NFI Announces Fourth Quarter and Full Year 2022 Results and Multi-Year Guidance

March 1, 2023

All figures quoted in U.S. dollars unless otherwise noted:

Performance Highlights:

- **2022 Q4 revenue of $683 million; 1,034 equivalent units ("EUs") delivered, with 32% coming from battery- and fuel cell-electric buses ("ZEBs"). Full year sales of $2.1 billion; 3,039 EUs delivered, 23% ZEBs.**
- **2022 Q4 Adjusted EBITDA[2] of ($5) million; Net Loss per Share of $1.94 and Adjusted Net Loss per Share[2] of $0.31. Full year Adjusted EBITDA[2] of ($59) million; Net Loss per Share of $3.60 and Adjusted Net Loss per Share[2] of $2.09.**
- **Ending liquidity[2] position of $173 million, with a minimum liquidity requirement of $25 million.**
- **Amended credit agreements in December 2022 and now focused on completing a new multi-year, credit agreement prior to June 30, 2023.**
- **Ending total backlog position (both firm and options) of 9,186 EUs (valued at $5.6 billion[2]); ZEB backlog now 2,628 EUs, or 29%, of total backlog; ended 2022 Q4 with 10,507 EUs of total active bids, which is expected to support future backlog growth.**
- **Active North American public bid universe up 17% year-over-year; ZEBs now represent 51% of the Total Bid Universe.**
- **Announced new financial guidance for 2023 and 2024 including Adjusted EBITDA[2] ranges of $30 million to $60 million and $250 million to $300 million respectively. NFI updates 2025 Adjusted EBITDA[2] target to approximately $400 million and ROIC[2] of greater than 12%.**

WINNIPEG, Manitoba, March 01, 2023 (GLOBE NEWSWIRE) -- **(TSX: NFI, OTC: NFYEF, TSX: NFI.DB)** NFI Group Inc. ("NFI" or the "Company"), a leader in zero-emission electric mobility solutions, today announced its condensed consolidated financial results for Fiscal 2022.

Key financial metrics of the quarter and full year are highlighted below:

$ in millions except deliveries and per Share amounts	**2022 Q4**	**Change[1]**	**Fiscal 2022**	**Change[1]**
Deliveries (EUs)	1,034	*(5)%*	3,039	*(20)%*
IFRS Measures				
Revenue	683	*(2)%*	2,054	*(12)%*
Net loss	(150)	*(1,629)%*	(278)	*(1,816)%*
Net loss per Share	(1.94)	*(1,517)%*	(3.60)	*(1,614)%*
Non-IFRS Measures[2]				
Adjusted EBITDA	(5)	*(119)%*	(59)	*(136)%*
Adjusted Net Loss	(24)	*(51.3)%*	(162)	*(1,235.5)%*
Adjusted Loss per Share	(0.31)	*(47.6)%*	(2.09)	*(1,129.4)%*
Free Cash Flow	(22)	*(15)%*	(170)	*(840)%*
Liquidity (minimum liquidity requirement of $25 million)	173	*(63)%*	173	*(63)%*

Footnotes:

1. *Results noted herein are for the 13-week period ("2022 Q4") and the 52-week period ("Fiscal 2022") ended January 1, 2023. The comparisons reported in this press release compare 2022 Q4 to the 14-week period ("2021 Q4") and Fiscal 2022 to the 53-week period ("Fiscal 2021") ended January 2, 2022. Comparisons and comments are also made to the 13-week period ("2022 Q3") ended October 2, 2022. The term LTM is an abbreviation for Last Twelve Month Period.*

2. *Adjusted EBITDA, Adjusted Net Earnings (loss), and Free Cash Flow represent non-IFRS measures, Adjusted Net Earnings (loss) per Share and Return on Invested Capital (ROIC) are non-IFRS ratios, and Liquidity and Backlog are*

supplementary financial measures. Such measures and ratios are not defined terms under IFRS and do not have standard meanings, so they may not be a reliable way to compare NFI to other companies. Adjusted Net Earnings (loss) per Share is based on the non-IFRS measure Adjusted Net Earnings (Loss). ROIC is based on net operating profit after tax and average invested capital, both of which are non-IFRS measures. See “Non-IFRS Measures” and detailed reconciliations of IFRS Measures to Non-IFRS Measures in the Non-IFRS and other financial measures section of this press release. Readers are advised to review the condensed consolidated financial statements (including notes) (the “Financial Statements”) and the related Management's Discussion and Analysis (the "MD&A").

"In Fiscal 2022, we saw record demand for our products and services, juxtaposed with continued supply chain disruption, associated production inefficiencies, and the impacts of heightened inflation and rapid foreign exchange movements. Our financial results reflect those realities, with declines in certain performance metrics, paired with significant growth in backlog and contract pricing. The aftermarket segment was also a significant bright spot in 2022, delivering profitability while the navigating through supply challenges," said Paul Soubry, President and Chief Executive Officer, NFI.

"We continued to see the benefits of unprecedented government investments in public transportation, which drove record bid activity, and our highest new order performance since 2017 (a 23% increase year-over-year). We secured significant new orders from customers in North America, the United Kingdom and Hong Kong, many for ZEBs, which represented 23% of our total deliveries (up from 17% in 2021), and were a record 29% of our backlog. We also achieved a multi-year milestone of over 100 million zero-emission miles driven by NFI vehicles, and the installation of more than 340 EV chargers.

"Capital allocation remains a critical priority as we focus on lowering leverage and strengthening our balance sheet. Discussions with our banking syndicate partners are ongoing to develop a new long-term credit agreement by the end of June, and we are continuing to pursue opportunities to generate cash flows. These include the unwinding of heightened inventory, pursuing advance payments and deposits from customers, potential sale and leaseback of select manufacturing facilities and other capital market activities.

"Fiscal 2023 is expected to be a transition period with significant improvement from 2022 results, but still challenged by certain contracts being at inflation-impacted margins, a result of those contracts originally being bid in 2020 and 2021. We will also operate at lower production rates until supply chain challenges begin to ease, which we anticipate for the second half of the year. Going forward, our updated pricing, inflation-adjusted option backlog, higher ZEB deliveries, and increased production rates are expected to drive stronger margins and financial performance in 2024, 2025, and beyond,” Soubry concluded.

Liquidity and Covenant Relief

The Company's liquidity[2] position, which combines cash on-hand plus available capacity under its credit facilities, without consideration given to the minimum liquidity requirement of $25 million under the amended facilities, was $173 million as at the end of 2022 Q4. This was an improvement against the Company's anticipated ending liquidity[2] of $100 million reported in December - driven by inventory reduction and the timing of customer payments. Liquidity[2] was down $298 million from the end of 2022 Q3 with the change primarily driven by amendments to the Company's existing senior revolving credit facility (the "Credit Facility") and its revolving UK credit facility (the "UK Facility", collectively the "amended facilities"). Under the amendments NFI lowered the Credit Facility capacity from $1.25 billion to $1.0 billion, and the UK Facility from £50 million to £40 million, a $262 million reduction to the Company's overall credit availability. Prior to the amendments, NFI had a $250 million minimum liquidity requirement so the change to total capacity did not have a significant impact on NFI's actual available liquidity.

NFI worked with customers in the third and fourth quarters to seek vehicle price increases and/or milestone payments in response to rising input costs. As of January 1, 2023, the Company had received $36 million in prepayments and is continuing to work with other customers on plans that would help alleviate some of NFI's working capital investments while it navigates through the supply chain challenges.

Subsequent to quarter end, the Company announced that it had finalized agreements for the previously announced financial support package of approximately $187 million with the Manitoba Development Corporation, an entity that provides financial services and financial instruments on behalf of the Province of Manitoba, and Export Development Canada (“EDC”), a Canadian government Crown corporation. This combined program will provide $87 million of additional liquidity in the first quarter.

NFI and its banking syndicate partners are now focused on developing new long-term credit arrangements, and NFI will be seeking agreements that provide appropriate capacity and covenants matched to the Company’s anticipated financial performance and recovery. The Company is targeting completion of these changes prior to June 30, 2023.

Segment Results

Manufacturing segment revenue for 2022 Q4 decreased by $15 million, or 3%, compared to 2021 Q4. The decrease was primarily due to lower deliveries within heavy-duty transit and motor coach, somewhat offset by higher average sales prices of heavy-duty transit vehicles and increased deliveries of medium-duty and low-floor cutaway vehicles. Overall deliveries are down significantly relative to pre-COVID-19 levels due to global supply chain logistics challenges and related production inefficiencies. These challenges are largely the result of suppliers recovering from impacts of the COVID-19 pandemic, which has created numerous bottlenecks in the supply chain and disruptions to certain parts availability.

Work-in-progress ("WIP") inventory decreased by $126 million from 2022 Q3 as many buses awaiting parts were completed and delivered in the fourth quarter. The previously disrupted control module supply, originally announced in 2022 Q2, that impacted the completion of a significant number of North American transit buses, has recovered according to plan. During 2022 Q4, the Company completed and delivered the remaining buses that were missing these specific module components, generating a positive impact, lowering WIP by $39 million, or 68 EUs.

Manufacturing Adjusted EBITDA[2] decreased by $23 million, or 296%, compared to 2021 Q4, driven by a decrease in deliveries, unfavorable sales mix, and heightened inflation and surcharges. Also contributing were operational and production inefficiencies caused by continuing supply problems. In addition, the Company did not receive any government wage subsidy grants in 2022 Q4, as compared to the $2 million received in 2021 Q4, as the programs were either discontinued or NFI was no longer eligible.

Aftermarket segment revenue for 2022 Q4 of $120 million increased by $3 million, or 2% compared to 2021 Q4, due to increased volume in North

America. The Company also continues to benefit from a multi-year retrofit program in the Asia-Pacific region, which continued throughout 2022, but at a lower run rate; this retrofit program is expected to unwind in 2023 Q1. 2022 Q4 Aftermarket Adjusted EBITDA[2] was $23 million, a $2 million, or 9%, year-over-year decrease, stemming from product mix and inflationary impacts to both freight and part costs that NFI was not fully able to pass along to its customers.

In the quarter, NFI continued to realize savings from “NFI Forward”, the Company’s transformational cost reduction and sourcing initiative, which is expected to lower NFI’s overhead and selling general and administrative (“SG&A”) expenses by 8% to 10%, respectively, based on 2019 revenue levels, and to provide direct material savings from input cost reductions and an estimated $10 million in annualized Free Cash Flow generation. The Company has now achieved its NFI Forward target for Adjusted EBITDA[2] savings of $67 million (from 2019 levels), and the Free Cash Flow target, both one year earlier than the original target for the end of 2023. Total one-time investments incurred to achieve the NFI Forward program were $14 million, a $103,000 increase from 2022 Q3.

Net Earnings, Adjusted Net Earnings and Return on Invested Capital

2022 Q4 net loss of $150 million increased by $142 million from 2021 Q4, primarily due to a $104 million non-cash goodwill impairment charge in ARBOC ($23.2 million) and the ADL Manufacturing ($80.7 million) cash generating units ("CGUs"). The goodwill impairment reflects significant increases in market rates (or discount rates), as well as timing of the market recovery from the COVID-19 pandemic and the related supply chain disruptions. Also contributing to the net loss are the same items that impacted Manufacturing and Aftermarket Adjusted EBITDA[2]. The loss was somewhat offset by favourable mark-to-market adjustments to the Company's interest rate swaps and favourable fair value adjustment to the Company's convertible debenture cash conversion option.

2022 Q4 Adjusted Net Loss[2] of $24 million compared to 2021 Q4 Adjusted Net Loss of $16 million. The increase in Adjusted Net Loss[2] was driven by the same items that impacted Adjusted EBITDA[2]. Adjusted Net Loss[2] was normalized for the non-cash goodwill impairment and mark-to-market and fair value adjustments mentioned above.

Fiscal 2022 ROIC[2] decreased by 1% from LTM 2022 Q3, due to the decrease in Adjusted EBITDA[2] offset by a lower invested capital base. The decrease in invested capital is primarily due to a decrease in shareholders' equity, partially offset by the increase in average long-term debt.

Outlook

NFI continues to face challenges to its business from macro trends, including ongoing supply constraints, inflation in parts, raw materials and labour, and higher interest rates. While supply chain shortages have caused significant dislocation and disruption to NFI's operating and financial performance in recent years, these pressures are starting to alleviate and there are signs of improvement. Despite these broader market challenges, NFI's business outlook remains strong based on its record backlog, historic performance, track record, market leading positions, growing demand for its products and government funding reaching historically high levels in its core markets. NFI has received significant new orders in 2022 that support the Company's anticipated financial recovery, including new firm and option orders for 5,786 EUs, an increase of 60% from 2021. NFI's closing backlog[2] (firm and options) was 9,186 EUs, valued at $5.6 billion, up 16% from 2022 Q3.

NFI was also encouraged by the high volume of active procurements taking place in both North American and international markets during 2022. The Company's North American active bids of 10,507 EUs at year end were at a record level, increasing by 54% year-over-year, which is expected to drive additional backlog growth in 2023, and revenue growth in the medium- and longer-term. NFI is also seeing increasing numbers of bids for zero-emission buses and coaches, with individual order sizes for those vehicle types increasing in size. In 2022 Q4, NFI received orders for 1,118 EUs of battery-electric, ZEBs, a 780% increase from the 127 EUs from 2022 Q3. NFI expects active bids will continue to remain high throughout 2023 as markets recover from the COVID-19 pandemic, supply shortages, and new government funding is used by North American transit agencies.

While the Company had anticipated it would begin to ramp-up its production in earnest during the second half of 2022 and the first half of 2023, ongoing supply chain disruption plus longer supplier lead times have pushed out the expected ramp up of production to the second half of 2023; ramp up remains subject to supply chain health showing sustained improvement. NFI anticipates its supply chains and parts availability will continue to improve, and the Company will be able to source additional labour required to drive higher production and volume deliveries in 2023, with the majority of the improvements coming in the second half of the year.

NFI experienced significant inflation with respect to supplier pricing and employee wages, and through raw material prices purchased directly by NFI in 2022. NFI has completed many of the legacy contracts bid in 2020 and 2021 that were impacted by heightened inflation, but, due to supply chain impacts on delivery schedules, certain depressed margin contracts will be included in NFI's 2023 results and are reflected in NFI's financial guidance. Newer contracts are being priced to reflect current input costs and future options contracts generally have clauses where a government purchase price index ("PPI") is applied and helps pass through manufacturing cost inflation. Generally, when an option contract is exercised from NFI's North American backlog, a PPI adjustment is recorded to reflect the higher input costs of a new vehicle.

Financial Guidance and 2025 Targets

NFI presents the following guidance for Fiscal 2023 and Fiscal 2024, and updated targets for Fiscal 2025:

	2019 Pro-forma Results	2023 Guidance	2024 Guidance	2025 Targets
Revenue	$3.2 billion	$2.5 to $2.8 billion	$3.2 to $3.6 billion	~$4 billion
ZEB (electric) as a percentage of manufacturing sales	6-%	25% - 30%	30% - 35%	~40%
Adjusted EBITDA[2]	$331 million	$30 to $60 million	$250 to $300 million	~$400 million
Cash Capital Expenditures – including NFI Forward 2.0	$38 million	$35 to $40 million	$50 to $60 million	~$50 million
Return on Invested Capital - provided for 2025 targets	9.8%			>12%

The above table outlines guidance ranges for selected Fiscal 2023 and Fiscal 2024 financial metrics and 2025 financial targets. These ranges take into consideration management's current outlook combined with 2022 and 2023 year-to-date results and are based on the assumptions set out below. The purpose of the financial guidance is to assist investors, shareholders, and others in understanding management's expectations for the Company's

financial performance in Fiscal 2023. 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.

NFI has adjusted its Fiscal 2025 longer-term targets, originally announced in January 2021, with expectations to now deliver approximately $4 billion in revenue, and Adjusted EBITDA[2] of approximately $400 million, with ~40% of vehicle sales coming from ZEBs and a ROIC[2] of greater than 12% (unchanged). The original targets were for $3.9 to $4.1 billion of revenue, $400 to $450 million of Adjusted EBITDA[2] and a ROIC[2] of greater than 12%. In developing its 2025 targets, NFI considered its pre-pandemic, pro-forma 2019 financial performance when the Company delivered $3.2 billion of revenue, $331 million of Adjusted EBITDA[2] and ROIC[2] of 9.8%, including a full-year of Alexander Dennis' results, which was acquired in May 2019.

The 2025 targets have been lowered slightly to reflect the anticipated timing of market recoveries based on the challenges experienced in 2022 and the expectation that the first half of 2023 will continue to be challenged by supply disruption and that new vehicle production rates will not increase until later in 2023. In addition, the expected timing of significant UK government funding for fleet replacements has been moved from 2023 and 2024 into 2024 and 2025, impacting the anticipated timing of vehicle delivery volumes in that market.

