into an agreement with Santander UK PLC (“SANUK”) pursuant to which SANUK may elect to purchase underlying receivables from suppliers of the Company in advance of their corresponding invoices’ maturity dates. The Company is required to submit these invoices to SANUK for payment and must reimburse SANUK the full value of these invoices by their maturity dates. This arrangement is considered a supplier finance arrangement under IFRS 7 and IAS 7. Financing provided by SANUK under this arrangement is subject to a total limit of £20 million. Invoices submitted to SANUK must have a maturity date greater than 3 business days and must not exceed 121 calendar days to qualify for financing. Carrying amounts of liabilities arising from supplier finance arrangements are presented below:

	December 29, 2024		December 31, 2023
	Amounts for which suppliers have received payment	Total	Total
Accounts payable and accrued liabilities	$ 11,920	$ 18,814	$ 17,918
	$ 11,920	$ 18,814	$ 17,918

Range of payment due dates	December 29, 2024
Liabilities that are part of supplier finance arrangements	90 days following the end of month invoice was raised
Comparable trade payables that are not part of a supplier finance arrangement	90 days following the end of month invoice was raised

Non-cash changes

There were no non-cash transfers arising from supplier finance arrangements during either fiscal 2023 or 2024.

10. CURRENT PORTION OF LONG-TERM LIABILITIES

	December 29, 2024	December 31, 2023 Restated (Note 2.16)
Deferred revenue (note 14)	$ 220,601	$ 136,965
Provisions (note 15)	49,062	30,761
Deferred compensation obligation (note 12)	3,939	1,208
Obligations under leases	16,811	17,959
	$ 290,413	$ 186,893

11. ACCRUED BENEFIT ASSET

Defined benefit plan

Certain of the Company's subsidiaries have defined benefit plans which cover certain employees in Canada and the United States. Actuarial valuations for the Company's subsidiaries were last performed as at December 31, 2023.

Information in respect of the Company's defined benefit plans is as follows:

	December 29, 2024	December 31, 2023
Change in plan assets		
Plan assets at fair value — beginning of period	$ 92,313	$ 85,062
Interest income	4,108	4,183
Remeasurement gains - return on plan assets (excluding amounts in net interest)	7,815	2,797
Administrative (expenses) income	(393)	1,509
Employer's contributions	2,982	3,240
Benefits paid	(4,577)	(6,454)
Foreign exchange (loss) gain	(8,122)	1,976
Plan assets at fair value — end of period	94,126	92,313
Change in defined benefit obligation		
Defined benefit obligation — beginning of period	91,011	73,244
Current service cost	3,800	3,199
Interest cost	4,036	3,814
Benefits paid	(4,577)	(6,454)
Foreign exchange (gain) loss	(7,654)	1,917
Past service costs	—	4,764
Actuarial loss arising from changes in financial assumptions	722	10,527
Defined benefit obligation — end of period	87,338	91,011
Accrued benefit asset - present value of unfunded obligations	$ 6,788	$ 1,302

The actual return on the plan assets for Fiscal 2024 was $11,923 (Fiscal 2023: $6,980).

11. ACCRUED BENEFIT ASSET (Continued)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation and net pension plan expenses are as follows:

		Fiscal 2024	Fiscal 2023
Country	Mortality Table	Discount Rate	
Canada	CPM2014 Private sector with Scale MI-2017 with size adjustment	4.60 %	4.60 %
Canada	CPM2014 Private combined with the MI-2017 improvement scale	3.96% - 4.74%	4.57% - 4.95%
US	Private-2012 MP2021	4.75 %	4.95%

			Discount rate - sensitivity		**Life expectancy - sensitivity**	
			1% increase	1% decrease	one year increase	one year decrease
Country	Last valuation date	Next valuation date	Then obligation would decrease by:	Then obligation would increase by:	Then obligation would increase by:	Then obligation would decrease by:
Canada	Dec. 31, 2023	Dec. 31, 2025	12.9 %	16.1 %	1.1 %	1.1 %
Canada	Dec. 31, 2023	Dec. 31, 2025	12.1 %	15.3 %	11.8 %	11.8 %

The defined benefit plans typically exposes the Company to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan assets is below this rate, it will create a plan deficit. Management believes the plans currently have a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the plan liabilities, the Company's pension committee considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.

Interest rate risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

The Company's defined benefit plans are a fixed benefit plan and, as a result, the rate of compensation increases does not have any impact on the actuarially determined accrued benefit liability. Future expected contributions to the defined benefit plan for the 52-week period ending December 29, 2024 are $2,912.

The Company's defined benefit pension plan expense, included in cost of sales and sales, general and administration costs and other operating expenses is as follows:

	Fiscal 2024	Fiscal 2023
Current service costs	$ 3,800	$ 3,199
Past service costs	—	4,764
Net interest income	(72)	(369)
Administrative expenses (income)	393	(1,509)
Foreign exchange gain	(350)	(48)
Components of defined benefit costs recognized in net loss	$ 3,771	$ 6,037

11. ACCRUED BENEFIT ASSET (Continued)

		Fiscal 2024		Fiscal 2023
Remeasurement gains - return on plan assets (excluding amounts in net interest)	$	7,815	$	2,797
Actuarial loss arising from changes in financial assumptions		(722)		(10,527)
Foreign exchange gain		169		29
		7,262		(7,701)
Deferred income taxes recorded through other comprehensive earnings (loss)		(1,001)		2,947
Net actuarial gains (losses) recognized in other comprehensive earnings (loss)	$	6,261	$	(4,754)

An analysis of the assets of the plans by investment category is provided as follows:

	December 29, 2024	December 31, 2023
Asset category		
Cash and cash equivalents	0.6%	0.8%
Canadian equities	6.6%	9.1%
Foreign equities	37.0%	44.1%
Real estate	14.3%	0.0%
Bonds	41.5%	46.0%
	100.0%	100.0%

12. DEFERRED COMPENSATION OBLIGATION

		December 29, 2024		December 31, 2023
Performance share units under the PRSU Plan (officers and senior management)		1,671		708
Restricted share units under PRSU Plan (officers and executive management)		1,413		1,208
Deferred share units under DSU Plan (non-employee board of directors)		2,526		2,490
		5,610		4,406
Less: current portion (note 10)		3,939		1,208
	$	1,671	$	3,198

Effective December 17, 2012, the Board approved the Performance and Restricted Share Unit Plan (the “PRSU Plan”) and it was amended on December 16, 2013, December 18, 2018 and August 5, 2020. The terms of the amended PRSU Plan govern awards made on or after the 2014 plan year, 2018 plan year and August 2020, respectively.