The 2023 and 2024 guidance ranges provided above and the 2025 targets are driven by numerous expectations and assumptions including, but not limited to, the following:

a. **Revenue:** Anticipated revenue growth in 2023, 2024 and 2025 is based on NFI's firm order backlog, current 2023 and 2024 production schedules, expected backlog option order conversion, and anticipated 2023, 2024 and 2025 new vehicle orders and aftermarket parts sales. Revenue guidance and targets reflect higher volume of ZEB sales and anticipated product mix benefits plus expected international sales expansion. The guidance ranges also reflect potential variances in delivery volumes from supply disruption, product mix and expected timing of production recovery driving improved efficiency in H2 2023 and Fiscal 2024 and Fiscal 2025.

b. **ZEB Sales:** Expected growth in the percentage of ZEB sales is based on NFI's firm order backlog, the Company's existing vehicle inventory, 2023 and 2024 production schedules, anticipated 2023 and 2024 new vehicle orders, anticipated backlog option order conversion and from review of customers capital and fleet renewal plans that suggest there will continue to be increases in their demand for electric vehicles.

c. **Adjusted EBITDA[2]**: Adjusted EBITDA[2] is expected to increase in both 2023, 2024 and 2025 as the Company anticipates recoveries in new vehicle deliveries, changes to product mix, a higher percentage of ZEB deliveries and improved operating margins, especially from the second half of 2023 onwards, due to anticipated recovery in supply chain health. In addition, while there will be some impact to margins from legacy inflation adjusted contracts in 2023, the majority of NFI's contracts going forward reflect updated pricing with higher input costs and inflation adjustments. In addition, the Company has now achieved its targeted cost savings of $67 million from the NFI Forward initiative and anticipates an additional $5 million to $8 million of additional savings from projects entitled NFI Forward 2.0. The total cost savings achieved under NFI Forward are expected to be somewhat offset by the impacts of inflation on wage and other input costs.

d. **ROIC[2]:** 2025 Targets are driven by the factors noted above combined with the expectation that there will not be significant changes in tax rates from current levels.

Guidance and targets above are conditional on several factors and expectations, including the recovery of supply chains and other COVID-19-related impacts, a higher percentage of ZEB sales (which provide a higher revenue and dollar margin benefit), the mitigation of inflationary pressures, end markets recovering inline with management expectations, international expansion, aftermarket parts sales, continuous improvement initiatives as well as obtaining a new multi-year credit agreement and availability of adequate liquidity.

NFI's guidance and targets are subject to the risk of extended duration of the current supply disruptions and the risk of additional supply disruptions affecting particular key components. In addition, the guidance and targets do not reflect potential escalated impact on supply chains or other factors arising directly or indirectly as a result of the ongoing Russian invasion of Ukraine. Although NFI does not have direct suppliers based in Russia or Ukraine, additional supply delays and possible shortages of critical components may arise as the conflict progresses and if certain suppliers' operations and/or subcomponent supply from affected countries are disrupted further. In addition, there may also be further general industry-wide price increases for components and raw materials used in vehicle production as well as further increases in the cost of labour and potential difficulties in sourcing an increase in the supply of labour. See Appendix C Forward Looking Statements for risks and other factors and the Company's filings on SEDAR.

Environmental, Social & Governance

As one of the world's leading independent global bus and coach manufacturers, a robust environmental, social and governance ("ESG") strategy is integral to how the Company conducts business, and is crucial in the creation of long-term and sustainable value for all NFI stakeholders. We are committed to continuing to innovate in order to deliver smarter, safer, more sustainable, and more connected public transportation. NFI's end products are a key driver to enable cities to lower emissions, decrease congestion and enable economic opportunity. NFI is committed to employees, customers and shareholders, while also being responsible to the environment and the communities in which we live and work.

"In 2022, NFI completed its first environmental, social and governance ("ESG") materiality assessment to inform the ESG issues most relevant to NFI and all our stakeholders, and has initiated a sustainability roadmap to action the results of our materiality assessment and overall sustainability strategy," said Janice Harper, Executive Vice President, People & Culture. "In 2022, we also implemented a diversity, equity and inclusion ("DEI")

action plan; continued to prioritize the health, safety and well-being of our employees; and completed our first annual disclosure to the S&P Global Corporate Sustainability Assessment and our second annual disclosure to the CDP Climate Change questionnaire. Our Board of Directors is now 40% female, and we have increased our Board diversity targets. Our teams also came together to raise over $381,000 through our annual United Way campaign, supporting 18 communities across North America. We are focused on meeting the needs of tomorrow and continue to weave ESG into the fabric of our day-to-day operations and our long-term planning."

NFI's 4th annual Environmental, Social & Governance Report can be accessed on NFI's website at www.nfigroup.com. NFI's Environmental Social Governance Report for 2022 will be released in May 2022.

Fourth Quarter and Fiscal 2022 Results Conference Call

A conference call for analysts and interested listeners will be held on March 1, 2023, from 8:30 a.m. Eastern Time (ET) until approximately 10:00 a.m. ET. Management will discuss the fourth quarter and full year 2022 financial results and provide an update on market conditions and the Company's outlook. An accompanying results presentation will be available prior to market open on March 1, 2023 at www.nfigroup.com.

For attendees who wish to join by webcast, registration is not required; the event can be accessed at https://edge.media-server.com/mmc/p/3kxmrn3q. NFI encourages attendees to join via webcast as the results presentation will be presented and users can also submit questions to management through the platform.

Attendees who wish to join by phone must visit the following link and pre-register: https://register.vevent.com/register/BI6b29fa81ce4047579b17b7ae1337bb81. An email will be sent to the user's registered email address, which will provide the call-in details. Due to the possibility of emails being held up in spam filters, we highly recommend that attendees wishing to join via phone register ahead of time to ensure receipt of their access details.

A replay of the call will be accessible from about 12:00 p.m. ET on March 1, 2023, until 11:59 p.m. ET on February 29, 2024, at https://edge.media-server.com/mmc/p/3kxmrn3q. The replay will also be available on NFI's website at: www.nfigroup.com.

About NFI Group

Leveraging 450 years of combined experience, NFI is leading the electrification of mass mobility around the world. With zero-emission buses and coaches, infrastructure, and technology, NFI meets today's urban demands for scalable smart mobility solutions. Together, NFI is enabling more livable cities through connected, clean, and sustainable transportation.

With 7,500 team members in nine countries, NFI is a leading global bus manufacturer of mass mobility solutions under the brands **New Flyer**® (heavy-duty transit buses), **MCI**® (motor coaches), **Alexander Dennis Limited** (single and double-deck buses), **Plaxton** (motor coaches), **ARBOC**® (low-floor cutaway and medium-duty buses), and **NFI Parts** ™. NFI currently 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 105,000 buses and coaches around the world. NFI's common shares ("Shares") trade on the Toronto Stock Exchange ("TSX") under the symbol NFI and its Debentures trade on the TSX under the symbol NFI.DB. News and information is available at www.nfigroup.com, www.newflyer.com, www.mcicoach.com, www.nfi.parts, www.alexander-dennis.com, www.arbocsv.com, and www.carfaircomposites.com.

For investor inquiries, please contact:

Stephen King
P: 204.224.6382
Stephen.King@nfigroup.com

Appendix A - NFI Management's Discussion and Analysis of Financial Condition and Results of Operations for the 13-Weeks and 52-Weeks Ended January 1, 2023

NOTES TO READERS

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. ("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 52-week period ended January 1, 2023. This MD&A has been prepared as of February 28, 2023.

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.sedar.com. See "Forward -Looking Statements" in Appendix C. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 the current and prior year are as follows:

	Period from January 3, 2022 to January 1, 2023 ("Fiscal 2022")			**Period from December 28, 2020 to January 2, 2022 ("Fiscal 2021")**		
	Period End Date		# of Calendar Weeks	Period End Date		# of Calendar Weeks
Quarter 1	April 3, 2022	("2022 Q1")	13	March 28, 2021	("2021 Q1")	13
Quarter 2	July 3, 2022	("2022 Q2")	13	June 27, 2021	("2021 Q2")	13
Quarter 3	October 2, 2022	("2022 Q3")	13	September 26, 2021	("2021 Q3")	13

Quarter 4	January 1, 2023	("2022 Q4")	13	January 2, 2022	("2021 Q4")	14
Fiscal year	January 1, 2023		52	January 2, 2022		53

Specific references and definitions are used throughout this MD&A, please see the Non-IFRS and Other Financial Measures section. References to LTM mean last-twelve months ("LTM"). Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), Invested Capital, net operating profit after taxes ("NOPAT"), return on invested capital ("ROIC"), Free Cash Flow, Free Cash Flow per Share, Adjusted Net Loss, Adjusted Net Loss per Share, Liquidity, Working Capital Days, Payout Ratio, Book-to-Bill and Backlog are non-IFRS measures and should not be considered substitutes or alternatives for IFRS measures. These 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.

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 and marketing strategies.

The Manufacturing Operations segment derives its revenue from the manufacture, service and support of new transit buses, coaches, medium-duty and cutaway buses. 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 "ADL") are classified as "transit buses". ARBOC manufactures body on-chassis or "cutaway" and "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, 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 room for standing passengers. "Product lines" include heavy-duty transit buses, motor coaches, pre-owned coaches, cutaway and medium-duty buses.

Zero-emission buses ("ZEBs") consist of 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 in service and delivered, 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, whereas one articulated transit bus represents two EUs. 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 information can be found in Appendix B.

FINANCIAL RESULTS

NFI's 2022 Q4 financial results were significantly impacted by continued global supply chain challenges, and the impact of heightened inflation and surcharges and rapid foreign exchange movements on legacy contracts. In 2022 Q4, the Company took the prudent approach to reduce production rates to align with supply chain lead times and allow for teams to complete offline work-in-progress ("WIP") inventory. This resulted in lower than planned new vehicle deliveries and negative impacts to financial performance metrics within the Company's Manufacturing business segment ("Manufacturing"). The Company's end markets are recovering from the pandemic, which is demonstrated by recent order activity, a record North American bid environment and unprecedented government funding for public transit. The Aftermarket business segment ("Aftermarket") experienced a small decrease in year-over-year margin results in North America, United Kingdom, and Europe, despite consistent revenues.

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

Deliveries (EUs)	**2022 Q4**	**2021 Q4**	***% Change***	**Fiscal 2022**	**Fiscal 2021**	***% Change***
Transit buses	764	855	*(10.6)%*	2,253	2,765	*(18.5)%*
Motor coaches	169	192	*(12.0)%*	524	678	*(22.7)%*
Medium-duty and cutaway	101	40	*152.5%*	262	340	*(22.9)%*
New vehicle deliveries	1,034	1,087	*(4.9)%*	3,039	3,783	*(19.7)%*
Pre-owned coach	68	38	*78.9%*	190	389	*(51.2)%*
Zero-emission deliveries (included in the above totals)	328	331	*(0.9)%*	693	661	*4.8%*
Zero-emission deliveries as a percentage of total new vehicle deliveries	31.7%	30.5%	*3.9%*	22.8%	17.5%	*30.3%*

Revenue (dollars in millions)	**2022 Q4**	**2021 Q4**	***% Change***	**Fiscal 2022**	**Fiscal 2021**	***% Change***
Transit buses	441.8	441.8	*—%*	1,212.5	1,429.5	*(15.2)%*
Motor coaches	97.7	122.5	*(20.2)%*	296.2	361.6	*(18.1)%*
Medium-duty and cutaway	12.8	5.4	*137.0%*	31.7	35.3	*(10.2)%*

Total New Vehicle Revenue	**552.3**	**569.7**	***(3.1)%***	**1,540.4**	**1,826.4**	***(15.7)%***
Pre-owned coach revenue	5.2	2.3	*126.1%*	12.8	20.7	*(38.2)%*
Infrastructure SolutionsTM	2.7	4.0	*(32.5)%*	8.5	17.6	*(51.7)%*
Fiberglass reinforced polymer components	2.2	1.3	*69.2%*	7.0	5.1	*37.3%*
Manufacturing Revenue	**562.4**	**577.3**	***(2.6)%***	**1,568.7**	**1,869.8**	***(16.1)%***
Aftermarket	120.2	117.5	*2.3%*	485.2	474.0	*2.4%*
Total Revenue	**682.6**	**694.8**	***(1.8)%***	**2,053.9**	**2,343.8**	***(12.4)%***
North America	503.3	465.7	*8.1%*	1,555.0	1,776.3	*(12.5)%*
United Kingdom and Europe	165.2	181.2	*(8.8)%*	440.8	440.5	*0.1%*
Asia Pacific	14.1	47.9	*(70.6)%*	58.1	127.0	*(54.3)%*

Manufacturing revenue for 2022 Q4 decreased by $15.0 million, or 2.6%, compared to 2021 Q4. The decrease was driven by lower deliveries within heavy-duty transit and motor coach, somewhat offset by higher average sale prices of heavy-duty transit vehicles and increased deliveries of medium-duty and low floor cutaway vehicles. Overall deliveries are down significantly relative to pre-COVID-19 levels due to global supply chain logistics challenges and related production inefficiencies. These challenges are largely the result of suppliers recovering from impacts of the COVID-19 pandemic, which has created numerous bottlenecks in the supply chain and disruptions to certain parts availability. WIP inventory decreased by $125.7 million from Q3 2022, as many buses awaiting parts have been completed and delivered. The previously disrupted control module supply, originally announced in 2022 Q2, that impacted the completion of a significant number of North American transit buses, has recovered according to plan, however the alternate modules developed, has introduced certain other delays. During 2022 Q4, the Company completed and delivered the remaining buses that were missing these specific module components generating a positive impact, lowering WIP by $38.6 million, or 68 EUs.

Quarterly revenue of the Company's Infrastructure SolutionsTM division declined by $1.3 million. The decrease is primarily due to the timing of revenue recognition on open contracts. Global supply chain challenges have had a residual effect on infrastructure and charger commissions resulting in delays to Infrastructure SolutionsTM revenue recognition. Since its inception, Infrastructure SolutionsTM has been responsible for the delivery of 311 plug-in and 33 on-route charger projects for 51 different customers.

Aftermarket revenue for 2022 Q4 increased by $2.7 million, or 2.3% compared to 2021 Q4. The increase is mainly related to increased volume in the North America region, this increased volume is despite of a one-week decrease in the period compared to 2021 Q4. The Company continues to benefit from a multi-year retrofit program in the Asia-Pacific region, which continued throughout 2022, but at a lower run rate. Fiscal 2022 sales under the program were $58.1 million, a decrease of $68.9 million compared to Fiscal 2021 sales of $127.0 million; this multi-year retrofit program is expected to unwind in 2023 Q1.

Net Earnings (Loss) **(dollars in millions, except per share amounts)**	**2022 Q4**	**2021 Q4**	***% Change***	**Fiscal 2022**	**Fiscal 2021**	**% Change**
Manufacturing	(147.1)	(34.3)	*(328.9)%*	(309.5)	(55.7)	*(455.7)%*
Aftermarket	18.6	21.2	*(12.3)%*	67.0	83.3	*(19.6)%*
Corporate	(21.9)	4.4	*(597.7)%*	(35.2)	(42.2)	*16.6%*
Net Loss	**(150.4)**	**(8.7)**	***(1,628.7)%***	**(277.8)**	**(14.5)**	***(1,815.9)%***
Adjusted Net Loss[1]	(23.6)	(15.6)	*(51.3)%*	(161.6)	(12.1)	*(1,235.5)%*
Net Loss per Share	(1.94)	(0.12)	*(1,516.7)%*	(3.60)	(0.21)	*(1,614.3)%*
Adjusted Net Loss per Share[1]	(0.31)	(0.21)	*(47.6)%*	(2.09)	(0.17)	*(1,129.4)%*

Adjusted EBITDA[1] **(dollars in millions)**	**2022 Q4**	**2021 Q4**	***% Change***	**Fiscal 2022**	**Fiscal 2021**	***% Change***
Manufacturing	(30.5)	(7.7)	*(296.1)%*	(149.2)	51.7	*(388.6)%*
Aftermarket	22.9	25.1	*(8.8)%*	86.2	98.7	*(12.7)%*
Corporate	2.5	8.8	*(71.6)%*	3.9	13.8	*(71.7)%*
Total Adjusted EBITDA[1]	**(5.1)**	**26.2**	***(119.5)%***	**(59.1)**	**164.2**	***(136.0)%***
Adjusted EBITDA as a percentage of revenue						
Manufacturing	(5.4) %	(1.3) %	*(315.4)%*	(9.6) %	2.8%	*(442.9)%*
Aftermarket	19.0%	21.3%	*(10.8)%*	17.9%	20.8%	*(13.9)%*
Total	**(0.7) %**	**3.8%**	***(118.4)%***	**(2.9) %**	**7.0%**	***(141.4)%***

1. Non-IFRS Measure - See Non-IFRS and Other Financial Measures section.

2022 Q4 Manufacturing Adjusted EBITDA decreased by $22.8 million, or 296.1%, compared to 2021 Q4. The decrease was driven by a decrease in deliveries, unfavorable sales mix, and heightened inflation and surcharges. Decreased margins were the result of operational and production inefficiencies caused by continuing supply disruptions. In addition, the Company did not receive any government wage subsidy grants in 2022 Q4, as

compared to $2.3 million received in 2021 Q4, as the programs were either discontinued or NFI was no longer eligible. Manufacturing experienced a 2022 Q4 net loss of $147.1 million compared to a net loss of $34.3 million in 2021 Q4. The increase in Manufacturing net loss was mainly attributable to a $103.9 million non-cash goodwill impairment charge in ARBOC ($23.2 million) and the ADL Manufacturing ($80.7 million) cash generating units ("CGUs"). The goodwill impairment reflects increases in market rates, as well as timing of the market recovery from the COVID-19 pandemic and the related supply chain disruptions. Also contributing to the net loss are the same items that impacted Manufacturing Adjusted EBITDA.

2022 Q4 Aftermarket realized Adjusted EBITDA results of $22.9 million, a $2.2 million, or 8.8%, year-over-year decrease. The decrease in Adjusted EBITDA was primarily due to product mix and inflationary impacts to both freight and part costs and freight surcharges, where the Company was not fully able to pass along these impacts to its customers. 2021 Q4 saw the Company achieve heightened Aftermarket Adjusted EBITDA results, partially related to a multi-year retrofit program in the Asia-Pacific region, which will continue into 2023 Q1, but at a lower run rate as the program unwinds. 2022 Q4 Aftermarket net earnings decreased by $2.6 million, or 12.3%, primarily due to the same items that impacted Aftermarket Adjusted EBITDA.

2022 Q4 Corporate Adjusted EBITDA decreased by $6.2 million, or 71.6%, compared to 2021 Q4, primarily as a result of foreign exchange revaluation adjustments to monetary balances. Corporate expenses included in the calculation of net loss increased by $26.4 million, or 597.7%, primarily due to increased interest on long-term debt and unfavourable mark-to-market adjustments to the Company's interest rate swaps. These are somewhat offset by a favourable fair value adjustment to the Company's convertible debenture cash conversion option.

Free Cash Flow[1] and net cash generated by operating activities (dollars in millions, except per share amounts)	**2022 Q4**	**2021 Q4**	***% Change***	**Fiscal 2022**	**Fiscal 2021**	***% Change***
Net cash (used in) generated by operating activities	1.5	150.2	*(99.0)%*	(241.9)	115.2	*(310.0)%*
Free Cash Flow	(21.8)	(18.9)	*(15.3)%*	(170.3)	23.0	*(840.4)%*
Free Cash Flow (CAD dollars)	(29.5)	(23.9)	*(23.4)%*	(224.9)	28.5	*(889.1)%*
Declared Dividends (CAD dollars)	—	16.4	*(100.0)%*	12.3	61.6	*(80.0)%*
Free Cash Flow per Share (CAD dollars)[2]	(0.38)	(0.33)	*(15.2)%*	(2.91)	0.41	*(809.8)%*
Dividends per Share (CAD dollars)	—	0.21	*(100.0)%*	0.16	0.85	*(81.2)%*
Payout Ratio (Declared Dividends divided by Free Cash Flow)[2]	—%	(68.6)%	*(100.0)%*	(5.5)%	216.1%	*(102.5)%*

1. Non-IFRS Measure - See Non-IFRS and Other Financial Measures section.

2. 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 Free Cash Flow, which is a non-IFRS measure. See Non-IFRS and Other Financial Measures section.

Free Cash Flow in 2022 Q4 decreased by $2.9 million, or 15.3%, compared to 2021 Q4, mainly due to a higher Adjusted EBITDA loss and higher outflows from changes in non-cash working capital. "NFI Forward", the Company's transformational restructuring initiative to generate cost savings, generated Adjusted EBITDA savings of $18.5 million and an additional $3.0 million Free Cash Flow savings in the quarter.

Net cash generated by operating activities in 2022 Q4 was $1.5 million, a decrease of $148.7 million or 99.0%, compared to cash generated in 2021 Q4, mainly due to the increase in cash used in working capital. The Fiscal 2022 net cash generated by operating activities decreased by 310.0%, primarily due to a increase in net losses and cash used in working capital.

	2022 Q4	**2022 Q3**	**2022 Q2**	**2022 Q1**	**2021 Q4**
Working Capital Days[1]	68	70	72	70	69
Liquidity ($ million)[1]	$ 173.5	$ 471.4	$ 628.5	$ 649.0	$ 794.3
Backlog (EUs)	9,186	8,505	9,674	8,908	8,448
ROIC[1]	(4.4)%	(3.3)%	(1.5)%	1.1%	3.6%

1. Working Capital Days and Liquidity represent supplementary financial measures. ROIC represents a non-IFRS ratio for the last 12-month period. See Non-IFRS and Other Financial Measures section.

As part of the Company's increased focus on cash conversion and leverage reduction, the Company is actively focused on reducing Working Capital Days, especially as it navigates through supply-related disruption to its operations. In 2022 Q4, Working Capital Days were 68, compared to 70 at the end of 2022 Q3, and 69 at the end of 2021 Q4. The decrease in Working Capital Days in 2022 Q4 compared to 2022 Q3 is mostly attributable to the decrease in average working capital balances, mainly due to decreases in WIP inventory. WIP inventory decreased by $125.7 million as buses previously awaiting parts have been completed and delivered.

The Company's liquidity position, which combines cash on-hand plus available capacity under its credit facilities, without consideration given to the minimum liquidity requirement ($25 million) under the Amended Facilities[1], was $173.5 million as at the end of 2022 Q4, down $297.9 million from the end of 2022 Q3, where the minimum liquidity requirement was $250 million. The decrease in liquidity is primarily due to amendments to both the Company's credit and UK facilities. Total borrowing under the amended credit facility has decreased to $1 billion, a $250 million decrease. Total borrowing under the amended UK facility has decreased to £40 million, a £10 million decrease. Also contributing to the decrease in liquidity is increased drawings under the amended facilities.

At the end of 2022 Q4, the Company's total backlog (firm and options) was 9,186 EUs, an increase of 7.8% compared to 8,505 EUs at the end of 2022 Q3. The increase was driven by high levels of new awards in North American and UK transit operations in the quarter, offset somewhat by higher deliveries and option expiries. In addition, 806 EUs of new firm and option orders were pending from customers at the end of 2022 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.

LTM 2022 Q4 ROIC decreased by 1.1% from LTM 2022 Q3, due to the decrease in Adjusted EBITDA offset by a lower invested capital base. The decrease in invested capital is primarily due to a decrease in shareholders' equity, partially offset by the increase in average long-term debt.

Footnotes

1. As defined in the Capital Allocation section.

2022 Q4 HIGHLIGHTS

Similar to the first three quarters of 2022, the fourth quarter of 2022 continued to be a representation of the broader operating and economic environment, with numerous long-term positive indicators, including increases in new orders, higher contract pricing, and high backlog and bid activity, offset by near-term challenges related to supply chain disruptions and heightened inflation. Manufacturing operations continued to experience inflation impacts and operational inefficiencies resulting from global supply chain and logistics challenges which created bottlenecks and significant disruptions to NFI's operations. In response to these challenges, NFI continued to operate at reduced new vehicle input rates, primarily by adjusting production, and by delaying some new vehicle line entries to match timing of parts availability. Within the fourth quarter of 2022, the Company did see success from the various actions taken to lower vehicle inventory balances by completing buses and coaches with the required parts as they were received, with WIP inventory decreasing by $125.7 million during the fourth quarter.

The supply chain disruptions and uncertainty have been especially challenging to NFI and others in the bus and motor vehicle industries. The majority of NFI's transit and coach customer orders are highly customized, with significant specification requirements by customers. In addition, production is typically subject to local content rules, such as Buy America provisions or local manufacturing requirements. These various factors limit the Company's ability to use alternative sources of supply and require dedicated manufacturing facilities for different product types by region.

NFI's customers continue to be very accommodating to the supply chain challenges that have continually adjusted the Company's production and delivery schedules. NFI has continued to communicate with its customers to provide updates and coordinate delivery schedules based on supply availability. Similar to the third quarter of 2022, NFI worked with customers in the fourth quarter to seek vehicle price increases and/or milestone payments in response to rising input costs. As of January 1, 2023, the Company had received $36.1 million in prepayments and is continuing to work with other customers on plans that would help alleviate some of NFI's working capital investments while it navigates through the supply chain challenges. This program is ongoing and, if successful, may have a positive impact on 2023 working capital investments and operating cash flows.

In the fourth quarter of 2022, the Company announced amendments to the Company's Amended Facilities to provide covenant relief from previous key financial covenants for the fourth quarter of 2022 and the first two quarters of 2023 to the period ending June 30, 2023 (the "Waiver Period"). The full details of these amendments can be found in the Capital Allocation section of this MD&A.

NFI and its banking syndicate partners are now focused on developing new long-term credit arrangements, and NFI will be seeking agreements that provide appropriate capacity and covenants matched to the Company's anticipated financial performance and recovery. The Company is targeting completion of these changes prior to the end of the Waiver Period.

Subsequent to quarter end, the Company announced that it had finalized agreements for the previously announced financial support package of approximately $187 million with the Manitoba Development Corporation, an entity that provides financial services and financial instruments on behalf of the Province of Manitoba, and Export Development Canada ("EDC"), a Canadian government Crown corporation.

The financial support package includes two debt facilities, a $37 million facility (C$50 million) from the Manitoba Development Corporation (the "Manitoba Facility") and a $50 million facility from EDC (the "EDC Facility"), as well as an up to $100 million surety reinsurance support arrangement with EDC for NFI's surety and performance bonding requirements.

Strong Market Demand and Increasing Procurements

The Company continued to see strong metrics that measure future demand and activity during the fourth quarter of 2022. In 2022 Q4, new orders increased by 60.4% year-over-year, active bids of 10,507 EUs were at record levels, up 53.5% year-over-year, with 806 EUs in bid awards pending. This positions NFI for a strong quarter of backlog growth in the first quarter of 2023. The Company's 2022 Q4 Book-to-Bill[1] ratio was 144.0%, an increase from 131.9% in 2021 Q4; its Fiscal 2022 Book-to-Bill was 133.9%, an increase from 115.1% at the same time last year.

Footnotes

1. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

NFI's Total Public Bid Universe for North America was a record 30,784 EUs, up 17.0% year-over-year. The Company ended 2022 Q4 with 5,169 EUs of bids in process (the highest quarter on record), and another 5,338 EUs of bids submitted, down from the record high of 7,226 in 2022 Q3. See Appendix B for details.

Given the highly customized nature of NFI's products, there is significant lead time between when an order is received to when a vehicle is delivered. Generally, in North America, NFI will begin production on an order six to twelve months after it is awarded. In international markets, this lead time can be anywhere from three to eight months. This pre-production period is utilized to complete final engineering, coordinate supply delivery, and align production schedules. Due to this timing structure, there is a lag between when orders are received and when they impact NFI's financial results in the form of deliveries.

Zero-Emission Mobility—The*ZE*volution™

In 2022 Q4, NFI received orders for 1,118 EUs of battery-electric, ZEBs, a 780% increase from the 127 EUs in orders received in 2022 Q3. These 1,118 EUs of ZEBs equate to 43.4% of all new firm and option orders for the quarter, which increased from 28.0% in 2022 Q3.

At the end of 2022 Q4, NFI had 2,628 ZEBs in the backlog, representing a record of approximately 28.6% of the total backlog, and 15,689 EUs, or

51.0%, of the Total Bid Universe was ZEBs, an increase of 54.6% year-over-year, which supports management's expectations for a continued increase in the demand for ZEBs.

NFI sells buses to all of the 25 largest transit authorities in North America and has electric vehicles in service with 17 of the top 25 transit agencies in North America. Within the fourth quarter of 2022, the Company announced new zero-emission and electric orders for customers in Greater Manchester, UK; Winnipeg, Canada; Pittsburgh, Pennsylvania; and San Diego, California; and MCI delivered its first zero-emission J4500 CHARGE™ to a customer in California. Alexander Dennis also announced that it had received the largest bus order in the UK by number of vehicles since 2019, for 200 low-emission double deck buses.

Low-No Grants

In 2022, as part of the Federal Transit Administration's ("FTA") 2022 Low or No Emission ("Low-No") and Buses and Bus Facilities Grant Programs, New Flyer supported the successful applications for almost $200 million in grants awarded to 15 U.S. public transit agencies. NFI was the named partner for two individual agency awards of over $25 million each, an increase from the $40 million in Low-No grants awarded to nine U.S. public transit agencies that NFI subsidiaries supported in 2021.

While New Flyer has been named as a partner, new awards will not be added to NFI's backlog until contract documentation is completed and a formal purchase order is received. New Flyer's success with Low-No and Buses and Bus Facilities grants provide future backlog growth opportunities. In addition, approximately $800 million in Low-No grants were provided to transit agencies that had not yet formally named a preferred partner, which the Company expects will generate future bidding activities going forward.

NFI Forward Update

In the quarter, NFI continued to realize savings from "NFI Forward", the Company's transformational cost reduction and sourcing initiative, which is expected to lower NFI's overhead and selling general and administrative ("SG&A") expenses by 8% to 10%, respectively, based on 2019 revenue levels, and to provide direct material savings from input cost reductions and an estimated $10 million in annualized Free Cash Flow generation. The Company has now achieved its NFI Forward target for Adjusted EBITDA savings of $67 million (from 2019 levels), one year earlier than its original target of the end of 2023. Total one-time investments incurred to achieve the NFI Forward program were $14.1 million, a $103,000 increase from 2022 Q3.

In July 2022, NFI launched a series of additional projects called "NFI Forward 2.0", that are expected to generate additional annualized Adjusted EBITDA savings in 2023 and beyond. The initial project was the integration of NFI's Delaware parts distribution facility (a legacy parts warehouse of NABI that NFI acquired in 2013) into its existing NFI Parts™ footprint, which occurred during the third quarter of 2022 and the facility has been successfully subleased. The Company is also planning to close the MCI coach manufacturing facility in Pembina, North Dakota, in the first half of 2023.

NFI Forward 2.0 will be smaller in scale and financial impact when compared to the original NFI Forward initiatives. In total, the Company believes NFI Forward 2.0 will generate $5 million to $8 million in annual savings from one-time capital investments of $8 million to $10 million. The majority of these benefits are expected to be recognized in 2023.

OUTLOOK

NFI continues to face challenges to its business from macro trends, including ongoing supply constraints, inflation in parts, raw materials and labour, and higher interest rates. While supply chain shortages have caused significant dislocation and disruption to NFI's operating and financial performance in recent years, these pressures are starting to alleviate and there are signs of improvement. Despite these broader market challenges, NFI's business outlook remains strong based on its record backlog, growing demand for its products and government funding reaching historically high levels in its core markets. NFI has received significant new orders in 2022 that support the Company's anticipated financial recovery, including new firm and option orders for 5,786 EUs, an increase of 60% from 2021. NFI's closing backlog (firm and options) was 9,186 EUs (valued at $5.6 billion).

NFI was also encouraged by the high volume of active bus and motor coach procurements taking place in both North American and international markets during 2022. The Company's North American active bids of 10,507 EUs at year end were at a record level, increasing by 53.5% year-over-year, which is expected to drive additional backlog growth in 2023, and revenue growth in the medium- and longer-term. NFI is also seeing increasing numbers of bids for zero-emission buses and coaches, with individual order sizes for those vehicle types increasing in size. In 2022 Q4, NFI received orders for 1,118 EUs of battery-electric, ZEBs, a 780% increase from the 127 EUs from 2022 Q3. NFI expects active bids will continue to remain high throughout 2023 as markets recover from the COVID-19 pandemic, supply shortages, and government funding is used by transit agencies and operators.

While the Company had anticipated it would begin to ramp-up its production in earnest during the second half of 2022 and the first half of 2023, ongoing supply chain disruption and longer supplier lead times have pushed out the expected ramp up of production to the second half of 2023; ramp up remains subject to supply chain health showing sustained improvement. NFI anticipates its supply chains and parts availability will slowly improve, and the Company will be able to source additional labour required to drive higher production and volume deliveries in 2023, with the majority of the improvements coming in the second half of the year.

Longer than anticipated supplier lead times and disrupted parts availability resulted in an increase of vehicles in inventory missing certain parts throughout 2022. NFI believes that the third quarter of 2022 was the peak of this inventory build-up; as WIP inventories decreased in the fourth quarter of 2022 once required parts were received and vehicles were completed and delivered. This included the successful delivery of all vehicles that were missing the previously disrupted control module supply.

Similar to the entire global manufacturing industry, NFI has and continues to experience significant inflation with respect to supplier pricing and employee wages, and through raw materials purchased directly by NFI. The Company embedded an anticipated level of inflation assumptions into its 2022 budget projections; however, inflation for certain components exceeded those projections. NFI has worked with customers to reprice certain contracts and a number of other contracts have clauses where a government purchase price index ("PPI") is applied which assists in passing through manufacturing cost inflation. Generally, when an option contract is exercised from NFI's North American backlog, a PPI adjustment is recorded to reflect the higher input costs of a new vehicle. For those contracts where these clauses are not applicable, NFI is seeking price increases and surcharges through negotiations with customers and surcharge letters. The Company has experienced some success with these efforts and expects

they will help offset some of the inflation related margin pressure on select 2023 vehicle builds.

NFI has completed the majority of its legacy contracts bid in 2020 and 2021 that are impacted by heightened inflation, but, due to supply chain constraints on delivery schedules, some depressed margin contracts will be realized in NFI's expected 2023 results.