The purposes of the PRSU Plan are to attract, retain and motivate key personnel, reward officers and executive management and to align their interests with those of shareholders by making a significant portion of their incentive compensation directly dependent on achieving key strategic, financial and operational objectives that are crucial to the ongoing growth and profitability of the Company. Under the terms of the PRSU Plan, the Human Resources, Compensation and Corporate Governance Committee of the Board may grant eligible participants performance share units (“PSUs”) or restricted share units (“RSUs”), which give the holders thereof the right to receive, upon vesting and redemption of a unit, a cash payment equal to the fair market value of a Share at the time of redemption. When dividends are paid on a Share, additional units equivalent to the amount of the dividends multiplied by the number of PSUs and RSUs held (and determined based on the then fair market value of the Shares) are credited to a participant’s account. The actual value of a PSU on the settlement date is contingent on the Share price and the Company’s actual performance over a three-year period relative to the established objectives.

The actual value of an RSU on the settlement date is contingent on the Share price only and RSUs generally vest and settle as to one-third on each of the first, second and third anniversaries of the grant date. PSUs and RSUs also immediately vest upon a participant's termination without cause or resignation for good reason within a specified period of time following the closing of a transaction resulting in certain change of control events and upon certain terminations of employment.

12. DEFERRED COMPENSATION OBLIGATION (Continued)

RSUs and PSUs granted in Fiscal 2024 were determined based on the volume weighted average trading price of a Share for the last five trading days of 2023 and the desired compensation value.

As well, the Board adopted NFI's Deferred Share Unit Plan for Non-Employee Directors (the "DSU Plan") on November 7, 2011 and it was amended and restated on December 8, 2015, December 18, 2015, March 14, 2019 and September 14, 2020. Pursuant to the plan, non-employee directors may elect once each calendar year to receive all or a portion of their annual retainer and meeting fees in the form of deferred share units ("DSUs") and RSUs instead of cash. A DSU is the right to receive a cash payment based on the value of a Share credited by means of a bookkeeping entry to an account in the name of the non-employee director. DSUs are credited to the director's account on the first day of each calendar quarter, the number of which is determined by dividing the amount of the applicable portion of the director's elected amount by the volume weighted average trading price of a Share for the last five trading days.

When dividends are paid on a Share, additional DSUs equivalent to the amount of the dividend multiplied by the number of DSUs held (and determined based on the then fair market value of the Shares) will be credited to the director's account. At the end of the director's tenure as a member of the Board, the director will be entitled to receive a cash redemption payment equal to the fair market value of a share multiplied by the number of DSUs held.

	PSUs	RSUs	DSUs	Total
Units outstanding at January 1, 2023	—	74,127	220,858	294,985
Units granted	313,302	156,652	76,368	546,322
Units expired	(5,508)	(3,153)	—	(8,661)
Units redeemed	—	(27,450)	(40,352)	(67,802)
Vested and reclassified as current liability	—	(70,991)	—	(70,991)
Units outstanding at December 31, 2023	307,794	129,185	256,874	693,853
Units granted	286,748	143,374	58,443	488,565
Units expired	(39,045)	(20,964)	—	(60,009)
Units redeemed	—	(98,250)	(37,174)	(135,424)
Vested and reclassified as current liability	—	(20,601)	—	(20,601)
Units outstanding at December 29, 2024	555,497	132,744	278,143	966,384
Vested units	—	—	278,143	278,143
Unvested units	555,497	132,744	—	688,241

13. SHARE-BASED COMPENSATION - EQUITY SETTLED

The Board adopted a Share Option Plan (the "2013 Option Plan") for NFI on March 21, 2013, under which employees of NFI and certain of its affiliates may receive grants of options for shares. The 2013 Option Plan was amended and restated on December 8, 2015, December 31, 2018 and August 5, 2020. A maximum of 3,600,000 Shares are reserved for issuance under the 2013 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date. The 2013 Option Plan expired on March 21, 2023, after which point no new options can be granted under the 2013 Option Plan.

The Board adopted a new share option plan on March 12, 2020 (the "2020 Option Plan"), which was approved by shareholders on May 7, 2020 and amended on August 5, 2020, under which employees of NFI and certain of its affiliates may receive grants of options for shares. A maximum of 3,200,000 Shares are reserved for issuance under the 2020 Option Plan. The options become vested as to one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

Directors who are not employed with NFI are not eligible to participate in the 2013 Option Plan and the 2020 Option Plan.

13. SHARE-BASED COMPENSATION - EQUITY SETTLED (Continued)

Option Grant dates	Number	Exercised	Expired	Vested	Unvested	Expiry date	Exercise price	Fair Value at grant date
September 8, 2016	2,171	—	(2,171)	—	—	September 8, 2024	C$42.83	C$8.06
January 3, 2017	151,419	(1,610)	(11,888)	(137,921)	—	January 3, 2025	C$40.84	C$7.74
January 2, 2018	152,883	—	(30,942)	(121,941)	—	January 2, 2026	C$54.00	C$9.53
January 2, 2019	284,674	—	(62,446)	(222,228)	—	January 2, 2027	C$33.43	C$5.01
July 15, 2019	2,835	—	—	(2,835)	—	July 15, 2027	C$35.98	C$4.90
December 31, 2019	519,916	—	(141,495)	(378,421)	—	December 31, 2027	C$26.81	C$3.36
December 28, 2020	255,956	—	(57,026)	(198,930)	—	December 28, 2028	C$24.70	C$6.28
February 10, 2021	1,894	—	(1,894)	—	—	December 28, 2028	C$28.74	C$6.28
August 16, 2021	601	—	—	(451)	150	August 16, 2029	C$30.79	C$6.28
January 3, 2022	311,892	—	(48,974)	(131,468)	131,450	January 3, 2030	C$20.26	C$6.10
April 1, 2022	1,728	—	—	(864)	864	April 3, 2030	C$16.25	C$6.51
January 9, 2023	374,448	(1,369)	(19,683)	(87,326)	266,070	January 9, 2031	C$10.46	C$5.28
January 2, 2024	314,835	—	(33,286)	—	281,549	January 2, 2032	C$13.54	C$7.12
March 5, 2024	2,894	—	—	—	2,894	March 5, 2032	C$11.76	C$6.24
June 3, 2024	8,196	—	—	—	8,196	January 2, 2032	C$15.38	C$8.22
	2,386,342	(2,979)	(409,805)	(1,282,385)	691,173		C$24.25	

The following reconciles the share options outstanding:

	Fiscal 2024		Fiscal 2023	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	2,018,117	C$26.00	1,910,057	C$27.41
Granted during the period	325,925	C$13.57	374,448	C$10.46
Expired during the period	(369,115)	C$24.64	(266,388)	C$14.32
Exercised during the period	(1,369)	C$10.46	—	—
Balance at end of period	1,973,558	C$24.25	2,018,117	C$26.00

Fair values were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in Fiscal 2024 and Fiscal 2023 are the following:

Options grant date	**January 2, 2024**	**January 9, 2023**
Fair value at grant date (C$)	$7.12	$5.28
Share price (C$)	$13.54	$10.46
Exercise price (C$)	$13.54	$10.46
Expected volatility	54.90%	51.77%
Option life (expected weighted average life)	5.5 years	5.5 years
Expected dividends	0.00%	0.00%
Risk-free interest rate (based on government bonds)	3.18%	3.28%

13. SHARE-BASED COMPENSATION - EQUITY SETTLED (Continued)

On May 8, 2014, shareholders' approved the Company's Restricted Share Unit Plan for Non-Employee Directors (the "Director RSU Plan"). The Director RSU Plan was amended and restated on December 8, 2015, December 31, 2017, March 14, 2019 and September 14, 2020. A maximum of 500,000 Shares are reserved for issuance under the Director RSU Plan. Pursuant to the Director RSU Plan, non-employee directors are permitted to elect, once each calendar year, to receive all or a portion of their annual retainer in the form of restricted share units ("Director RSUs") and/or DSUs instead of cash. A Director RSU is a right to acquire a fully-paid and non-assessable Share credited by means of a bookkeeping entry to an account in the name of the non-employee director.

Pursuant to the plan, non-employee directors may elect once each calendar year to receive all or a portion of their annual retainer and meeting fees in the form of deferred share units ("DSUs") and restricted share units instead of cash. The Board, in its sole discretion, may award additional Director RSUs, subject to an annual aggregate value of $150 per director. The number of Director RSUs to be awarded to a director is determined by dividing the amount of the applicable portion of the director's annual retainer by the applicable fair market value of a Share on that date. When dividends are paid on a Share, additional Director RSUs equivalent to the aggregate number of Director RSUs held by a director on the dividend record date multiplied by the amount of dividend paid by NFI on each Share, and then divided by the fair market value of the Shares on the dividend payment date, will automatically be credited to the director's account. Under the Director RSU Plan, Director RSUs vest immediately as at each applicable award date. A director (other than a U.S. director) will be permitted to exercise the Director RSUs credited to his or her account at any time prior to December 15 of the year following the year in which the director ceases to be a non-employee director of NFI or one of its affiliates. A U.S. director will be required to specify the exercise date in the annual election form in accordance with Section 409A of the U.S. Internal Revenue Code.

	Number of Director RSUs
Balance - January 1, 2023	110,141
Director RSUs issued	103,231
Director RSUs exercised	(48,260)
Balance - December 31, 2023	165,112
Director RSUs issued	64,769
Director RSUs exercised	(112,158)
Balance - December 29, 2024	117,723

14. DEFERRED REVENUE

	December 29, 2024	December 31, 2023 Restated (Note 2.16)
Extended warranties	$ 13,252	$ 12,677
Progress payments	224,227	138,534
Deferred government grants	12,445	—
	249,924	151,211
Less: current portion of deferred revenue (note 10)	(220,601)	(136,965)
	$ 29,323	$ 14,246

Deferred revenue is comprised of deferred government grants, progress payments that have not yet qualified for recognition as revenue under the Company's revenue recognition policies, and deferred revenue from the sale of extended warranty contracts which are amortized over the extended warranty period commencing at the end of the basic warranty period.

15. PROVISIONS

The Company's insurance risk retention provision is based on insurance risk which the Company has not mitigated with third party insurance.

The Company generally provides its customers with a base warranty on the entire vehicle, a corrosion warranty on the related structure and in some situations a defect warranty on batteries, beyond what is provided by the battery original equipment manufacturer.

15. PROVISIONS (Continued)

The other category includes the restructuring provision consisting of costs associated with the closure and termination of the lease in respect of the Guildford, UK facility operated by AD, which is expected to be terminated in May 2025. It also includes a provision for the costs in relation to the announced redundancy of up to 160 jobs at the Scottish facilities and onerous contracts when the unavoidable costs of meeting the contract are greater than the economic benefits expected to be received under it.

	Insurance Risk Retention	Warranty	Other	Total
January 1, 2023 restated (Note 2.16)	$ 22,527	$ 74,111	$ 8,786	$ 105,424
Additions	20,010	53,800	3,184	76,994
Amounts used/realized	(11,556)	(65,677)	(1,412)	(78,645)
Unused provision	(551)	1,172	(8,243)	(7,622)
Unwinding of discount and effect of changes in the discount rate	—	15	—	15
Exchange rate differences	(1)	(263)	117	(147)
December 31, 2023 restated (Note 2.16)	$ 30,429	$ 63,158	$ 2,432	$ 96,019
Additions	15,014	69,607	7,757	92,378
Amounts used/realized	(12,956)	(68,949)	(7,344)	(89,249)
Unused provision	80	—	(1,167)	(1,087)
Unwinding of discount and effect of changes in the discount rate	—	(138)	—	(138)
Exchange rate differences	10	(816)	(18)	(824)
	32,577	62,862	1,660	97,099
Less current portion (note 10)	2,335	45,067	1,660	49,062
December 29, 2024	$ 30,242	$ 17,795	$ —	$ 48,037

16. DEFERRED TAXES AND INCOME TAX EXPENSE

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts by tax jurisdiction presented on the consolidated statements of financial position are as follows:

	December 29, 2024	December 31, 2023
As presented on the consolidated statements of financial position:		
Deferred tax assets	$ 57,920	$ 33,041
Deferred tax liabilities	(33,315)	(46,756)
	$ 24,605	$ (13,715)

The gross movement on the deferred income tax account is as follows:

	Fiscal 2024	Fiscal 2023
Beginning of period	$ (13,715)	$ (39,249)
Exchange rate differences	(1,382)	163
Tax recorded through net loss	39,479	20,965
Tax recorded through other comprehensive loss	(910)	2,947
Investment tax credits	1,133	1,768
Tax recorded through equity	—	(309)
End of period	$ 24,605	$ (13,715)

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

16. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

Deferred tax liabilities	Property Plant and Equipment	Goodwill and Intangibles	Right of Use Assets	Other	Total
January 1, 2023	(9,101)	(142,377)	(24,109)	(16,815)	$ (192,402)
Tax recorded through net loss	(534)	5,170	(120)	6,600	11,116
Cumulative translation adjustment	—	(309)	—	—	(309)
December 31, 2023	(9,635)	(137,516)	(24,229)	(10,215)	(181,595)
Tax recorded through net loss	3,294	9,102	1,934	(2,863)	11,467
Cumulative translation adjustment	—	(91)	—	—	(91)
December 29, 2024	$ (6,341)	$ (128,505)	$ (22,295)	$ (13,078)	$ (170,219)

Deferred tax assets	Property, Plant, and Equipment	Reserves and accruals not currently deductible	Provisions	Right of Use Assets	Loss carry forward	Pension	Deferred Financing Costs and Interest	Other	Total
January 1, 2023	$ —	$ 12,045	$ 21,629	$ 27,237	$ 54,793	$ —	$ 27,625	$ 9,824	$ 153,153
Tax recorded through net loss	3,228	2,358	(3,673)	634	(7,932)	(1,979)	17,151	62	9,849
Tax recorded through other comprehensive earnings (loss)	—	—	—	—	—	2,947	—	—	2,947
Investment tax credits	—	—	—	—	—	—	—	1,768	1,768
Exchange rate differences	—	9	17	21	87	—	22	7	163
December 31, 2023	$ 3,228	$ 14,412	$ 17,973	$ 27,892	$ 46,948	$ 968	$ 44,798	$ 11,661	$ 167,880
Tax recorded through net loss	1,827	(4,666)	14,130	(1,003)	3,011	735	15,757	(1,779)	28,012
Tax recorded through other comprehensive earnings (loss)	—	—	—	—	—	(910)	—	—	(910)
Investment tax credits	—	—	—	—	—	—	—	1,133	1,133
Exchange rate differences	(25)	(111)	(141)	(218)	(368)	(8)	(354)	(66)	(1,291)
December 29, 2024	$ 5,030	$ 9,635	$ 31,962	$ 26,671	$ 49,591	$ 785	$ 60,201	$ 10,949	$ 194,824

Deferred income tax assets are recognized to the extent it is probable that sufficient future taxable income will be available to allow a deferred tax asset to be utilized. At December 29, 2024, the Company has recognized all of its deferred income tax assets with the exception of: loss carry forwards in Canada and the UK in the amount of $26,231 and $2,174 respectively, equity issuance costs in Canada of $2,186 and restricted interest in the UK of $17,989.

At December 29, 2024 the Company has the following tax credit and loss pools expiring as follows:

16. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

	United States		Canada		Other	
	Tax Credits	Tax Losses	Tax Credits	Tax Losses	Tax Credits	Tax Losses
2025-2029	—	481	—	—	—	—
2030	—	68	127	—	—	—
2031	—	—	492	—	—	—
2032	—	—	—	—	—	—
2033-2034	—	—	107	—	—	—
2038	—	—	—	306	—	—
2039	—	—	—	22,734	—	—
2040	—	—	552	27,000	—	—
2041	—	—	81	9,579	—	—
2042	—	—	269	47,337	—	—
2043	—	—	221	56,253	—	—
2044	—	—	202	24,037	—	—
No expiry	—	—	—	—	2,116	149,871

The reconciliation of income tax computed at the U.S. statutory rate, to income tax expense is as follows:

	Fiscal 2024	Fiscal 2023
Loss before income tax expense	$ (6,464)	$ (169,070)
Tax calculated using a 21% U.S. tax rate	(1,357)	(35,504)
Tax effect of:		
Withholding and other taxes	1,372	592
Non-deductible expense (non-taxable income)	782	(1,144)
Derecognition of previously recognized deferred tax assets	(2,148)	20,705
Revision of tax estimates	(597)	851
Foreign exchange impact	(410)	794
State taxes	1,398	(2,930)
Foreign tax credit pools and base erosion and anti-abuse tax	851	(14,313)
Rate differential on income taxed at other than U.S. statutory rate	(2,007)	(2,056)
Impact of change in tax legislation	—	(1,440)
Other	(1,052)	1,539
Income tax recovery	$ (3,168)	$ (32,906)

Current income tax expense (recovery)	$ 36,311	$ (11,941)
Deferred income tax recovery	(39,479)	(20,965)
Income tax recovery for the period	$ (3,168)	$ (32,906)

Income tax recovery recognized in the consolidated statement of net earnings in Fiscal 2024 includes $1.1 million current tax expense (Fiscal 2023: not applicable) related to Pillar Two income taxes.

17. SENIOR UNSECURED DEBT

On January 20, 2023, the Company finalized agreements with MDC for a C$50 million debt facility, for general corporate purposes, and with Export Development Canada ("EDC") for two credit facilities of up to $150 million, to support supply chain financing ("supply chain financing facility") for $50 million and surety and performance bonding requirements for new contracts ("Guarantee Facility") for up to $100 million.

In August 2023, as part of the Company's refinancing plan ("Refinancing Plan"), both the MDC facility and EDC supply chain financing facility were extended to April 30, 2026. The EDC bonding support facility (note 28c) has a one-year term for each new contract, subject to annual renewals. Additionally, $25 million was repaid to EDC on the supply chain financing facility as a permanent reduction.

On January 10, 2024, the Company amended its agreement with EDC to increase the size of the Guarantee Facility to $125 million. The amended Guarantee Facility was made up of an Account Performance Security Guarantee ("PSG") up to $50 million and Surety Reinsurance Support up to $75 million.

In April 2024, MDC and the Company entered into an amended agreement on its existing Senior Unsecured Debt Facility reducing the fixed interest rate to 0% per annum (December 31, 2023: Secured Overnight Financing Rate "SOFR" plus applicable margin).

On July 17, 2024, NFI entered into an amended agreement with EDC to increase the size of its Guarantee Facility from $125 million to $145 million. The amended Guarantee Facility is made up of a PSG of up to $90 million and Surety Reinsurance Support up to $55 million.

The EDC agreement bears interest at a rate equal to adjusted term SOFR plus an applicable margin to that rate.

On November 29, 2024, a $5 million mandatory repayment was made on the EDC facility in accordance with the terms of the agreement.