Credit Agreement Discussions and Deleveraging the Balance Sheet

With covenant relief in place under the Company's amended facilities until June 30, 2023, management is now focused on working with its banking syndicate partners to develop new multi-year credit arrangements. NFI will be seeking agreements that provide appropriate capacity, flexibility, and covenants which support the Company's anticipated operational and financial recovery. The Company is targeting completion of revised credit arrangements during the first half of 2023.

As the Company works to complete the new credit agreements, it remains focused on cash management, liquidity and strengthening its balance sheet. Proceeds from the Manitoba Facility and the EDC Facility received in January 2023, will provide additional liquidity as will the continuing unwind of working capital primarily related to investments in WIP and raw material inventory. The inventory unwind will be somewhat offset by the impacts of deferred revenue where NFI received prepayments and deposits in 2022. In total, NFI anticipates it will see a net inflow of cash from working capital in 2023. NFI is also continuing to pursue advance payments and deposits from customers, wherever possible, and exploring other potential opportunities to generate cash flows, including capital markets activities and potential sale and leaseback of select Company manufacturing facilities.

The Company has two interest rate swaps in place to fix the interest rate which the Company will pay. One swap is in place on $540.0 million at 2.27% plus an applicable margin until October 2023 and another on $200 million at 0.24% plus an applicable margin that matures in 2024. The Company also has a 5% annual coupon rate on its convertible debentures which mature in 2027. These have assisted in lowering the Company's exposure to floating interest rate increases, although the Company does expect it will see an increase in interest costs in 2023 as the $540 million interest rate swap matures and higher base interest rates apply to debt portions that do not have an interest rate swap in place.

As the Company expects to be unable to comply with certain of its financial covenants under the terms of its credit facilities beginning on July 1, 2023. These events result in a material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. The audited consolidated financial statements do not reflect adjustments that would be necessary if the Company was not a going concern. The Company expects operations to continue into the long-term. The Company is taking a number of operational steps including cost savings measures to ensure adequate short-term liquidity. Additionally, the Company is continuing to work directly with suppliers and sub-suppliers to search for alternate or substitute parts where possible, increase production line parts inventories and develop longer lead times to better support new vehicle production.

In assessing whether the going concern assumption was appropriate, the Company took into account all relevant information available about the future including its backlog, demand for its products, government funding levels in its core markets and the Company's ability to raise additional capital from various sources, including capital markets.

Market Recovery Post-COVID-19 Pandemic and Supply Chain Constraints

The Company’s bus and coach product lines (New Flyer, ARBOC, MCI and ADL) are primarily used for public transit, which remains a critical method of transportation and economic enabler for users in cities around the world. Public transit has also been a significant area of investment focus for governments as they seek to improve ridership access, reduce urban congestion, and achieve emissions targets. These investments increased NFI's new orders in 2022, that when combined with existing backlog and bid activity, are expected to drive significant revenue growth for NFI from 2023 through 2025 and beyond. This anticipated revenue growth when combined with expected improvements in margins from operating efficiencies and movement beyond current inflationary pressures, are also expected to generate Adjusted EBITDA improvements.

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 procurements. In addition to funding, ridership has started to recover, with American Public Transportation Association ("APTA") reporting that public transit ridership in the U.S. for September 2022 surpassed 70% of pre-pandemic levels.

Late in Fiscal 2021, NFI began to experience significant supplier disruption across key components such as windows, air conditioning units, emission systems, plastics, hoses and key electrical components that contain micro-processors. The Company saw some improvement in the second quarter of 2022, but critical electrical components remained a significant challenge. In the third and fourth quarters of 2022 there was further disruption driven by wire harnesses, electrical hybrid drive systems and inverters for electric buses. There was some improvement in supply of these components, especially wire harnesses, to end 2022 and at the start of 2023 electrical sub-component supply has improved to NFI's Tier 1 suppliers. Overall risks remain elevated for certain suppliers who are reliant on electrical components and microprocessors. NFI has taken numerous proactive efforts to improve supply chain health including the use of alternative suppliers, working several levels down in the supply chain, finding components for our Tier 1 suppliers, increasing inventories of raw materials on hand, and increasing our lead times to suppliers, in some cases moving from 6 weeks of lead time to more than 12 weeks. Based on discussions with suppliers the Company continues to expect that suppliers will be able to support NFI's planned production ramp-up in the second half of 2023.

NFI's overall continued end market recovery will be dependent upon several factors, including inflation rates, labour availability, reliability of supply of component parts, government funding for public transit, other COVID-19-related impacts, and green fleet investments. These factors will differ by business, product type and geography. It is also important to note that there are significant lead times between when NFI receives an order and when a vehicle enters production.

Strong Government Support for Recovery and Zero-Emission Transition

In each of NFI’s end markets, government support for public transit vehicles continues to be at an all-time high. Not only has government support for transit operations remained strong during the global pandemic, governments have also committed billions of dollars for long-term fleet investments in zero-emission vehicles and infrastructure.

In the U.S., the Infrastructure Investment and Jobs Act ("IIJA") signed in 2021 includes $86.9 billion over five years for the FTA; the IIJA also authorized an additional $21.2 billion in supplemental appropriations from general revenues, for a total of $108 billion in FTA funding, a 63% increase from the previous government funding act. Generally, U.S. public agencies can secure up to 80% of the capital costs for a new transit bus from FTA funds, with the remaining 20% coming from state and local sources. The Canadian government has committed over C$17 billion to 2027 to support

Canadian public transit. The funding includes C$1.5 billion flowing through the Canada Infrastructure Bank ("CIB") to support the adoption of ZEBs and charging infrastructure.

The UK government also continues to support purchases of low- and zero-emission buses, and has previously committed to introducing 4,000 British-built zero-emission buses through its various funding programs, with several rounds of the Zero Emission Bus Regional Areas, or ZEBRA, funding scheme having already been released. Alexander Dennis has received several customer orders for ZEBs funded by ZEBRA.

As the market leader in North American transit and coach operations and the UK's leading provider of buses and coaches, management believes NFI is extremely well-positioned for both the near- and long-term based on the multi-year commitments being made by governments in all of the Company's core markets.

The Company also continues to focus on growing its Infrastructure Solutions™ business. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 311 plug-in and 33 overhead charger projects, for a total of 58 megawatts ("MW") charging capacity, for 51 different customers. Currently, Infrastructure Solutions™ has projects under contract for 2023/24 with 10 existing and 7 new customers, which will add 140 plug-in and 32 overhead depot chargers, for a total of 41 MW.

Other International Markets

NFI's international expansion through ADL is expected to continue, with plans for further growth in new and existing markets including New Zealand, Australia, Hong Kong, Singapore and Germany where multi-year, multi-million dollar funding investments are being made by governments with commitments to deliver zero-emission transportation.

Although the proposed legislation, government plans and announcements referred to above are encouraging for the future of public transit, management does not yet know how, when or if the proposals and funds will materialize, contracts will be awarded to the Company, or the expected impact on NFI's financial performance. NFI will continue to monitor and provide updates as appropriate. Management anticipates that the strong underlying financial support from governments will provide significant opportunities for NFI to grow revenue from increased market demand for its products.

Financial Guidance and Targets

NFI presents the following guidance for Fiscal 2023 and Fiscal 2024, and targets for Fiscal 2025:

	2019 Pro-forma Results	2023 Guidance	2024 Guidance	2025 Targets
Revenue	$3.2 billion	$2.5 to $2.8 billion	$3.2 to $3.6 billion	~$4 billion
ZEB (electric) as a percentage of manufacturing sales	6%	25% - 30%	30% - 35%	~40%
Adjusted EBITDA[2]	$331 million	$30 to $60 million	$250 to $300 million	~$400 million
Cash Capital Expenditures – including NFI Forward 2.0	$38 million	$35 to $40 million	$50 to $60 million	~$50 million
Return on Invested Capital - provided for 2025 targets	9.8%			>12%

1. Non-IFRS Measure. See Non-IFRS and Other Financial Measures section.

The above table outlines guidance ranges for selected Fiscal 2023 and Fiscal 2024 financial metrics and 2025 financial targets. These ranges take into consideration management's current outlook combined with 2022 and 2023 year-to-date results and are based on the assumptions set out below. The purpose of the financial guidance and targets are to assist investors, shareholders, and others in understanding management's expectations for the Company's financial performance going forward. The information may not be appropriate for other purposes. Information about guidance and targets, 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.

NFI has adjusted its Fiscal 2025 long-term targets, originally announced in January 2021, with expectations to now deliver approximately $4 billion in revenue, and Adjusted EBITDA of approximately $400 million, with ~40% of vehicle sales coming from ZEBs and a ROIC of greater than 12% (unchanged). The original targets were for $3.9 to $4.1 billion of revenue, $400 to $450 million of Adjusted EBITDA and a ROIC of greater than 12%. The 2025 targets have been lowered slightly to reflect the anticipated timing of market recoveries based on the challenges experienced in 2022 and the expectation that the first half of 2023 will continue to be challenged by supply disruption and that new vehicle production rates will not increase until later in 2023. In addition, the expected timing of significant UK government funding for fleet replacements has been moved from 2023 and 2024 into 2024 and 2025, impacting the anticipated timing of vehicle delivery volumes in that market.

The 2023 and 2024 guidance ranges provided above and the 2025 targets are driven by numerous expectations and assumptions including, but not limited to, the following:

a. **Revenue:** Anticipated revenue growth in 2023, 2024 and 2025 is based on NFI's firm order backlog, current 2023 and 2024 production schedules, expected backlog option order conversion, and anticipated 2023, 2024 and 2025 new vehicle orders and aftermarket parts sales. Revenue guidance and targets reflect higher volume of ZEB sales and anticipated product mix benefits plus expected international sales expansion. The guidance ranges also reflect potential variances in delivery volumes from supply disruption, product mix and expected timing of production recovery driving improved efficiency in the second half of 2023 and Fiscal 2024 and Fiscal 2025.

b. **ZEB Sales:** Expected growth in the percentage of ZEB sales is based on NFI's firm order backlog, the Company's existing vehicle inventory, 2023 and 2024 production schedules, anticipated 2023, 2024 and 2025 new vehicle orders, anticipated backlog option order conversion and from review of customers capital and fleet renewal plans that suggest there will continue to be increases in their demand for electric vehicles.

c. **Adjusted EBITDA**: Adjusted EBITDA is expected to increase in both 2023, 2024 and 2025 as the Company anticipates recoveries in new vehicle deliveries, changes to product mix, a higher percentage of ZEB deliveries and improved operating margins, especially from the second half of 2023 onwards, due to anticipated recovery in supply chain health. In addition, while there will be some impact to margins from legacy inflation adjusted contracts in 2023, the majority of NFI's contracts going forward reflect updated pricing with higher input costs and inflation adjustments. In addition, the Company has now achieved its targeted cost savings of $67 million from the NFI Forward initiative, which are expected to continue, and anticipates an additional $5 million to $8 million of additional savings from projects entitled NFI Forward 2.0. The total cost savings achieved under NFI Forward are expected to be somewhat offset by the impacts of inflation on wage and other input costs.

d. **ROIC:** 2025 Targets are driven by the factors noted above combined with the expectation that there will not be significant changes in tax rates from current levels.

Guidance and targets above are conditional on several factors and expectations, including the recovery of supply chains and other COVID-19-related impacts, a higher percentage of ZEB sales (which provide a higher revenue and dollar margin benefit), the mitigation of inflationary pressures, end markets recovering inline with management expectations, international expansion, aftermarket parts sales, continuous improvement initiatives as well as obtaining a new multi-year credit agreement and availability of adequate liquidity.

NFI's guidance and targets are subject to the risk of extended duration of the current supply disruptions and the risk of additional supply disruptions affecting particular key components. In addition, the guidance and targets do not reflect potential escalated impact on supply chains or other factors arising directly or indirectly as a result of the ongoing Russian invasion of Ukraine. Although NFI does not have direct suppliers based in Russia or Ukraine, additional supply delays and possible shortages of critical components may arise as the conflict progresses and if certain suppliers' operations and/or subcomponent supply from affected countries are disrupted further. In addition, there may also be further general industry-wide price increases for components and raw materials used in vehicle production as well as further increases in the cost of labour and potential difficulties in sourcing an increase in the supply of labour. See Appendix C Forward Looking Statements for risks and other factors and the Company's filings on SEDAR.

SELECTED QUARTERLY AND ANNUAL FINANCIAL AND OPERATING INFORMATION

The following selected condensed 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.

(U.S. dollars in thousands, except per Share figures)

Fiscal Period	Quarter	Revenue	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[1]	Earnings (loss) per Share
						2022
	Q4	682,604	(140,153)	(150,360)	(5,103)	(1.94)
	Q3	514,047	(43,479)	(42,595)	(15,709)	(0.56)
	Q2	397,952	(64,218)	(56,740)	(21,345)	(0.74)
	Q1	459,330	(41,763)	(28,068)	(16,942)	(0.36)
	Total	**2,053,933**	**(289,613)**	**(277,763)**	**(59,099)**	**(3.60)**
						2021
	Q4	694,843	(4,785)	(8,691)	26,154	(0.12)
	Q3	492,038	(2,797)	(15,415)	31,330	(0.22)
	Q2	582,794	26,675	2,588	51,856	0.04
	Q1	574,119	26,918	7,033	54,841	0.10
	Total	**2,343,794**	**46,011**	**(14,485)**	**164,181**	**(0.21)**
						2020
	Q4	711,523	32,531	8,465	64,956	0.14
	Q3	663,934	(16,453)	(24,912)	60,885	(0.40)
	Q2	333,334	(72,001)	(74,050)	(24,229)	(1.18)
	Q1	710,384	(25,406)	(67,239)	56,071	(1.08)
	Total	**2,419,175**	**(81,329)**	**(157,736)**	**157,683**	**(2.52)**

COMPARISON OF FOURTH QUARTER 2022 RESULTS

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Statement of Earnings Data				
Revenue				
North America	408,192	379,501	1,179,846	1,428,001
United Kingdom and Europe	145,265	161,867	361,681	362,052
Asia Pacific	8,907	35,970	27,234	79,713
Other	—	—	—	—
Manufacturing operations	562,364	577,338	1,568,761	1,869,766
North America	95,102	86,242	375,103	348,247

	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
United Kingdom and Europe	19,954	19,311	79,166	78,448
Asia Pacific	5,184	11,952	30,903	47,333
Other	—	—	—	—
Aftermarket operations	120,240	117,505	485,172	474,028
Total revenue	$ 682,604	$ 694,843	$ 2,053,933	$ 2,343,794
(Loss) earnings from operations	$ (140,153)	$ (4,785)	$ (289,613)	$ 46,011
(Loss) earnings before interest and income taxes	$ (136,634)	$ (10,398)	$ (288,450)	$ 34,108
Net Loss	$ (150,360)	$ (8,691)	$ (277,763)	$ (14,484)
Adjusted EBITDA[1]	$ (5,103)	$ 26,154	$ (59,099)	$ 164,181
Cash capital expenditures	$ 4,732	$ 12,948	$ 21,371	$ 33,514

1. Non-IFRS Measure - See Non-IFRS and Other Financial Measures section.

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

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Manufacturing Revenue	562,364	577,338	1,568,761	1,869,766
Aftermarket Revenue	120,240	117,505	485,172	474,028
Total Revenue	682,604	694,843	2,053,933	2,343,794
(Loss) earnings from Operations	(140,153)	(4,785)	(289,613)	46,011
(Loss) earnings before interest and income taxes	(136,634)	(10,398)	(288,450)	34,108
Loss before income tax expense	(161,308)	(9,757)	(325,184)	(4,928)
Net Loss	(150,360)	(8,691)	(277,763)	(14,484)

Manufacturing revenue for 2022 Q4 decreased by $15.0 million, or 2.6%, compared to 2021 Q4. Manufacturing revenue for Fiscal 2022 decreased by $301.0 million, or 16.1%, compared to Fiscal 2021. 2022 Q4 revenue decreased as a result of decreased deliveries during the quarter. Fiscal 2022 figures decreased primarily as a result of the overall reduction in deliveries resulting from global supply chain and logistics challenges, which created numerous bottlenecks in the supply chain and disruptions to parts availability, resulting in operational inefficiencies.

Aftermarket revenue for 2022 Q4 increased by $2.7 million, or 2.3% compared to 2021 Q4. Aftermarket revenue for Fiscal 2022 increased by $11.1 million, or 2.4%, compared to Fiscal 2021. The increase in revenue for both periods is related to increased volume, the increased volume is despite the additional week in 2021 Q4. The Company also continues to benefit from a multi-year retrofit program in the Asia-Pacific region, which has continued throughout 2022, but at a lower run rate as the program unwinds. This decrease of sales in the Asia-Pacific region is offset by increases in the North America region.