	Face Value	Unamortized Transaction Costs	**Net Book Value December 29, 2024**	Net Book Value December 31, 2023
MDC	$ 34,683	$ —	$ 34,683	$ 37,480
Unamortized interest benefit	(4,252)	—	(4,252)	—
EDC	20,000	391	19,609	24,316
Less: current portion of senior unsecured debt	(20,000)	(391)	(19,609)	—
	$ 30,431	$ —	$ 30,431	$ 61,796

18. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value December 29, 2024**	Net Book Value December 31, 2023
First lien North America ("NA") revolving credit facility, Secured ("NA Revolving Facility")	$ 180,000	$ 7,608	$ 172,392	$ 113,297
First lien NA term loan, Secured ("NA Non-Revolving Facility")	400,000	—	400,000	400,000
First lien UK revolving credit facility, Secured ("UK Revolving Facility")	17,802	466	17,336	—
First lien UK term loan, Secured ("UK Non-Revolving Facility")	20,516	—	20,516	19,913
Gain on debt modification	(5,795)	—	(5,795)	—
Government of Canada Loan	6,937	1,149	5,788	2,827
	$ 619,460	$ 9,222	$ 610,237	$ 536,037

The NA Revolving Facility and the NA Non-Revolving Facility (together referred to as the "North American Facility") have a total borrowing limit of $761 million, which includes a $150 million letter-of-credit facility.

18. LONG-TERM DEBT (Continued)

There was $80.5 million of outstanding letters-of-credit drawn against the North American Facility at December 29, 2024. The North American Facility bears interest at a rate equal to the SOFR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates, and matures on April 30, 2026.

The UK Revolving Facility and the UK Non-Revolving Facility (together referred to as the "UK Facility") have a total borrowing limit of £30.4 million to support AD's operations in the UK. Amounts drawn under the UK Facility bear interest at a rate equal to Sterling Overnight Index Average ("SONIA") plus an applicable margin. The UK Facility matures on April 30, 2026.

On August 25, 2023, the Company completed a comprehensive refinancing plan which included amendments to both UK and NA revolving credit facilities. A net gain of $8.9 million on debt modification is being accreted over the terms of the respective facilities.

The Company entered into an agreement for up to C$10 million in interest-free financing through the Government of Canada to support the MCI Winnipeg facility enhancements and zero-emission product development and growth. The financing matures on March 1, 2030.

19. SECOND LIEN DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value December 29, 2024**	Net Book Value December 31, 2023
Second Lien Debt	$ 182,539	$ 8,798	$ 173,741	$ 172,396
Prepayment Option (note 25b)	(12,347)	—	(12,347)	(2,767)
	$ 170,192	$ 8,798	$ 161,394	$ 169,629

The second lien debt financing is secured against all of the Company's assets, and bears interest at an annual coupon of 14.5%, payable semi-annually on January 2 and July 2 of every year commencing on January 2, 2024. The second lien debt facility matures on August 1, 2028.

Prior to the second anniversary of the debt facility, the Company can exercise an option to prepay a portion of the remaining principal at 106% of the face value (note 25). Prior to the third anniversary, the Company can exercise its option to prepay a portion of the remaining principal at 103% of the face value. An option to prepay the remaining principal at par is available from the third anniversary onwards.

At inception, the prepayment option was recognized as a derivative asset with a fair value of $2.1 million. At December 29, 2024, the asset was revalued at $12.3 million. A fair market value gain of $9.6 million was recorded on the Company's consolidated statement of net loss and total comprehensive earnings (loss).

The second lien debt is financed by funds and accounts managed by Coliseum Capital Management LLC.

20. CONVERTIBLE DEBENTURES

On December 2, 2021, NFI completed a public offering of C$300 million aggregate principal of convertible debentures (the "Debentures") and an additional C$38 million aggregate principal of Debentures were issued on December 14, 2021, pursuant to the partial exercise of the over-allotment option, bearing interest at a rate of 5% per annum, payable semi-annually on January 15 and July 15 commencing on July 15, 2022. The Debentures will mature on January 15, 2027 (the "Maturity Date").

The Debentures may be converted in whole or in part from time to time at the holder’s option into 30.1659 Shares for each C$1,000 principal amount of Debentures (“Conversion Price”), representing a Conversion Price of approximately C$33.15 per Share, prior to maturity and subject to adjustment in certain circumstances.

NFI has the option to settle the conversion in either Shares or cash (the "Cash Conversion Option"), with the Cash Conversion Option determined to be a financial liability. The fair value of the Debentures and Cash Conversion Option are classified as separate liabilities. The Debenture component will accrete to its final redemption amount of C$338 million less all conversions, at the Maturity Date at an effective interest rate over the five–year term of the Debentures.

20. CONVERTIBLE DEBENTURES (Continued)

	Face Value	Unamortized Transaction Costs	**Net Book Value December 29, 2024**	Net Book Value December 31, 2023
Convertible Debt	$ 222,038	$ 4,018	$ 218,020	$ 228,985
Cash Conversion Option (note 25b)	2,345	—	2,345	9,296
	$ 224,383	$ 4,018	$ 220,365	$ 238,281

21. SHARE CAPITAL

	December 29, 2024	December 31, 2023
Authorized - Unlimited		
Issued – 119,035,071 Common Shares (December 31, 2023: 118,961,932)	$ 1,241,397	$ 1,240,163

The following is a summary of changes to the issued and outstanding Shares during the period:

Shares	Number (000s)	Net Book Value
Balance - December 31, 2023	118,962	$ 1,240,163
Stock options exercised	1	18
Director Restricted Share Units (“Director RSU”) exercised	72	1,209
Equity Transaction Cost	—	7
Balance - December 29, 2024	119,035	$ 1,241,397

22. LOSS PER SHARE

	Fiscal 2024	**Fiscal 2023**
Net loss attributable to equity holders	$ (3,296)	$ (136,164)
Weighted average number of Shares in issue	119,008,308	91,866,613
Weighted average number of Shares for diluted earnings per Share	119,008,308	91,866,613
Net loss per Share (basic)	$ (0.0277)	$ (1.4822)
Net loss per Share (diluted)	$ (0.0277)	$ (1.4822)

Basic loss per Share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of Shares outstanding during the period.

Diluted loss per Share is calculated using the same method as basic loss per Share except that the average number of Shares outstanding includes the potential dilutive effect of convertible bonds, outstanding stock options, and Director RSUs granted by the Company, as determined by the treasury stock method.

23. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash inflow (outflow)	Fiscal 2024	Fiscal 2023
Accounts receivable	$ (23,377)	$ (111,527)
Income tax receivable	(9,917)	(4,170)
Inventories	(192,301)	(29,573)
Prepaid expenses and deposits	(6,354)	4,464
Accounts payable and accrued liabilities	79,911	93,832
Income tax payable	4,640	—
Deferred revenue	84,840	8,757
Provisions	1,079	765
Other	6,602	(7,510)
	$ (54,877)	$ (44,962)

24. DEFINED CONTRIBUTION PENSION PLANS

Certain of the Company's subsidiaries maintains a defined contribution plan for certain salaried employees. The net pension expense for the Company's defined contribution plans is as follows:

	Fiscal 2024	Fiscal 2023
Defined contribution pension expense	$ 13,820	$ 12,321

Cash payments contributed by the Company during Fiscal 2024 for its defined benefit plans and defined contribution pension plans amounted to $16.8 million (2023: $15.6 million).