Cost of sales

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Manufacturing				
Direct cost of sales	491,847	478,929	1,372,231	1,505,047
Depreciation and amortization	19,867	22,490	77,788	86,539
Other overhead	63,153	72,583	204,132	189,736
Manufacturing cost of sales	574,867	574,002	1,654,151	1,781,322
As percent of Manufacturing Sales	102.2%	99.4%	105.4%	95.3%
Aftermarket				
Direct cost of sales	83,094	77,340	339,945	316,261
Depreciation and amortization	2,713	2,629	10,707	10,616
Aftermarket cost of sales	85,807	79,969	350,652	326,877
As percent of Aftermarket Sales	71.4%	68.1%	72.3%	69.0%
Total Cost of Sales	660,674	653,971	2,004,803	2,108,199
As percent of Sales	96.8%	94.1%	97.6%	89.9%

The consolidated cost of sales for 2022 Q4 increased by $6.7 million, or 1.0%, compared to 2021 Q4. The consolidated cost of sales for Fiscal 2022 decreased by 103.4 million, or 4.9%, compared to Fiscal 2021.

Cost of sales from Manufacturing operations in 2022 Q4 was $574.9 million (102.2% of Manufacturing operations revenue) compared to $574.0 million (99.4% of Manufacturing operations revenue) in 2021 Q4, an increase of $0.9 million, or 0.2%. Cost of sales from Manufacturing operations in Fiscal 2022 was $1.7 billion (105.4% of Manufacturing operations revenue) compared to $1.8 billion (95.3% of Manufacturing operations revenue) in Fiscal

2021. Cost of sales increased as a percentage of revenue in both periods, mainly due to operational inefficiencies resulting from supply shortages and impacts of inflation. Government grant programs, which were primarily received to assist with the retention of skilled personnel, ended and therefore resulted in no amounts being recorded in 2022 compared to the significant support received in the same period in 2021, resulting in lower cost of sales as a percentage of revenue in the prior year.

Cost of sales from Aftermarket operations in 2022 Q4 was $85.8 million (71.4% of Aftermarket revenue) compared to $80.0 million (68.1% of Aftermarket revenue) in 2021 Q4, an increase of 3.3% as a percentage of revenue. Cost of sales from Aftermarket operations in Fiscal 2022 was $350.7 million (72.3% of Aftermarket revenue) compared to $326.9 million (69.0% of Aftermarket revenue) in Fiscal 2021. Cost of sales increased as a percentage of revenue in both periods primarily due to product mix and the effects of inflation, including freight costs, that were not fully transferred to the end customer.

Gross Margins

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Manufacturing	(12,520)	3,336	(85,409)	88,445
Aftermarket	34,432	37,536	134,520	147,150
Total Gross Margins	21,912	40,872	49,111	235,595
As a percentage of sales				
Manufacturing	(2.2) %	0.6%	(5.4) %	4.7%
Aftermarket	28.6%	31.9%	27.7%	31.0%
	3.2%	5.9%	2.4%	10.1%

There was negative gross margin in Manufacturing for 2022 Q4 of $12.5 million ((2.2%) of Manufacturing revenue), which decreased by $15.9 million compared to a gross margin of $3.3 million (0.6% of revenue) for 2021 Q4. There were negative gross margins in Manufacturing for Fiscal 2022 of $85.4 million ((5.4)% of Manufacturing revenue), which decreased by 173.9 million, or 196.6%, compared to a gross margin of $88.4 million (4.7% of Manufacturing revenue) in Fiscal 2021.

Manufacturing gross margin decreased as a percentage of revenue in both periods, mainly due to heightened inflation and operational inefficiencies resulting from supply chain and logistics challenges. The supply chain challenges that caused a shortage of key parts caused low production volumes, resulting in the Company absorbing more fixed overhead on a per unit basis. At the end of 2021, the Company was no longer eligible for government grants, which were primarily received to assist with the retention of skilled personnel. This resulted in no amounts being recorded in 2022 compared to the significant support received in the same period in 2021, contributing to a lower gross margin percentage.

Aftermarket gross margins for 2022 Q4 of $34.4 million (28.6% of Aftermarket revenue) decreased by $3.1 million, or 8.3%, compared to 2021 Q4 gross margins of $37.5 million (31.9% of Aftermarket revenue). Aftermarket gross margins for Fiscal 2022 of 134.5 million (27.7% of Aftermarket revenue) decreased by 12.6 million, or 8.6%, compared to Fiscal 2021 gross margins of 147.2 million (31.0% of Aftermarket revenue). The decrease in gross margins and gross margins as a percentage of revenue for both periods is mainly due to product mix and the effects of inflation as increases to labour, freight and product costs were not fully transferred to the end customer.

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

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Selling expenses	7,484	7,735	32,009	27,271
General and administrative expenses	48,981	46,557	198,739	176,868
Other costs	1,163	1,094	9,300	1,030
Total SG&A	57,628	55,386	240,048	205,169

The consolidated SG&A for 2022 Q4 of $57.6 million (8.4% of consolidated revenue) increased by $2.2 million, or 4.0%, compared to $55.4 million (8.0% of consolidated revenue) in 2021 Q4. The consolidated SG&A for Fiscal 2022 of $240.0 million (11.7% of consolidated revenue) increased by 34.9 million, or 17.0%, compared to $205.2 million (8.8% of consolidated revenue) in Fiscal 2021.

SG&A expenses in 2022 Q4 increased across business units to meet operational needs and have increased due to the effects of inflation. Additionally, the increase for Fiscal 2022 is impacted by a $7.0 million legal settlement which was incurred during 2022 Q2, and a liability related to the closure of the Pembina facility and the related withdrawal from the multi-employer pension plan of $7.0 million. In 2021 Q4, the Company received $2.5 million of government grants and $7.7 million for Fiscal 2021. These grants offset costs during those periods, while in 2022 the Company was no longer eligible for these specific grants that were primarily received to assist with the retention of skilled personnel. This resulted in no amounts being recorded in 2022 compared to the significant support received in the same periods in 2021, resulting in higher SG&A as a percentage of revenue.

Government Grants

The Company recorded government grants during the year on a net basis to the following categories:

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Cost of sales	—	2,039.0	—	48,382.0
Selling, general and administration costs and other operating expenses	—	295.0	—	8,059.0
Total government grants	—	2,334.0	—	56,441.0

Realized foreign exchange loss/gain

In 2022 Q4, the Company recorded a realized foreign exchange loss of $0.6 million compared to a gain of $9.7 million in 2021 Q4. In Fiscal 2022, the Company recorded a realized foreign exchange gain of $5.2 million compared to a gain of $15.6 million in Fiscal 2021.

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

Earnings (loss) from operations

Consolidated losses from operations in 2022 Q4 were $140.2 million ((20.5%) of consolidated revenue) compared to losses of $4.8 million ((0.7%) of consolidated revenue) in 2021 Q4, an increase of $135.4 million or 2820.8%. Consolidated losses from operations in Fiscal 2022 were 289.7 million ((14.1)% of consolidated revenue) compared to earnings of 46.0 million (2.0% of consolidated revenue) in Fiscal 2021.

2022 Q4 losses from operations attributable to the Manufacturing Segment were $156.6 million ((27.9)% of Manufacturing revenue) compared to losses of $35.6 million ((6.2)% of Manufacturing revenue) in 2021 Q4. Losses from Manufacturing operations in Fiscal 2022 were $356.1 million ((22.7)% of Manufacturing revenue) compared to losses of $46.0 million ((2.5)% of Manufacturing revenue) in Fiscal 2021. The decrease as a percentage of revenue in 2022 Q4 was primarily attributable to lower new vehicle deliveries, increased inflation and operational inefficiencies resulting from supply chain and logistics challenges.

Earnings from operations related to Aftermarket operations in 2022 Q4 were $17.7 million (14.7% of Aftermarket revenue) compared to $21.2 million (18.0% of Aftermarket revenue) in 2021 Q4. Earnings from operations related to Aftermarket operations in Fiscal 2022 were $66.0 million (13.6% of Aftermarket revenue) compared to $83.3 million (17.6% of Aftermarket revenue) in Fiscal 2021. Earnings from Aftermarket operations over both periods were lower due to unfavourable sales mix, and the inflationary impact on costs that were not fully passed through to the customer.

Unrealized foreign exchange gain/loss

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

(U.S. dollars in thousands)	**2022 Q4**	**2021 Q4**	**Fiscal 2022**	**Fiscal 2021**
Unrealized gain (loss) on forward foreign exchanges contracts	5,657	594	(6,631)	(4,048)
Unrealized gain (loss) on other long-term monetary assets/liabilities	(1,728)	(6,393)	7,229	(7,743)
	3,929	(5,799)	598	(11,791)

At January 1, 2023, the Company had $50 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, and GBP). The related asset of $1.7 million (January 2, 2022: $0.4 million asset) is recorded on the audited consolidated statement of financial positions as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the audited consolidated statements of net loss and total comprehensive loss.

Earnings (loss) before interest and income taxes (“EBIT”)

In 2022 Q4, the Company recorded an EBIT loss of $136.6 million compared to EBIT loss of $10.4 million in 2021 Q4. In Fiscal 2022, the Company recorded EBIT loss of $288.5 million compared to EBIT of $34.1 million in Fiscal 2021.

Interest and finance costs

The interest and finance charges for 2022 Q4 of $24.7 million increased by $25.4 million compared 2021 Q4. The quarterly increase is primarily due to higher interest cost, a fair market value loss on the adjustment to the Company's interest rate swaps and lower gain on the adjustment to the Company's embedded derivatives. The Company had a fair market value loss on the interest rate swap of $1.2 million in 2022 Q4 compared to a gain of $9.9 million in 2021 Q4. The Company had a fair market value gain on its cash conversion option of $5.6 million compared to $10.9 million in 2021 Q4.

The interest and finance charges for Fiscal 2022 of $36.7 million decreased by $2.3 million compared to Fiscal 2021. The yearly decrease is mostly related to higher fair market value gain on the adjustment to the Company's interest rate swap as well as the Company's cash conversion option, offset by increased interest related to the Company's convertible debt. The Company had a fair market value gain on the interest rate swap of $37.7 million in Fiscal 2022 compared to a gain of $23.2 million in Fiscal 2021. The Company had a fair market value gain on the cash conversion option of $16.6 million in Fiscal 2022 compared to $10.9 million in Fiscal 2021.

The fair market value adjustments on the interest rate swaps relate to risk management activities management has undertaken to reduce the uncertainty related to the Company's cost of borrowing. The Company's first interest rate swap fixes the interest rate which the Company will pay on $600.0 million of its long-term debt at 2.27% plus an applicable margin. The fixed portion amortizes $20 million annually and matures in October 2023. The notional value of the swap as at January 1, 2023 was $540 million.

On July 9, 2020, the Company entered into a $200 million amortizing notional interest rate swap designed to hedge floating rate exposure on its Credit Facility. The interest rate swap fixes the interest rate at 0.243% plus applicable margin until July 2025. The swap begins amortizing on January 9, 2023 at a rate of $20 million per annum. The Company's accounting policy does not designate these types of instruments as accounting hedges. As a result, interest rate increases will result in mark-to-market gains, while interest rate decreases will result in mark-to-market losses.

The fair value of the interest rate swap asset of $27.8 million at January 1, 2023 (January 2, 2022: liability of $30.5 million) was recorded on the audited consolidated statements of financial position as a derivative financial instruments liability and the change in fair value has been recorded in finance costs for the reported period.

Earnings (loss) before income taxes (“EBT”)

EBT loss for 2022 Q4 of $161.3 million increased by $151.6 million compared to EBT loss of $9.8 million in 2021 Q4. EBT loss for Fiscal 2022 of

$325.2 million increased by $320.3 million compared to EBT loss of $4.9 million in Fiscal 2021. The primary driver is a $103.9 million non-cash goodwill impairment charge in ARBOC ($23.2 million) and the ADL Manufacturing ($80.7 million) cash generating units ("CGUs"). The goodwill impairment reflects increases in market interest rates, as well as timing of the market recovery from the COVID-19 pandemic and the related supply chain disruptions. Other factors attributing to the changes of EBT are addressed in the Earnings (loss) from Operations and interest and finance costs sections above.

Income tax expense

The income tax recovery for 2022 Q4 was $10.9 million compared to $1.1 million in 2021 Q4. The income tax recovery is primarily due to reduced earnings before taxes, and the recognition of previously unrecognized foreign tax credits, offset by the detrimental impact of a non-deductible goodwill impairment, and the derecognition of deferred tax assets associated with Canadian loss carryforwards, and restricted interest in the UK.

The income tax recovery for Fiscal 2022 was $47.4 million compared to an expense of $9.6 million in Fiscal 2021. The increase in the overall income tax recovery is primarily due to reduced earnings before taxes, recovery of state income taxes, the recognition of previously derecognized foreign tax credits, and the impact of the revaluation of deferred tax balances due to the increase in the UK corporate tax rate from 19% to 25%, which negatively impacted the Fiscal 2021 Effective Tax Rate ("ETR"). The above beneficial items were offset by the detrimental impact of a non-deductible goodwill impairment, non-deductible foreign exchange, and the derecognition of deferred tax assets associated with both Canadian loss carryforwards, and restricted interest in the UK.

The ETR for 2022 Q4 was 6.8% and the ETR for 2021 Q4 was 10.9%. The ETR for Fiscal 2022 was 14.6% and the ETR for Fiscal 2021 was (193.9)%.

The 2022 Q4 ETR is favourably impacted by state income taxes, and the recognition of previously unrecognized foreign tax credits. These benefits are more than offset by the detrimental impact on ETR from the non-deductible goodwill impairment, combined with the derecognition of deferred tax assets associated with Canadian loss carryforwards, and restricted interest in the UK.

Net loss

The Company reported net losses of $150.4 million in 2022 Q4, an increase of 141.7 million, or 1630.1%, compared to net losses of $8.7 million in 2021 Q4. The Company reported net losses of $277.8 million in Fiscal 2022, an increase of net losses of 263.3 million, or 1817.7%, compared to net losses of 14.5 million in Fiscal 2021. The net losses are a result of the items discussed above.

Net loss (U.S. dollars in millions, except per Share figures)	**2022 Q4**	**2021 Q4**	**Fiscal 2022**	**Fiscal 2021**
(Loss) earnings from operations	(140.2)	(4.8)	(289.7)	46.0
Gain (loss) on disposition of property, plant and equipment	(0.4)	0.2	0.6	(0.1)
Unrealized foreign exchange gain (loss) on monetary items	3.9	(5.8)	0.6	(11.8)
Interest and finance costs	(24.6)	0.6	(36.7)	(39.0)
Income tax recovery (expense)	10.9	1.1	47.4	(9.6)
Net Loss	(150.4)	(8.7)	(277.8)	(14.5)
Net loss per Share (basic)	(1.9)	(0.1)	(3.6)	(0.2)
Net loss per Share (fully diluted)	(1.9)	(0.1)	(3.6)	(0.2)

The Company recorded net loss per Share for 2022 Q4 of $1.94 compared to net loss per Share of $0.12 in 2021 Q4. The Company's net loss per Share for Fiscal 2022 of $3.6 compared to a net loss per Share of $0.21 in Fiscal 2021. The per Share net loss increased in both periods as a result of decreased earnings during the period, offset by increased Shares outstanding as discussed below.

Cash Flow

The cash flows of the Company are summarized as follows:

(U.S. dollars in thousands)	**2022 Q4**	**2021 Q4**	**Fiscal 2022**	**Fiscal 2021**
Cash (used in) generated by operating activities before non-cash working capital items and interest and income taxes paid	(11,727)	23,568	(88,755)	153,180
Interest paid	(15,467)	(17,254)	(58,348)	(64,224)
Income taxes recovered (paid)	(3,044)	2,998	1,422	(19,550)
Cash flow (invested in) provided by working capital	31,743	143,848	(96,169)	45,824
Net cash (used in) generated by operating activities	1,505	153,160	(241,850)	115,230
Net cash generated by (used in) financing activities	17,175	(118,821)	238,279	(59,992)
Net cash used in investing activities	(8,504)	(18,971)	(24,531)	(30,792)

Cash flows from operating activities

The 2022 Q4 net operating cash used in operating activities of $1.5 million is mainly comprised of $30.2 million of net cash loss and $31.7 million of cash invested in working capital. The 2021 Q4 net operating cash outflow of $153.2 million is comprised of $9.3 million of net cash earnings and $143.8 million of cash generated by working capital.

The Fiscal 2022 net operating cash used in operating activities of $241.9 million is mainly comprised of $145.7 million of net cash loss and $96.2 million of cash invested in working capital. The Fiscal 2021 net operating cash inflow of $115.2 million is comprised of net cash earnings of $69.4 million and $45.8 million of cash provided by working capital.

Cash flow from financing activities

The cash generated by financing activities of $17.2 million during 2022 Q4 is comprised mainly of proceeds of revolving credit facilities of $25.8 million and proceeds from lease obligations under capital of $3.1 million. As at Fiscal 2022, $238.3 million of cash has been generated by financing activities due to the proceeds from revolving credit facilities of $285.2 million, which was offset by dividend payments of $22.4 million, and lease obligation repayments of $24.5 million.

Cash flow from investing activities

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Acquisition of intangible assets	(3,736)	(1,888)	(10,212)	(2,748)
Proceeds from disposition of property, plant and equipment	2,803	1,277	1,687	6,182
Long-term restricted deposits	—	(5,412)	5,365	(712)
Acquisition of property, plant and equipment	(4,732)	(12,948)	(21,371)	(33,514)
Cash used in investing activities	(5,665)	(18,971)	(24,531)	(30,792)

Cash used in investing activities was lower in 2022 Q4, primarily due to decreased investments in long-term restricted deposits and property, plant and equipment.

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. 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. Management has not observed, and does not anticipate, significant changes to credit risk as a result of the COVID-19 pandemic.

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. 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, and in some cases, it provides financing through its ultimate net loss program. 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 as a result of the COVID-19 pandemic.

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 consolidated statements of net loss and total comprehensive loss.

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

U.S. dollars in thousands	January 1, 2023	January 2, 2022
Current, including holdbacks	344,920	375,012
Past due amounts but not impaired		
1 – 60 days	15,931	15,857
Greater than 60 days	5,480	5,892
Less: allowance for doubtful accounts	(107)	(270)
Total accounts receivables, net	366,224	396,491

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 January 1, 2023:

U.S. dollars in thousands	Total	2023	2024	2025	2026	2027	Post 2027
Leases	208,795	25,533	20,558	16,013	13,875	12,223	120,593
Accrued benefit liability	3,700	3,700	—	—	—	—	—
	212,495	29,233	20,558	16,013	13,875	12,223	120,593

As at January 1, 2023, outstanding surety bonds guaranteed by the Company totaled $375.6 million (January 2, 2022: $375.9 million). The estimated maturity dates of the surety bonds outstanding at January 1, 2023 range from February 2023 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 Credit Facility, the Company has established a letter of credit sub-facility of $100.0 million (January 2, 2022: $100.0 million). As at January 1, 2023, letters of credit totaling $24.5 million (January 2, 2022: $11.8 million) remain outstanding as security for contractual obligations of the

Company under the Credit Facility.

As at January 1, 2023, letters of credit in the UK totaling $18.3 million remain outstanding as a security for contractual obligations of the Company outside of the UK facility (January 2, 2022: $40.6 million). Additionally, there are $25.3 million of letters of credit outstanding outside of the Credit Facility.

As at January 1, 2023, 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.

The Company does not have any off-balance sheet arrangement or any material capital asset commitments at January 1, 2023.

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 for 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.

Option Grant dates	Number	Exercised	Expired	Vested	Unvested	Expiry date	Exercise price	Fair Value at grant date
March 26, 2013	490,356	(490,356)	—	—	—	March 26, 2021	$10.20	$1.55
December 30, 2013	612,050	(602,419)	(9,631)	—	—	December 30, 2021	$10.57	$1.44
December 28, 2014	499,984	(252,233)	(11,368)	(236,383)	—	December 28, 2022	$13.45	$1.83
December 28, 2015	221,888	(19,532)	—	(202,356)	—	December 28, 2023	$26.75	$4.21
September 8, 2016	2,171	—	(2,171)	—	—	September 8, 2024	$42.83	$8.06
January 3, 2017	151,419	(1,610)	(11,888)	(137,921)	—	January 3, 2025	$40.84	$7.74
January 2, 2018	152,883	—	(29,198)	(123,685)	—	January 2, 2026	$54.00	$9.53
January 2, 2019	284,674	—	(59,186)	(169,118)	56,370	January 2, 2027	$33.43	$5.01
July 15, 2019	2,835	—	—	(2,126)	709	July 15, 2027	$35.98	$4.90
December 31, 2019	519,916	—	(78,772)	(330,861)	110,283	December 31, 2027	$26.81	$3.36
December 28, 2020	258,673	—	(26,603)	(116,041)	116,029	December 28, 2028	$24.70	$6.28
February 10, 2021	1,894	—	—	(947)	947	December 28, 2028	$28.74	$6.28
August 16, 2021	601	—	—	(150)	451	August 16, 2029	$30.79	$6.28
January 3, 2022	311,892	—	(7,940)	—	303,952	January 3, 2030	$20.26	$6.10
April 1, 2022	1,728	—	—	—	1,728	April 3, 2030	$16.25	$6.51
	3,512,964	(1,366,150)	(236,757)	(1,319,588)	590,469		$27.41	

The vested options granted on December 28, 2014 due to expire on December 28, 2022 remain exercisable.

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 for 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. No options have been issued under the 2020 Option Plan.

The following reconciles the Share options outstanding:

	Fiscal 2022		Fiscal 2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,617,759	C$28.82	1,503,117	C$29.32
Granted during the period	313,620	C$20.24	261,168	C$24.73
Expired during the period	(21,322)	C$28.84	(110,449)	C$31.93
Exercised during the period	—	C$0.00	(36,077)	C$10.49
Balance at end of period	1,910,057	C$27.41	1,617,759	C$28.82

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 20,292 director restricted Share units ("Director RSUs"), with a total value of $0.2 million, in 2022 Q4. Approximately $0.1 million of the issued Director RSUs were exercised and exchanged for 7,603 Shares.

Compensation of Key Management

Key management, who represent related parties of NFI, 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 2022	Fiscal 2021
Salaries and short-term employee benefits	$ 10,412	$ 11,775

Post-employment benefits	554	619
Share-based payment benefits	492	2,144
	$ 11,458	$ 14,538

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

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2 to the 2022 Annual Audited Financial Statements. In order to allow the Company’s external auditors to complete their final normal course audit procedures the audited financial statements are expected to be filed on SEDAR and the Company's website by the end of this week. Management does not anticipate there will be any changes between the information included herein and the final audited statements.

New and amended standards adopted by the Company

No new or amended standards were adopted by the Company during the period.

Future Changes to Accounting Standards

The following issued accounting pronouncements represent a summary of the pronouncements that are likely to, or may at some future time, have an impact on the Company.

IFRS 17 – Insurance Contracts:

In May 2017, with amendments in June 2020, the IASB issued IFRS 17, Insurance Contracts which will replace IFRS 4, effective for annual reporting periods beginning on or after January 1, 2023, which introduced new guidance for recognition, measurement, presentation and disclosure of insurance contracts.

The standard requires entities to measure insurance contract liabilities as the risk-adjusted present value of the cash flows plus the contractual service margin, which represents the unearned profit the entity will recognize as future service is provided. Depending on the type of contract, this is measured using the general measurement model or the variable fee approach. Expedients are specified, provided the insurance contracts meet certain conditions. The premium allocation approach is permitted for the liability for remaining coverage on contracts with a duration of one year or less, or where the use of the premium allocation approach closely approximates the use of the general measurement model. If, at initial recognition or subsequently, the fulfillment cash flows are in a net outflow, the contract is considered onerous and the excess is recognized immediately in profit. A loss recovery component is recognized immediately in profit representing amounts recoverable from reinsurers related to onerous contracts. Management is currently assessing the impact of this standard on its consolidated financial statements.

IAS 1 - Presentation of Financial Statements:

Disclosure of Accounting policies which amends IAS 1, Presentation of financial statements was issued in February 2021, effective for annual reporting periods beginning on or after January 1, 2023. The amendments to the standard clarify some requirements relating to materiality, order of notes, subtotals, accounting policies and disaggregation. The amended paragraphs require entities to disclose their material accounting policy information rather than significant accounting policies, as well as provided a four-step materiality process to determine which accounting policy disclosures are required. Management is currently assessing the impact of this standard on its consolidated financial statements.

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as non-current: 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 is currently assessing the impact of this standard on its consolidated financial statements.

NON-IFRS AND OTHER FINANCIAL MEASURES

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

Adjusted EBITDA and Net Operating Profit after Taxes

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

The Company defines Adjusted EBITDA 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 based on the historical Financial Statements of the Company for the periods indicated.

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

(U.S. dollars in thousands)	**2022 Q4**	**2021 Q4**	**Fiscal 2022**	**Fiscal 2021**
Net loss	(150,360)	(8,691)	(277,763)	(14,484)
Addback				
Income taxes	(10,948)	(1,066)	(47,421)	9,556

Interest expense[15]	24,673	(641)	36,734	39,036
Amortization	22,580	25,117	88,495	97,154
(Gain) loss on disposition of property, plant and equipment	410	(186)	(565)	112
Fair value adjustment for total return swap[9]	—	647	952	681
Unrealized foreign exchange (gain) loss on non-current monetary items and forward foreign exchange contracts	(3,929)	5,799	(598)	11,791
Costs associated with assessing strategic and corporate initiatives[7]	—	(106)	—	(106)
Past service costs and other pension costs[11]	—	—	7,000	—
Proportion of the total return swap realized[10]	—	(597)	(275)	(712)
Equity settled stock-based compensation	397	293	1,346	1,738
Unrecoverable insurance costs and other[12]	164	—	8,489	718
Expenses incurred outside of normal operations[17]	1,708	—	3,761	—
Prior year sales tax provision[13]	—	1,996	—	2,036
COVID-19 costs[14]	—	2,926	—	3,959
Out of period costs[16]	(938)	1,234	(1,597)	1,234
Impairment loss on goodwill[18]	103,900	—	103,900	—
Restructuring costs[8]	7,240	(571)	18,443	11,468
Adjusted EBITDA	(5,103)	26,154	(59,099)	164,181
Depreciation of property, plant and equipment and right of use assets	(14,884)	(16,965)	(57,013)	(64,368)
Tax at 31%	6,196	(2,849)	35,995	(30,942)
NOPAT	(13,791)	6,340	(80,117)	68,871
Adjusted EBITDA is comprised of:				
Manufacturing	(30,521)	(7,711)	(149,164)	51,654
Aftermarket	22,882	25,083	86,154	98,669
Corporate	2,536	8,782	3,911	13,858

(Footnotes on page 33)

Free Cash Flow and Free Cash Flow per Share

Management uses Free Cash Flow and Free Cash Flow per Share as non-IFRS measures to evaluate the Company's operating performance and liquidity and to assess the Company's ability to pay dividends on the Shares, service debt, pay interest on Convertible Debentures and meet other payment obligations. However, Free Cash Flow and Free Cash Flow per Share are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, Free Cash Flow 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 should not be construed as an alternative to cash flows from operating activities determined in accordance with IFRS as a measure of liquidity and cash flow. The Company defines Free Cash Flow 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 measure) to Free Cash Flow (a non-IFRS measure) based on the Company's historical Financial Statements.

The Company generates its Free Cash Flow 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 credit facilities to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow.

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

(U.S. dollars in thousands, except per Share figures)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Net cash generated by (used in) operating activities	1,505	150,246	(241,850)	115,230
Changes in non-cash working capital items[3]	(31,743)	(139,640)	96,169	(45,824)
Interest paid[3]	15,467	17,254	58,348	64,224
Interest expense[3]	(24,156)	(20,108)	(77,797)	(70,432)
Income taxes paid (recovered)[3]	3,044	(2,998)	(1,422)	19,550
Current income tax (expense) recovery[3]	21,556	(10,517)	19,809	(22,430)
Repayment of obligations under lease	(5,647)	(2,206)	(24,535)	(18,192)
Cash capital expenditures	(4,732)	(12,948)	(21,371)	(33,514)
Acquisition of intangible assets	(3,736)	(1,888)	(10,212)	(2,748)
Proceeds from disposition of property, plant and equipment	14	2,649	1,687	6,182
Costs associated with assessing strategic and corporate initiatives[7]	—	(106)	—	(106)
Defined benefit funding[4]	(301)	1,590	4,265	3,652
Defined benefit expense[4]	916	(3,070)	(3,497)	(6,420)
Past service costs and other pension costs[11]	—	—	7,000	—
Expenses incurred outside of normal operations[17]	1,708	—	3,762	—

Equity hedge	(582)	—	(1,003)	—
Proportion of the total return swap realized[10]	—	(597)	(275)	(712)
Unrecoverable insurance costs and other[12]	164	—	8,489	718
Out of period costs[16]	(938)	1,234	(333)	1,234
Prior year sales tax provision[13]	—	1,996	—	2,036
Restructuring costs[8]	5,678	171	11,741	9,516
COVID-19 costs[14]	—	2,926	—	3,959
Foreign exchange gain (loss) on cash held in foreign currency[5]	(20)	(2,873)	771	(2,897)
Free Cash Flow[1]	(21,803)	(18,885)	(170,254)	23,026
U.S. exchange rate[2]	1.3538	1.2634	1.3209	1.2385
Free Cash Flow (C$)[1]	(29,517)	(23,859)	(224,889)	28,518
Free Cash Flow per Share (C$)[6]	(0.3826)	(0.3272)	(2.9140)	0.4072
Declared dividends on Shares (C$)	—	16,390	12,288	61,645
Declared dividends per Share (C$)[6]	—	0.2125	0.1599	0.8500

1. Free Cash Flow is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.
2. U.S. exchange rate (C$ per US$) is the weighted average exchange rate applicable to dividends declared for the period.
3. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow as these temporary fluctuations are managed through the credit facilities which are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the consolidated statements of cash flows net of interest and income taxes paid.
4. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.
5. Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow.
6. Per Share calculations for Free Cash Flow (C$) are determined by dividing Free Cash Flow 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 2022 Q4 was 77,154,934 and 72,927,889 for 2021 Q4. The weighted average number of Shares outstanding for Fiscal 2022 and Fiscal 2021 are 77,144,445 and 70,039,835, respectively. Per Share calculations for declared dividends (C$) are determined by dividing the amount of declared dividends by the number of outstanding Shares at the respective period end date.
7. Normalized to exclude non-operating expenses and recoveries related to the costs of assessing strategic and corporate initiatives.
8. 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 NFI Forward restructuring initiatives. Free Cash Flow reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
9. The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted EBITDA. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
10. A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA and Free Cash Flow to match the equivalent portion of the related deferred compensation expense recognized. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
11. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. Q2 2022 includes $7.0 million for the liability related to the closure of the Pembina facility and withdrawal from the multi-employer pension plan.
12. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.

13. Provision for sales taxes as a result of an ongoing state sales tax review.
14. Normalized to exclude COVID-19 related costs. Costs primarily relate to asset impairments, medical costs directly related to COVID-19 and miscellaneous operating costs associated with COVID-19. Asset impairments are primarily attributable to pre-owned coach inventory. During 2022, management determined costs related to sanitization and masks were an operating cost and would no longer be included in the definition.
15. Includes fair market value adjustments to interest rate swaps and the cash conversion option on the Convertible Debentures. 2022 Q4 includes a loss of $1.2 million and 2021 Q4 includes a gain of $9.9 million for the interest rate swaps. 2022 Q4 includes a gain of $5.6 million and 2021 Q4 includes a gain of $10.9 million on the cash conversion option. Fiscal 2022 includes a gain of $37.7 million and Fiscal 2021 includes a gain of $23.2 million for the interest rate swaps. Fiscal 2022 includes a gain of $16.6 million and Fiscal 2021 includes a gain of $10.9 million for the cash conversion option.
16. Includes adjustments made related to expenses that pertain to prior years. Fiscal 2022 includes expenses related to amounts that should have been capitalized from Fiscal years 2010 - 2021. Fiscal 2021 includes expenses related to amounts owed from Fiscal years 2016 - 2020, and expenses related to amounts owed from Fiscal years 2014 - 2020.
17. 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.
18. Includes impairment charges with respect to ARBOC's goodwill of $23.2 million and the ADL manufacturing CGU's goodwill of $80.7 million.

Liquidity

Liquidity is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines liquidity as cash on-hand plus available capacity under its credit facilities, without consideration given to the minimum liquidity requirement under the Amended Facilities.

Backlog

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

Book-to-Bill Ratio

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

Working Capital Days

Working Capital Days is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines Working Capital Days as the calculated number of days to convert working capital to cash. It is calculated by the number of days in the fiscal year (2022 Q4 YTD - 365 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 is calculated based on the following financial statement line items: Accounts Receivable and Inventories less Accounts Payables, Deferred Revenue and Provisions.

Payout Ratio

Payout ratio is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Management believes the payout ratio is an important measure of the Company's ability to pay dividends with cash generated. The Company defines payout ratio as the declared dividends divided by the Free Cash Flow.

Adjusted Net Earnings (Loss) and Adjusted Net Earnings (Loss) per Share

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

The Company defines Adjusted Net Earnings (Loss) 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) based on the historical Financial Statements of the Company for the periods indicated.