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value measurement of financial instruments

The Company has made the following classifications:

Cash	Fair value through profit or loss
Restricted deposit	Fair value through profit or loss
Receivables	Amortized cost
Deposits	Amortized cost
Accounts payables and accrued liabilities	Amortized cost
Convertible Debt	Amortized cost
Other long-term liabilities	Amortized cost
Long-term debt	Amortized cost
Second lien debt	Amortized cost
Derivative financial instruments	Fair value through profit or loss

(b) Fair value measurement of financial instruments

The Company categorizes its fair value measurements of financial instruments recorded at fair value according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company’s valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Level 1 - fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 - fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable market data.

Level 3 - fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable data, including assumptions about risk.

The following table presents the carrying amounts and fair values of financial liabilities and financial assets, including their levels in the fair value hierarchy. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	December 29, 2024		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 49,557	$ 49,557
Restricted deposit(s) (note 8)	Level 1	46,999	46,999
Prepayment Option (note 19)	Level 2	12,347	12,347
Derivative financial instrument assets - long term		$ 12,347	$ 12,347
Financial liabilities recorded at fair value			
Foreign exchange forward contracts	Level 2	1,340	1,340
Derivative financial instrument liabilities - current		$ 1,340	$ 1,340
Interest Rate Swap	Level 2	510	510
Cash Conversion Option (note 20)	Level 2	2,345	2,345
Derivative financial instrument liabilities - long term		$ 2,855	$ 2,855

	December 31, 2023		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 49,615	$ 49,615
Restricted deposit(s) (note 8)	Level 1	45,441	45,441
Prepayment Option (note 19)	Level 2	2,767	2,767
Derivative financial instrument assets – long term		$ 2,767	$ 2,767
Financial liabilities recorded at fair value			
Foreign exchange forward contracts	Level 2	1,481	1,481
Derivative financial instrument liabilities - current		$ 1,481	$ 1,481
Cash Conversion Option (note 20)	Level 2	9,296	9,296
Derivative financial instrument liabilities - long term		$ 9,296	$ 9,296

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Risk Management

The Company uses derivative financial instruments including interest rate swaps, total return swaps and forward foreign exchange contracts. These instruments are financial contracts whose value depends on interest rates, share price and foreign currency prices.

The use of derivatives allows the transfer, modification and reduction of current and expected risks, including interest rate, share price, foreign exchange and other market risks. The Company uses derivative financial instruments to manage interest rate, share price and foreign exchange risks in accordance with its risk management policies. Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of any derivatives that are not designated as hedges for accounting purposes are recognized within “interest and finance costs” or “unrealized foreign exchange loss (gain) on non-current monetary items” in the consolidated statements of net loss and total comprehensive earnings (loss) consistent with the underlying nature and purpose of the derivative instruments.

Market risk (interest rate risk and foreign currency risk)

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk, equity price risk and foreign currency risk, affect the fair values of financial assets and liabilities. The Company uses derivative financial instruments including interest rate swaps, foreign exchange options and forwards foreign exchange contracts to manage its risks associated with potentially adverse changes in interest rates and foreign exchange rates. These instruments are financial contracts whose values depends on interest rates and foreign currency prices.

The use of derivatives allows the transfer, modification and reduction of current and expected risks, including interest rate, foreign exchange and other market risks. The Company uses derivative financial instruments to manage interest rate and foreign exchange risks in accordance with its risk management policies.

The Company does not hold financial instruments for speculative or trading purposes.

Interest rate risk

The Company's borrowing under the credit facilities are at variable rates of interest and expose the Company to interest rate risk. The Company attempts to mitigate this risk through interest rate swaps that could become materially more expensive if interest rates increase or become more volatile. If the cost of mitigating interest rate increases, the Company's debt service obligations on its variable rate indebtedness would increase even though the amount borrowed remained the same, and the Company's net earnings and cash available for servicing its other indebtedness would decrease.

The interest rate swap is subject to interest rate risk. As an illustration, if the interest rates as at the date of the consolidated statements of financial position had been 100 basis points lower, with all other variables held constant, net loss and comprehensive earnings (loss) for Fiscal 2024 would have been higher by $1.1 million (Fiscal 2023: $6.8 million), arising mainly as a result of the related fair value adjustment recorded due to lower interest rate. If interest rates had been 100 basis points higher, with all other variables held constant, net loss and comprehensive earnings (loss) for Fiscal 2024 would have been lower by $1.1 million (Fiscal 2023: $6.8 million), arising mainly as a result of the related fair value adjustment recorded due to higher interest rate. The fair value adjustments have a greater impact than the interest charged, as the Company is over hedged as it relates to the swap position.

On January 26, 2024, the Company entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%.

Foreign currency risk

The U.S. dollar is the Company's functional currency. Fluctuations in the exchange rate between the U.S. dollar, Canadian dollar and GBP will affect the Company's reported results. However, the impact of changes in foreign exchange rates on the Company's reported results differ over time depending on whether the Company is generating a net cash inflow or outflow of Canadian dollars and GBP.

This is largely dependent on the Company's revenue mix by currency as operating costs denominated in Canadian dollars and GBP have been historically relatively stable.

During Fiscal 2024, the Company generated a net outflow of Canadian dollars. As a matter of policy, the Company enters into foreign exchange forward contracts to protect the expected net Canadian dollar exposure from exchange fluctuation. The Company recorded a net realized foreign exchange loss of $1.8 million during Fiscal 2024 (Fiscal 2023: $3.2 million gain). This was comprised of a $0.2 million gain on settlement of foreign exchange contracts and a $2 million foreign currency loss on translation of Canadian dollar denominated working capital.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

At December 29, 2024, the Company had $65.9 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from January 2025 to June 2025. The related liability of $1.3 million (December 31, 2023: $1.5 million) is recorded on the consolidated statements of financial position as a current derivative financial instruments liability and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the consolidated statements of net loss and comprehensive earnings (loss).

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily Canadian dollar balances. As an illustration, at December 29, 2024 if the Canadian dollar had weakened 10 percent against the U.S. dollar, with all variables held constant, net loss for Fiscal 2024 would have been lower by $10.5 million (Fiscal 2023: $9.1 million). Conversely, if the Canadian dollar had strengthened 10 percent against the U.S. dollar, with all other variables held constant, net loss would have been higher by $12.9 million for Fiscal 2024 (Fiscal 2023: $10.6 million).

(d) Liquidity Management

The Company's principal sources of funds are cash generated from its operating activities, share and other issuances and borrowing capacity remaining under the North American Facility and UK Facility (collectively the “Secured Facilities”).

The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At December 29, 2024, the Company had a cash balance of $49.6 million (December 31, 2023: $49.6 million), $581 million drawn under the North American Facility due in 2026 (December 31, 2023: $526 million), and $80.5 million of outstanding letters of credit (December 31, 2023: $96.6 million). As at December 29, 2024 the Company had $38.2 million drawn under the UK Facility (December 31, 2023: $21.0 million). The total liquidity position as at December 29, 2024 is $126.8 million. In addition, as at December 29, 2024 the Company had $45.5 million of the letters of credit outstanding outside of the North American Facility. The North American Facility has a total borrowing limit of $761 million, which includes a $150 million letter-of-credit facility. The UK Facility has a total borrowing limit of £30.4 million.

The Company participates in a supplier finance arrangement (note 9) with the principal purpose of facilitating efficient payment processing of supplier invoices. The supplier finance arrangement allows the Company to centralize payments of trade payables to the bank rather than paying each supplier individually. While the supplier finance arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating, the program assists in making cash outflows more predictable.

The details of the covenants under the Secured Facilities are as follows:

	Total Leverage Ratio[1]	**Interest Coverage Ratio**[2]	**Minimum Banking Liquidity**	**Senior Secured Net Leverage Ratio**[3]
2024 Q4	<4.75x	>1.25x	Waived[4]	<3.50x
2025 Q1	<4.75x	>1.75x	$50,000	<3.50x
2025 Q2	<4.25x	>2.00x	$50,000	<3.25x
2025 Q3	<4.25x	>2.25x	$50,000	<3.25x
2025 Q4 and after	<3.75x	>2.50x	$50,000	<3.00x

1. Total Leverage Ratio ("TLR") is calculated as aggregate indebtedness of the Company not including the Company’s 5.0% convertible debentures and certain non-financial products, but including any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA (calculated on a trailing twelve-month basis).

2. Interest Coverage Ratio ("ICR") is calculated as the same trailing twelve month Adjusted EBITDA as the TLR divided by trailing twelve-month interest expense on the Secured Facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

3. Senior Secured Net Leverage will include the Secured Facilities and is calculated as indebtedness with respect to those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA (calculated on a trailing twelve-month basis).

4. The Company obtained a waiver for the $50 million liquidity requirement under its senior secured facility providing access to those funds if required.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The calculation of the banking liquidity position, without consideration given to the minimum banking liquidity requirements under the Secured Facilities at December 29, 2024 is provided below.

	December 29, 2024	December 31, 2023
Banking Liquidity Position	$ 126,800	$ 170,131
Total Leverage Ratio (must be less than 4.75 [2023: waived])	4.37	Waived
Senior Secured Net Leverage Ratio (must be less than 3.50 [2023: waived])	3.09	Waived
Interest Coverage Ratio (must be greater than 1.25 [2023: waived])	1.51	Waived

Compliance with financial covenants under the Secured Facilities is reported quarterly to the Board. Other than the requirements imposed by letters of credit collateral (note 8) and borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise. As at December 29, 2024, the Company was in compliance with all covenant requirements.

Under the terms of the Secured Facilities, the Company is not permitted to declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with Secured Facilities covenants.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at December 29, 2024:

	Total	**2025**	**2026**	**2027**	**2028**	**2029**	**Post 2029**
Leases	$ 212,435	$ 25,585	$ 21,786	$ 19,726	$ 13,138	$ 10,702	$ 121,496
Accrued benefit liability	2,800	2,800					
	$ 215,235	$ 28,385	$ 21,786	$ 19,726	$ 13,138	$ 10,702	$ 121,496

(e) Credit risk

Financial instruments in an asset position, which potentially subject the Company to credit risk and concentrations of credit risk, consist principally of cash, accounts receivable and derivative financial instruments. Management has assessed that the credit risk associated with accounts receivable is mitigated by the significant proportion for which the counterparties are well-established transit authorities, which are government entities in North America.

	December 29, 2024	**December 31, 2023**
Current, including holdbacks	$ 444,869	$ 438,165
Past due amounts but not impaired		
1 – 60 days	28,531	20,123
Greater than 60 days	17,366	8,669
Less: Allowance for doubtful accounts	(1,035)	(604)
Total accounts receivables, net	$ 489,731	$ 466,353

As at December 29, 2024, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

(f) Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate return to shareholders and to maintain a capital structure that provides the flexibility to take advantage of growth and development opportunities, maintain existing assets, meet financial obligations and enhance the value for the shareholders. The capital structure of the Company consists of cash, long-term debt, other long-term liabilities and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Company may from time to time raise additional capital from various sources, including capital markets.

26. SEGMENT INFORMATION

The Company has two reportable segments which are the Company's strategic business units: Manufacturing Operations and Aftermarket Operations. The strategic business units offer different products and services, and are managed separately because they require different technology, marketing strategies, and operations. For each of the strategic business units, the Company's President and CEO reviews internal management reports on a monthly basis.

The Manufacturing Operations segment derives its revenue from the design, manufacture, service and support of new transit buses, motor coaches, medium-duty, cutaway buses, and installation of infrastructure for electric vehicles and the sales of fiberglass reinforced polymer components. Based on management's judgment and applying the aggregation criteria in IFRS 8.12 – Operating segments, the Company's bus/coach manufacturing operations and medium-duty/cutaway manufacturing operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution and regulatory environment.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses, coaches and medium-duty/cutaway buses, both for the Company's and third party products.

There is no inter-segment revenue. Intercompany revenues do occur but are eliminated on consolidation and thus, are not presented in the Statements. Unallocated items in the consolidated earnings before income taxes primarily include unrealized foreign exchange gains or losses, interest and finance costs and corporate overhead costs.

The unallocated total assets of the Company primarily include cash, certain intangible assets, and derivative financial instruments. Corporate assets that are shared by both operating segments are allocated fully to the Manufacturing Operations segment.