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

(U.S. dollars in thousands, except per Share figures)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Net loss	(150,360)	(8,691)	(277,763)	(14,484)
Adjustments, net of tax[1, 7]				
Fair value adjustments of total return swap[4]	—	295	657	310
Unrealized foreign exchange loss (gain)	(2,711)	2,639	(413)	5,365
Unrealized loss (gain) on interest rate swap	795	(4,496)	(26,019)	(10,538)
Unrealized gain on Cash Conversion Option	(3,831)	(4,965)	(11,439)	(4,965)
Portion of the total return swap realized[5]	—	(272)	(190)	(324)
Costs associated with assessing strategic and corporate initiatives[2]	—	(106)	—	(106)
Equity settled stock-based compensation	274	134	929	791
(Gain) loss on disposition of property, plant and equipment	283	(85)	(390)	51
Past service costs and other pension costs[6]	—	—	4,830	—
Unrecoverable insurance costs and other[12]	114	—	5,858	327
Expenses incurred outside of normal operations[13]	1,178	—	2,595	—
Prior year sales tax provision[8]	—	908	—	926
Other tax adjustments[10]	22,292	(2,833)	18,984	2,669
COVID-19 costs[9]	—	1,331	—	1,801
Out of period costs[11]	(1,911)	562	(1,102)	562
Accretion in carrying value of convertible debt and cash conversion option	1,342	274	5,272	274
Impairment loss on goodwill[14]	103,900	—	103,900	—
Restructuring costs[3]	4,996	(260)	12,726	5,218
Adjusted Net Loss	(23,639)	(15,565)	(161,565)	(12,123)
Loss per Share (basic)	(1.94)	(0.12)	(3.60)	(0.21)
Loss per Share (fully diluted)	(1.94)	(0.12)	(3.60)	(0.21)
Adjusted Net Loss per Share (basic)	(0.31)	(0.21)	(2.09)	(0.17)
Adjusted Net Loss per Share (fully diluted)	(0.31)	(0.21)	(2.09)	(0.17)

1. Addback items are derived from the historical financial statements of the Company.
2. Normalized to exclude non-operating expenses and recoveries related to the costs of assessing strategic and corporate initiatives.
3. 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 NFI Forward restructuring initiatives. Free Cash Flow reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
4. The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted EBITDA. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
5. A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA and Free Cash Flow to match the equivalent portion of the related deferred compensation expense recognized. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
6. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. Q2 2022 includes $7.0 million for the liability related to the closure of the Pembina facility and withdrawal from the multi-employer pension plan.
7. The Company has utilized a rate of 54.5% to tax effect the adjustments in periods related to Fiscal 2021. A rate of 31.0% has been used to tax effect the adjustments for all other periods.
8. Provision for sales taxes as a result of an ongoing state sales tax review.
9. Normalized to exclude COVID-19 related costs. Costs primarily relate to asset impairments, medical costs directly related to COVID-19 and miscellaneous operating costs associated with COVID-19. Asset impairments are primarily attributable to pre-owned coach inventory. During 2022, management determined costs related to sanitization and masks were an operating cost and would no longer be included in the definition.

10. Includes the impact of changes in deferred tax balances as a result of substantively enacted tax rate changes. The 2021 and 2022 amounts include the impact of the revaluation of deferred tax balances due to the enacted increase in the UK corporate tax rate from 19% to 25% in 2021 Q3. Also included in 2022 Q4 is the impact of the reduction of deferred tax assets related to the derecognition of loss carry forwards in Canada, and restricted interest in the UK.
11. Includes adjustments made related to expenses that pertain to prior years. Fiscal 2022 includes expenses related to amounts that should have been capitalized from Fiscal years 2010 - 2021. Fiscal 2021 includes expenses related to amounts owed from Fiscal years 2016 - 2020, and expenses related to amounts owed from Fiscal years 2014 - 2020.
12. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
13. 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.
14. 14. Includes impairment charges with respect to ARBOC's goodwill of $23.2 million and the ADL manufacturing CGU's goodwill of $80.7 million.

ROIC

ROIC is not a recognized measure under IFRS and its components do not have standardized meanings prescribed by IFRS. Management believes that ROIC is an important measure in evaluating the historical performance of the Company. The Company defines ROIC as net operating profit after taxes divided by average invested capital for the last 12-month period.

Reconciliation of Shareholders' Equity to Invested Capital

(U.S. dollars in thousands)		2022 Q4	2022 Q3	2022 Q2	2022 Q1
Shareholders' Equity	$	577,151	710,984	783,905	850,323
Addback					
Long term debt		896,626	859,297	718,139	677,996
Obligation under lease		131,625	122,666	131,077	139,129
Convertible debentures		217,516	211,281	224,947	229,673
Derivatives		(21,620)	(18,904)	(8,179)	4,806
Cash		(49,987)	(39,832)	(50,274)	(26,604)
Bank indebtedness		—	—	—	1,233
Invested Capital		1,751,311	1,845,492	1,799,615	1,876,556
Average of invested capital over the quarter		1,798,402	1,822,554	1,838,086	1,829,374

	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Shareholders' Equity	871,772	787,010	814,502	824,643
Addback				
Long term debt	586,411	1,049,273	963,630	1,008,733
Capital leases	143,675	150,212	153,967	150,553
Convertible debentures	225,768	—	—	—
Derivatives	31,883	20,920	21,609	23,996
Cash	(77,318)	(64,822)	(47,695)	(23,063)
Bank indebtedness	—	—	—	1
Invested Capital	1,782,191	1,942,593	1,906,013	1,984,863
Average of invested capital over the quarter	1,862,392	1,924,303	1,945,438	1,927,577

Capital Allocation Policy

The Company has established 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 risk. Liquidity 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 include sales mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of long-term debt obligations, funding requirements of the Company's pension plans, income taxes, credit capacity, expected future debt and equity capital market conditions.

The Company's liquidity requirements are met through a variety of sources, including cash on hand, cash generated from operations, the credit facilities, leases, and debt and equity capital markets.

At January 1, 2023, the Company has convertible debentures outstanding of $338 million. 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.

On December 29, 2022, the Company amended the Credit Facility and the UK Facility (together the "amended facilities"). Amendments provide relief from previous key financial covenants (Total Leverage Ratio ("TLR"), Minimum Adjusted EBITDA and Interest Coverage Ratio ("ICR")) for the fourth quarter of 2022 and the first two quarters of 2023 (the period ending June 30, 2023 (the "Waiver Period")) to provide the Company with relaxed covenants as the Company navigates supply chain disruptions, heightened inflation and other impacts of the COVID-19 pandemic. During the Waiver Period, the Company is subject to a Total Net Debt to Capitalization ("TNDC") ratio, starting in January 2023, and a minimum Adjusted EBITDA covenant starting in March 2023. The terms of the amended facilities impose restrictions over the declaration and payment of dividends until the Waiver Period has ended.

On January 20, 2023 the Company entered into agreements with the Government of Manitoba for a C$50 million debt facility, for general corporate purposes, and EDC for credit facilities of up to $150 million to support supply chain financing ($50 million) and surety and performance bonding requirements for new contracts (up to $100 million).

The Credit Facility has a total borrowing limit of $1 billion, which includes a $100 million letter-of-credit facility subject to the Company being in compliance with its credit covenants. $24.5 million of outstanding letters-of-credit were drawn against the Credit Facility at January 1, 2023. The Credit Facility bears interest at a rate equal to LIBOR 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 August 2, 2024.

The UK Facility has a total borrowing limit of £40 million which matures on June 30, 2023. Amounts drawn under the UK Facility bear interest at a rate equal to LIBOR plus an applicable margin.

The details of the covenants under the amended facilities are as follows:

	Total Leverage Ratio	**Interest Coverage Ratio**	**Total Net Debt to Capitalization**	**Minimum Cumulative Adjusted EBITDA**	**Minimum Liquidity**
January 1, 2023	Waived	Waived	Waived	Waived	$25,000
January 2, 2023 - March 31, 2023	Waived	Waived	<0.62:1.00	>($28,000)	$25,000
April 1, 2023 - April 30, 2023	Waived	Waived	<0.62:1.00	>($31,000)	$25,000
May 1, 2023 - May 31, 2023	Waived	Waived	<0.62:1.00	>($35,000)	$25,000
June 1 - June 30, 2023	Waived	Waived	<0.62:1.00	>($35,000)	$25,000
July 3, 2023 - October 1, 2023	<4.50	>2.00	N/A	N/A	$25,000
October 2, 2023 - December 31, 2023	<4.00	>2.50	N/A	N/A	$25,000
January 1, 2024 and thereafter	<3.75	>3.00	N/A	N/A	$25,000

1. TLR is calculated as borrowings on the Credit Facilities, not including the Company's 5.0% convertible debentures, less unrestricted cash and cash equivalents, divided by Adjusted EBITDA, typically calculated on a trailing twelve-month basis. When the TLR is reintroduced in 2023 Q3, Adjusted EBITDA will be annualized until a full rolling four quarters of results are available (i.e., period ending 2023 Q3);
2. ICR is calculated as the same trailing twelve month Adjusted EBITDA as the TLR divided by trailing twelve month interest expense on the Credit Facilities, the Company's 5.0% convertible debentures and other interest and bank charges.
3. Total Net Debt to Capitalization is calculated as borrowings on the Credit Facilities, less unrestricted cash and cash equivalents, divided by Shareholder's Equity, as shown on the Company's balance sheet, plus borrowings on the Credit Facilities. The calculation of shareholder's equity is adjusted to exclude up to $100 million of goodwill impairment.
4. Cumulative Adjusted EBITDA starting with 2023 Q1 results.
5. Liquidity is calculated as unrestricted cash and cash equivalents plus the aggregate amount of credit available under the Credit Facilities.

US dollars in thousands		**January 1, 2023**	January 2, 2022
Liquidity Position (must be greater than $25 million[2021: must be greater than $50 million])	$	173,507 $	794,332

1. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

As of January 1, 2023, NFI's liquidity was $173.5 million, without consideration given to the minimum liquidity requirement of $25 million under the amended facilities. As part of the Company's efforts to improve working capital and liquidity, NFI requested prepayments and deposits from certain customers. As of January 1, 2023, the Company has received $36.1 million in prepayments and is continuing to work with other customers on plans

that would help alleviate some of NFI's working capital investments while it navigates through the supply chain challenges.

Due to the ongoing uncertainty created by continuing supply chain disruptions, the Company now expects that lower Adjusted EBITDA combined with the Company's anticipated debt profile will affect the Company's ability to comply, after the expiry of the Waiver Period, with certain financial covenants under the amended facilities. These events result in a material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern.

The Company expects operations to continue into the long-term. The Company is taking a number of operational steps including cost savings measures to ensure adequate short-term liquidity. Additionally, the Company is continuing to work directly with suppliers and sub-suppliers to search for alternate or substitute parts where possible, increase production line parts inventories and develop longer lead times to better support new vehicle production.

NFI and its banking syndicate partners are now focused on developing new long-term credit arrangements, and NFI will be seeking agreements that provide appropriate capacity and covenants matched to the Company's anticipated financial performance and recovery. The Company is targeting completion of these changes prior to the end of the Waiver Period.

In assessing whether the going concern assumption was appropriate, the Company took into account all relevant information available about the future including its backlog, demand for its products, government funding levels in its core markets and the Company's ability to raise additional capital from various lenders by issuing long-term debt or additional common shares, or other securities through either a public offering, rights offering or private placement.

The Company believes that, its cash position and capacity under its amended 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. See Appendix C.

The Company remains focused on deleveraging its balance sheet and returning to its target leverage of 2.0x to 2.5x total debt to Adjusted EBITDA. Management had originally expected the Company to return to those levels 18 to 24 months following the acquisition of ADL in May 2019, but the impact of COVID-19 and the continuing supply chain disruptions has extended the expected timing of deleveraging. Management believes it will achieve its longer-term leverage targets as the recovery from COVID-19 continues, the anticipated supply of parts and components slowly stabilizes, the Company achieves the benefits of the NFI Forward strategic cost reduction initiatives and the Company continues to focus on reducing working capital.

Compliance with financial covenants is reviewed monthly by management and reported quarterly 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.

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 Advanced Driver Assistance Systems ("ADAS") and automated vehicles. The Company has made significant investments in its ZEB production capabilities to be prepared for the expected longer-term transition to a more electrified fleet. New Flyer now has the capability to manufacture ZEBs at all of its North American facilities. Alexander Dennis is the market leader in ZEBs with production capabilities at all of its UK facilities, MCI has invested in its electric coach offering for both public and private customers, and ARBOC developed its medium-duty Equess CHARGE™ electric bus. NFI is planning for the roll-out of next generation battery technology through a second battery supplier for a first quarter 2023 launch based on projects that originally kicked off in 2020. In November 2022, Alexander Dennis announced that several of its vehicles will now offer its next-generation electric driveline and future-proof battery system, with first deliveries planned for 2023. To support customers making the transition to zero-emission fleets, NFI launched its Infrastructure Solutions™ business in 2018. Infrastructure Solutions™ has helped numerous agencies develop and launch infrastructure installation projects.

The Company has automated bus projects in development with specialized partners who have a deep understanding of artificial intelligence and ADAS. As part of this program to advance automated vehicles and ADAS, on January 29, 2021, NFI announced the launch of the New Flyer Xcelsior AV™, North America's first automated Level 4 transit bus. The first vehicles using this technology went into production in the fourth quarter of 2021. Alexander Dennis continues to advance its autonomous bus programs in the United Kingdom with ongoing pilot programs in Scotland and expectations for additional trials on its new Enviro100AEW bus platform in 2023. NFI has also made numerous investments into telematics solutions to ensure customers can track detailed performance and maintenance metrics associated with their vehicles.

NFI has also made investments to reduce the company's overall manufacturing footprint and integrate operations through its NFI Forward and NFI Forward 2.0 initiatives. These investments have generated significant annualized cost savings that will positively contribute to NFI's financial results going forward.

The Company will consider business acquisitions and partnerships that will further grow and diversify the business and contribute to long-term competitiveness, but the Company's capital allocation priorities are currently focused on deleveraging, strengthening its balance sheet and supporting the recovery of operations. As such investments will primarily be focused on internal initiatives. 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 intends to have 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 NFI's credit facilities, the Company is not permitted to declare or pay dividends. Currently dividends have been suspended, future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with credit facility covenants.

The Company's 2022 Q4 Free Cash Flow was (C$29.5) million with no dividends declared during this period. For 2021 Q4 Free Cash Flow was C($23.9) million compared to declared dividends of C$16.4 million. This resulted in payout ratio[1] of nil% in 2022 Q4 compared to (68.6)% in 2021 Q4.

Total Capital Distributions to Shareholders (U.S. dollars in millions)	**2022 Q4**	**2021 Q4**	**Fiscal 2022**	**Fiscal 2021**
Dividends paid	$ —	$ 11.9	$ 9.4	$ 46.5

1. 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 Free Cash Flow, which is a non-IFRS measure. See Non-IFRS and Other Financial Measures section.

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.

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 January 1, 2023 in accordance with the criteria established in COSO 2013, and concluded that the Company's ICFR are effective.

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 January 1, 2023 were effective.

Appendix B - 2022 Fourth Quarter Order Activity

Demand for Transit Buses and Motor Coaches

The Company's "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, 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.

NFI's end markets continued to show strong signs of recovery throughout 2022. Following large declines in the second half of 2020 as a result of the pandemic delaying orders in core markets, active bids rebounded significantly in 2021, averaging 6,850 EUs from 2021 Q2 through 2021 Q4. As of 2022 Q4, active bids reached 10,507 EUs, up 53.5% year-over-year, the highest number of active bids on record. The Company ended 2022 Q4 with 5,169 bids in process, and another 5,338 bids submitted. Management expects active bids will continue to remain high through 2023 as markets recover during the continuing COVID-19 pandemic and new government funding is used by transit agencies.

The forecasted five-year North American industry procurement has rebounded from the lows of the first half of 2021. Year-over-year, the Total Bid Universe increased by 17.0%, or 4,471 EUs. NFI expects that the forecasted five-year North American industry procurement will remain high through 2023 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 2022 Q4, 15,689 EUs, or 51.0%, of the Total Bid Universe is ZEBs, an increase of 54.6% year-over-year, which supports management's expectations for a continued increase in the demand for ZEBs.

The 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)**
2021 Q4	1,783	5,062	6,845	19,468	26,313
2022 Q1	805	4,757	5,562	20,809	26,371
2022 Q2	4,477	3,105	7,582	21,565	29,147
2022 Q3	2,881	7,226	10,107	20,377	30,484
2022 Q4	**5,169**	**5,338**	**10,507**	**20,277**	**30,784**

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 excludes potential ARBOC and ADL U.S. and Canadian sales.

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 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 therefore is not included in the Bid Universe metric.

ADL does not currently have a Bid Universe metric for the UK and European or Asia Pacific markets similar to New Flyer and MCI's North American Bid Universe; however, ADL does maintain a sales pipeline. Management does not believe a similar Bid Universe metric for those markets is suitable given that the majority of customers in those regions are private operators who make annual purchase decisions. The overall UK market declined from 2015 to 2019, and was expected to increase in 2020 before it was hit disproportionately hard by the COVID-19 pandemic, with bus ridership down by nearly 80% at its worst point in 2020. While management saw signs of recovery in 2021 and 2022, supply chain challenges have continued to disrupt the market. In 2023, management expects stronger recovery based on customers' fleet recovery plans and an aging UK vehicle fleet. Governments continue to focus on the green recovery and government funding is starting to materialize. This funding, plus future investments under plans to expand transport service in communities outside of London is expected to contribute to market growth in 2023 and beyond. Alexander Dennis has seen the benefits of this anticipated recovery as it has essentially sold the majority of its UK production slots for 2023, although at slightly lower production rates. Alexander Dennis continues to grow its installed fleet in Europe with multi-year contracts in Ireland and Germany. The European market is highly fragmented with numerous players providing niche opportunities for ADL in the future.

In Asia Pacific, the Hong Kong market is highly cyclical, and, following busier periods in 2015 through 2018, the market has declined as anticipated. As in other regions, Hong Kong was also impacted by the COVID-19 pandemic, but ADL remains the leader in double-deck buses and retains deep customer relationships in Hong Kong. Management saw some recovery in 2022 and continues to expect the Hong Kong market to see stable annual deliveries and a slow recovery through 2023, including the delivery of Alexander Dennis' first battery-electric buses to key customers in Hong Kong as transit companies gear up for the transition to zero-emission buses. 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 2022 Q4 totaled 2,578 EUs, an increase of 60.4% from 2021 Q4. 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. The new firm and option orders awarded to the Company for Fiscal 2022 were 5,786 EUs, an increase of 22.5% from Fiscal 2021. The Company was successful at converting 118 EUs of options to firm orders during 2022 Q4, a decrease from the 217 EUs converted in 2022 Q3 and from the 277 EUs converted in 2021 Q4; option conversions vary quarter-to-quarter. These 118 EUs of option conversions contributed to the 638 EUs converted to firm orders during Fiscal 2022. While, there were declines in option conversions from 2021 to 2022, these were primarily related to older contracts and changes in customers expected fleet replacement plans. Further details are provided below under the "Options" section.

In 2022 Q4, NFI received orders for 1,118 EUs of battery-electric, zero-emission vehicles, a 780% increase from the 127 EUs from 2022 Q3. These 1,118 EUs of ZEBs equate to 43.4% of all new firm and option orders for the quarter, which increased from 28.0% in 2022 Q3.

In addition, 806 EUs of new firm and option orders were pending from customers at the end of 2022 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. This was down from the 1,360 EUs of pending new firm and option orders as of the end of 2022 Q3, as the Company received a high number of new awards in 2022 Q3. NFI anticipates that the majority of the units currently in bid award pending will convert into backlog during 2023 Q1.

	New Orders in Quarter (Firm and Option EUs)	**LTM New Orders (Firm and Option EUs)**	**Option Conversions in Quarter (EUs)**	**LTM Option Conversions (EUs)**
2021 Q4	1,607	4,724	277	1,110
2022 Q1	1,407	4,919	218	1,051
2022 Q2	1,348	5,147	85	734
2022 Q3	453	4,815	217	797
2022 Q4	**2,578**	**5,786**	**118**	**638**

Options

In 2022 Q4, 831 options expired, as compared to 804 options in 2022 Q3, and as compared to 117 options that expired in 2021 Q4. Option expiries can vary significantly quarter-to-quarter and management is not concerned about the large number of option expiries in 2022 Q4. Certain agencies are letting a portion of older options expire as they re-evaluate their longer-term fleet planning decisions with an increased focus on the procurement of ZEBs rather than traditional internal combustion engine propulsion. In certain cases, customers have issued new procurements to replace the expired options. NFI replenished a significant amount of the expired options through new orders in 2022. Overall demand remains at record levels and will support future option orders.

A significant number of public transit 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 of options that will expire each year if not exercised.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
A) Options Expired (EUs)	331	741	512	1,202	819	1,924						5,529
B) Options Exercised (EUs)	1,404	1,795	1,518	953	1,110	638						7,418
C) Current Options by year of expiry (EUs)							750	258	537	1,559	1,506	4,610
D) Conversion rate % = B / (A+B)	**81%**	**71%**	**75%**	**44%**	**58%**	**25%**						

The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis. Option expirations in 2020, 2021, and 2022 were primarily a result of agencies allowing a portion of their options from older contracts awarded in 2016 and 2017 to expire as they re-evaluate their longer-term fleet planning decisions.

In addition to contracts for identified public customers, the Company has increased its focus on purchasing schedules (state and national contracts, 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 30 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer purchases a bus under one of these agreements, the purchase is recorded as a firm order. The Company has received more than 1,050 vehicle awards from these schedules since the start of 2018, showing their growing use by transit agencies as a procurement alternative in North America.

The Company's 2022 Q4 Book-to-Bill[1] ratio (defined as new firm orders and exercised options divided by new deliveries) was 144.0%, an increase from 131.9% in 2021 Q4. This increase in Book-to-Bill was driven by a 60.4% increase in year-over-year orders combined with lower deliveries. Fiscal 2022 Book-to-Bill was 133.9%, an increase from 115.1% for Fiscal 2021. Active bids, including bids submitted, are at record levels (see page 46).

Backlog

The Company's total backlog consists of buses sold primarily to U.S. and Canadian public customers and private operators in the UK and Europe. The majority of the backlog relates to New Flyer transit buses for public customers with some of the backlog consisting of units from MCI, ADL and ARBOC. Options for ARBOC vehicles are held by dealers, rather than the operator, and are not included as options in the NFI backlog, but are converted to firm backlog when 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 63.6% of the total backlog as of the end of 2022 Q4, up slightly from 62.6% as of the end of 2022 Q3. As at the end of 2022 Q4, there were 2,628 ZEBs in the backlog, representing a record of 28.6% of the total backlog, up from the previous record of 21.2% in 2022 Q3.

Footnotes

1. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

	2022 Q4			2022 Q3			2021 Q4		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	4,153	4,352	8,505	4,366	5,308	9,674	3,346	4,757	8,103
New orders	1,371	1,207	2,578	388	65	453	1,157	450	1,607
Options exercised	118	(118)	—	217	(217)	—	277	(277)	—
Shipments[1]	(1,034)	—	(1,034)	(783)	—	(783)	(1,087)	—	(1,087)
Cancelled/expired	(32)	(831)	(863)	(35)	(804)	(839)	(58)	(117)	(175)
End of period	**4,576**	**4,610**	**9,186**	**4,153**	**4,352**	**8,505**	**3,635**	**4,813**	**8,448**
Consisting of:									
Heavy-duty transit buses	3,602	4,342	7,944	3,114	4,082	7,196	2,726	4,515	7,241
Motor coaches	347	268	615	358	270	628	373	298	671
Cutaway and medium-duty buses	627	—	627	681	—	681	536	—	536
Total Backlog	**4,576**	**4,610**	**9,186**	**4,153**	**4,352**	**8,505**	**3,635**	**4,813**	**8,448**

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

At the end of 2022 Q4, the Company's total backlog (firm and options) of 9,186 EUs (valued at $5.6 billion[2]), increased compared to 8,505 EUs (valued at $4.9 billion[2]) at the end of 2022 Q3. The increase was driven by high levels of new awards in North American and UK transit operations in the quarter, offset somewhat by high deliveries and option expiries. In addition, 806 EUs of new firm and option orders were pending from customers at the end of 2022 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. The summary of the values is provided below.

	2022 Q4			2022 Q3			2021 Q4		
			EUs			EUs			EUs
Total firm orders	$	2,515.4	4,576	$	2,276.2	4,153	$	1,981.1	3,635
Total options		3,123.0	4,610		2,589.5	4,352		2,553.2	4,813
Total backlog[2]	**$**	**5,638.4**	**9,186**	**$**	**4,865.7**	**8,505**	**$**	**4,534.3**	**8,448**

2. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

In the Company's 2022 Q3 financial report, the average price of an EU in backlog was incorrectly stated as $640.9 thousand due to a calculation error; the correct number should have been $572.1 thousand. As of 2022 Q4, the average price of an EU in backlog is now $613.7 thousand, a 14% increase from 2021 Q4.

Appendix C - Forward-Looking Statements

Meaning of Certain References

References in this Press Release 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, "ADL") References to "New Flyer" generally refer to NFI ULC, NFAI, TAPC, KMG, CCI, and CCUI. References in this Press Release 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 January 1, 2023, 77,155,016 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 www.sedar.com.

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; "Asia Pacific" or "APAC" refers to Hong Kong, Malaysia, Singapore, Australia, and New Zealand; and the "Other" category includes any sales that do not fall into the categories above.

This press release 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 objectives and the Company's strategic initiatives, plans, business prospects and opportunities, including the duration, impact of and recovery from the COVID-19 pandemic, supply chain disruptions and plans to address them, and the Company's expectation of obtaining long-term credit arrangements and sufficient liquidity. The words "believes", "views", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates", "guidance", "goals", "objectives" and "targets" and similar 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 (including the temporary nature of the supply chain disruptions and operational challenges, production improvement, the recovery of the Company's markets and the expected benefits to be obtained through its "NFI Forward" initiative) and the Company's financial and operating performance and speak only as of the date of this press release. 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 and maintain adequate liquidity, obtain long-term credit arrangements, and the Company's strategic initiatives, objectives, plans, business prospects and opportunities, including the Company's plans and expectations relating to the duration, impact of and recovery from the COVID-19 pandemic, supply chain disruptions, operational challenges, and inflationary pressures, will not occur or be achieved.

A number of factors that may cause actual results to differ materially from the results discussed in the forward-looking statements include: the Company's business, operating results, financial condition and liquidity may be materially adversely impacted by the ongoing COVID-19 pandemic and related supply chain and operational challenges, employee absenteeism and inflationary effects; the Company's business, operating results, financial condition and liquidity may be materially adversely impacted by the Russian invasion of Ukraine due to factors including but not limited to further supply chain disruptions and inflationary pressures; funding may not continue to be available to the Company's customers at current levels or at all; the Company's business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for the Company's products and the results of its operations; currency fluctuations could adversely affect the Company's financial results or competitive position; interest rates could change substantially, materially impacting the Company's revenue and profitability; an active, liquid trading market for the Shares and/or the Debentures may cease to exist, which may limit the ability of securityholders to trade Shares and/or Debentures; the market price for the Shares and/or the Debentures may be volatile; if securities or industry analysts do not publish research or reports about the Company and its business, if they adversely change their recommendations regarding the Shares or if the Company's results of operations do not meet their expectations, the Share price and trading volume could decline, in addition, if securities or industry analysts publish inaccurate or unfavorable research about the Company or its business, the Share price and trading volume of the Shares could decline; competition in the industry and entrance of new competitors; current requirements under U.S. "Buy America" regulations may change and/or become more onerous or suppliers' "Buy America" content may change; failure of the Company to comply with the U.S. Disadvantaged Business Enterprise ("DBE") program requirements or the failure to have its DBE goals approved by the U.S. FTA; absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience; local content bidding preferences in the United States may create a competitive disadvantage; requirements under Canadian content policies may change and/or become more onerous; the Company's business may be materially impacted by climate change matters, including risks related to the transition to a lower-carbon economy; operational risk resulting from inadequate or failed internal processes, people and/or systems or from external events, including fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, floods, technology failures, processing errors, business integration, damage to physical assets, employee safety and insurance coverage; international operations subject the Company to additional risks and costs and may cause profitability to decline; compliance with international trade regulations, tariffs and duties; dependence on unique or limited sources of supply (such as engines, components containing microprocessors or, in other cases, for example, the supply of transmissions, batteries for battery-electric buses, axles or structural steel tubing) resulting in the Company's raw materials and components not being readily available from alternative sources of supply, being available only in limited supply, a particular component may be specified by a customer, the Company's products have been engineered or designed with a component unique to one supplier or a supplier may have limited or no supply of such raw materials or components or sells such raw materials or components to the Company on less than favorable commercial terms; the Company's vehicles and certain other products contain electronics, microprocessors control modules, and other computer chips, for which there has been a surge in demand, resulting in a worldwide supply shortage of such chips in the transportation industry, and a shortage or disruption of the supply of such microchips could materially disrupt the Company's operations and its ability to deliver products to customers; dependence on supply of engines that comply with emission regulations; a disruption, termination or alteration of the supply of vehicle chassis or other critical components from third-party suppliers could materially adversely affect the sales of certain of the Company's products; the Company's profitability can be adversely affected by increases in raw material and component costs; the Company may incur material

losses and costs as a result of product warranty costs, recalls and remediation of transit buses and motor coaches; production delays may result in liquidated damages under the Company's contracts with its customers; catastrophic events, including those related to impacts of climate change, may lead to production curtailments or shutdowns; the Company may not be able to successfully renegotiate collective bargaining agreements when they expire and may be adversely affected by labour disruptions and shortages of labour; the Company's operations are subject to risks and hazards that may result in monetary losses and liabilities not covered by insurance or which exceed its insurance coverage; the Company may be adversely affected by rising insurance costs; the Company may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds and letters of credit required for new contracts; the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability and other claims; the Company may have difficulty selling pre-owned coaches and realizing expected resale values; the Company may incur costs in connection with regulations relating to axle weight restrictions and vehicle lengths; the Company may be subject to claims and liabilities under environmental, health and safety laws; dependence on management information systems and cyber security risks; the Company's ability to execute its strategy and conduct operations is dependent upon its ability to attract, train and retain qualified personnel, including its ability to retain and attract executives, senior management and key employees; the Company may be exposed to liabilities under applicable anti-corruption laws and any determination that it violated these laws could have a material adverse effect on its business; the Company's risk management policies and procedures may not be fully effective in achieving their intended purposes; internal controls over financial reporting, no matter how well designed, have inherent limitations; 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; ability to successfully execute strategic plans and maintain profitability; development of competitive or disruptive products, services or technology; development and testing of new products or model variants; acquisition risk; reliance on third-party manufacturers; third-party distribution/dealer agreements; availability to the Company of future financing; the Company may not be able to generate the necessary amount of cash to service its existing debt, which may require the Company to refinance its debt; the Company's substantial consolidated indebtedness could negatively impact the business; the restrictive covenants in the Company's credit facilities could impact the Company's business and affect its ability to pursue its business strategies; payment of dividends is not guaranteed; a significant amount of the Company's cash may be distributed, which may restrict potential growth; the Company is dependent on its subsidiaries for all cash available for distributions; the Company may not be able to make principal payments on the Debentures; redemption by the Company of the Debentures for Shares will result in dilution to holders of Shares; Debentures may be redeemed by the Company prior to maturity; the Company may not be able to repurchase the Debentures upon a change of control as required by the trust indenture under which the Debentures were issued (the "Indenture"); conversion of the Debentures following certain transactions could lessen or eliminate the value of the conversion privilege associated with the Debentures; future sales or the possibility of future sales of a substantial number of Shares or Debentures may impact the price of the Shares and/or the Debentures and could result in dilution; payments to holders of the Debentures are subordinated in right of payment to existing and future Senior Indebtedness (as described under the Indenture) and will depend on the financial health of the Company and its creditworthiness; if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected; and income and other tax risk resulting from the complexity of the Company's businesses and operations and the income and other tax interpretations, legislation and regulations pertaining to the Company's activities being subject to continual change.

Factors relating to the global COVID-19 pandemic include: the magnitude and duration of the global, national and regional economic and social disruption being caused as a result of the pandemic; the impact of national, regional and local governmental laws, regulations and "shelter in place" or similar orders relating to the pandemic which may materially adversely impact the Company's ability to continue operations; partial or complete closures of one, more or all of the Company's facilities and work locations or the reduction of production rates (including due to government mandates and to protect the health and safety of the Company's employees or as a result of employees being unable to come to work due to COVID-19 infections with respect to them or their family members or having to isolate or quarantine as a result of coming into contact with infected individuals); production rates may be further decreased as a result of the pandemic; ongoing and future supply delays and shortages of parts and components, and shipping and freight delays, and disruption to labour supply as a result of the pandemic; the pandemic will likely adversely affect operations of suppliers and customers, and reduce and delay, for an unknown period, customers' purchases of the Company's products and the supply of parts and components by suppliers; the anticipated recovery of the Company's markets in the future may be delayed or increase in demand may be lower than expected as a result of the continuing effects of the pandemic; the Company's ability to obtain access to additional capital if required; 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. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period, obtain long-term credit arrangements, or access to additional capital or access to government financial support or as to when production operations will return to previous production rates. There is also no assurance that governments will provide continued or adequate stimulus funding during or after the pandemic for public transit agencies to purchase transit vehicles or that public or private demand for the Company's vehicles will return to pre-pandemic levels in the anticipated period of time. The Company cautions that due to the dynamic, fluid and highly unpredictable nature of the pandemic and its impact on global and local economies, supply chains, businesses and individuals, it is impossible to predict the severity of the impact on the Company's business, operating performance, financial condition and ability to generate sufficient cash flow and maintain adequate liquidity and any material adverse effects could very well be rapid, unexpected and may continue for an extended and unknown period of time.

Factors relating to the Company's "NFI Forward" initiative include: the Company's ability to successfully execute the initiative and to generate the planned savings in the expected time frame or at all; management may have overestimated the amount of savings and production efficiencies that can be generated or may have underestimated the amount of costs to be expended; the implementation of the initiative may take longer than planned to achieve the expected savings; further restructuring and cost-cutting may be required in order to achieve the objectives of the initiative; the estimated amount of savings generated under the initiative may not be sufficient to achieve the planned benefits; combining business units and/or reducing the number of production or parts facilities may not achieve the efficiencies anticipated; and the impact of the continuing global COVID-19 pandemic, supply chain challenges and inflationary pressures. There can be no assurance that the Company will be able to achieve the anticipated financial and operational benefits, cost savings or other benefits of the initiative.

Factors relating to the Company's financial guidance and targets disclosed in this press release include, in addition to the factors set out above, the degree to which actual future events accord with, or vary from, the expectations of, and assumptions used by, NFI's management in preparing the financial guidance and targets and the Company's ability to successfully execute the "NFI Forward" initiative and to generate the planned savings in the expected time frame or at all.

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, 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. Specific reference is made to "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. The forward-looking statements and information contained herein are made as of the date of this press release (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.