Segment information about loss (earnings) and assets is as follows:

	Fiscal 2024			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 2,490,914	$ 631,401	—	$ 3,122,315
Operating costs and expenses	2,490,079	511,837	126,863	3,128,779
(Loss) earnings before income tax recovery	835	119,564	(126,863)	(6,464)
Total assets	2,239,046	407,165	267,921	2,914,132
Addition of capital expenditures	29,743	571	—	30,314
Addition of intangibles assets	17,597	—	—	17,597
Indefinite-life intangible assets	245,379	18,512	—	263,891
Goodwill	223,407	189,107	—	412,514

	Fiscal 2023			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 2,137,529	$ 554,952	—	$ 2,692,481
Operating costs and expenses	2,266,915	453,267	141,369	2,861,551
(Loss) earnings before income tax recovery	(129,386)	101,685	(141,369)	(169,070)
Total assets	1,914,171	504,319	281,470	2,699,960
Addition of capital expenditures	26,082	632	—	26,714
Addition of intangibles assets	10,274	—	—	10,274
Indefinite-life intangible assets	244,265	18,334	—	262,599
Goodwill	223,607	189,564	—	413,171

26. SEGMENT INFORMATION (Continued)

The Company's revenue by geography is summarized below:

	Fiscal 2024	Fiscal 2023
North America	$ 2,452,663	$ 2,119,391
UK and Europe	626,927	523,431
Asia Pacific	42,725	49,659
Total	$ 3,122,315	$ 2,692,481

The Company's disaggregated manufacturing revenue by major product type is provided below. The Aftermarket operations revenue does not have similarly disaggregated categories.

	Fiscal 2024	Fiscal 2023
Transit buses	$ 1,928,525	$ 1,654,406
Motor coaches	432,682	390,836
Medium-duty and cutaway buses	77,311	50,727
Pre-owned coach	15,943	21,586
Infrastructure solutions™	26,201	11,040
Fiberglass reinforced polymer components	10,251	8,934
Manufacturing revenue	$ 2,490,914	$ 2,137,529

27. RELATED PARTY TRANSACTIONS

Compensation of key management

Key management includes members of the Board of Directors, President and CEO, the CFO, presidents of each business unit, executive vice presidents and vice presidents. The compensation expense for key management for employee services is shown below:

	Fiscal 2024	Fiscal 2023
Salaries and short-term employee benefits	$ 15,955	$ 16,659
Post-employment benefits	683	600
Share-based payment benefits	4,888	5,478
	$ 21,526	$ 22,737

Share-based payment benefits shown above represent the PSU, RSU, Director RSU, DSU and stock option expense that was recorded in the period.

See note 19 for details on second lien debt financed by funds and accounts managed by Coliseum Capital Management LLC.

28. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings, including those that may be related to negligence, product liability, wrongful dismissal and other employment-related matters, contractual disputes or personal injury. Many claims are covered by the Company's insurance policies. Management does not currently expect any of the current claims to have a material adverse effect on the Company's financial position, results of operations or cash flows.

(b) Through the normal course of operations, the Company has indemnified the surety companies providing surety bonds ("surety bond") required under various contracts with customers. In the event that the Company fails to perform under a contract and the surety companies incur a cost on a surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond.

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at December 29, 2024 range from February 2025 to December 2039.

28. COMMITMENTS AND CONTINGENCIES (Continued)

At December 29, 2024, outstanding surety bonds guaranteed by the Company totaled $307.4 million (December 31, 2023: $312.7 million). The Company has not recorded any liability under these guarantees, as management believes that no material events of default exist under any contracts with customers.

(c) The Company has a letter of credit sub-facility of $150.0 million as part of the North American Facility (December 31, 2023: $150.0 million). As at December 29, 2024, letters of credit totaling $80.5 million (December 31, 2023: $96.6 million) remain outstanding as security for contractual obligations of the Company under the North American Facility.

The EDC surety facility in the amount of $145 million consists of the PSG up to $90 million and the Surety Reinsurance Support up to $55 million.

The PSG program under the EDC facility is in place to cover a standby letter of credit or letter of guarantee (in each case an “LC”), required as part of a collateral package provided to support a surety facility where the new bonding capacity is a minimum of at least twice the face value of the LC. The PSG and Surety Reinsurance Support programs must only be used to support surety bonds required under contracts entered into by the Company, and where such surety bonds are bid bonds, performance bonds, regulatory bonds, license and permit bonds.

The Surety Reinsurance Support program is in place to cover surety bond(s) issued on behalf of the Company, provided that such surety bond is a bid bond, performance bond, regulatory bond, license and permit bond. Surety reinsurance support is not to exceed 75% of the surety bond amount.

As at December 29, 2024, there was $134.7 million (December 31, 2023: $74.2 million) outstanding under the Guarantee Facility.

As at December 29, 2024, letters of credit in the UK totaling $7.5 million were outstanding as security obligations of the Company outside of the UK Facility (December 31, 2023: $18.7 million). Additionally, there are $38.0 million (December 31, 2023: $45.8 million) of letters of credit outstanding outside of the UK Facility.

As at December 29, 2024, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

(d) Through the normal course of operations, the Company has guaranteed payments and residual values to third-party lenders on behalf of customers. As at December 29, 2024, the Company had guaranteed $2.1 million (December 31, 2023: $2.4 million) of these arrangements. The Company has not provided for any of these costs, as it does not believe they will have to pay out on any of these arrangements.

29. GUARANTEES

The Company indemnifies its directors and officers against claims and damages that may be incurred in the performance of their services to the Company. Liability insurance has been purchased with respect to the Company’s directors and officers.

30. SUPPLEMENTARY EXPENSE INFORMATION

	Fiscal 2024	Fiscal 2023
Employee salary and benefit expenses	$ 548,132	$ 395,836
Depreciation of plant and equipment	47,782	49,370
Amortization of intangible assets	32,348	31,410

The expenses listed above are included in cost of sales and sales, general and administration costs and other operating expenses.

31. SUBSEQUENT EVENTS

To support the Company's overall liquidity position, subsequent to quarter-end, NFI received approval under the Secured Facilities to temporarily waive the minimum liquidity requirement of $50 million, effective as of January 1, 2025 to March 31, 2025. Post this waiver period, the minimum liquidity requirement under the Secured Facilities will return to $50 million.

On February 1, 2025, the United States imposed new across the board 25% tariffs on most imports from Canada. Most of these tariffs have been temporarily paused. The Government of Canada and certain provinces have implemented certain retaliatory measures, including counter tariffs. On March 12, 2025, the United States imposed additional 25% tariffs on imports of steel and aluminum products from all countries, including Canada. The United States has also imposed separate tariffs on Mexico and China and has also proposed to implement reciprocal tariffs applicable to all of its trading partners. The situation with respect to these matters is extremely fluid and subject to rapid and unexpected changes. The impact of tariffs and other trade measures on general economic conditions, customer demand and the Company's business is uncertain, thus estimating financial impact is not possible at this time.