NFI Announces Second Quarter 2023 Results and Update on Comprehensive Refinancing Plan

August 16, 2023

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

- **2023 Q2 revenue of $660 million; 931 equivalent units ("EUs") delivered, with 25% being battery- and fuel cell-electric buses ("ZEBs").**
- **2023 Q2 Adjusted EBITDA[2] of $12 million; Net loss of $48 million; Net loss per Share of $0.62 and Adjusted Net Loss per Share[2] of $0.46.**
- **Ending liquidity[2] position of $82 million, with a minimum liquidity requirement of $25 million.**
- **Ending total backlog position (both firm and options) of 9,803 EUs (valued at a record $6.7 billion[2]); ZEB backlog now 3,491 EUs, or 36%, of total backlog.**
- **Active North American public bid universe ended at 10,054 EUs, up 33% year-over-year; ZEBs now represent 53% of the Total Bid Universe.**
- **Updated financial guidance for Fiscal 2023 for revenue of $2.6 to $2.8 billion and Adjusted EBITDA of $40 to $60 million, other elements remain unchanged.**
- **Significantly advanced NFI's comprehensive refinancing plan ("Refinancing Plan"), including entering into an additional C$50.5 million (approximately $38.1 million) equity private placement of common shares of NFI ("Shares") with a leading global asset manager. Expect to complete all mutually conditional elements of the Refinancing Plan at the same time prior to August 31, 2023.**

WINNIPEG, Manitoba, Aug. 16, 2023 (GLOBE NEWSWIRE) -- **August 16, 2023: (TSX: NFI, OTC: NFYEF, TSX: NFI.DB, TSX: NFI.R)** NFI Group Inc. ("NFI" or the "Company"), a leader in zero-emission electric mobility solutions, today announced its unaudited consolidated financial results for the second quarter of 2023.

Key financial metrics of the quarter and for the last twelve months are highlighted below:

in millions except deliveries and per Share amounts		**2023 Q2**	**Change[1]**		**2023 Q2 LTM**	**Change[1]**
Deliveries (EUs)		931	*66%*		3,540	*16%*
IFRS Measures[3]						
Revenue	$	660	*66%*	$	2,381	*16%*
Net loss		(48)	*14%*		(286)	*(165)%*
Net loss per Share	$	(0.62)	*15%*	$	(3.70)	*(157)%*
Non-IFRS Measures[2,3]						
Adjusted EBITDA	$	12	*159%*	$	0	*(101)%*
Adjusted Net Loss	$	(35)	*27.1%*	$	(143)	*(23.9)%*
Adjusted Net Loss per Share	$	(0.46)	*28.1%*	$	(1.86)	*(16.3)%*
Free Cash Flow	$	(31)	*37%*	$	(139)	*(44)%*
Liquidity (minimum liquidity requirement of $25 million)	$	82	*(34)%*	$	82	*(34)%*

Footnotes:

1. Results noted herein are for the 13-week period ("2023 Q2") and the 52-week period ("LTM 2023 Q2") ended July 2, 2023. The comparisons reported in this press release compare 2023 Q2 to the 13-week period ("2022 Q2") and LTM 2023 Q2 to the 53-week period ("LTM 2022 Q2") ended July 3, 2022. Comparisons and comments are also made to the 13-week period ("2023 Q1") ended April 2, 2023. The term "LTM" is an abbreviation for "Last Twelve Month Period".
2. Adjusted EBITDA, Adjusted Net Loss, and Free Cash Flow represent non-IFRS measures, Adjusted Net 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 Loss per Share is based on the non-IFRS measure Adjusted Net 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 Appendix B of this press release. Readers are advised to review the unaudited interim condensed consolidated financial statements (including notes) (the “Financial Statements”) and the related Management's Discussion and Analysis (the "MD&A").

3. The Company retrospectively adopted IFRS 17 - Insurance Contracts on January 2, 2023. Refer to the section, "new and amended standards adopted by the Company" for details of the impact of the adoption. NFI's Financial Statements were prepared on a going concern basis in accordance with IFRS. Readers are recommended to read the section "capital allocation policy" in the MD&A regarding the basis of preparation and the determination of application of the going concern assumption.

"In the second quarter of 2023, we continued to see significant improvements in supply chain performance, bus and coach deliveries, gross margins, and Adjusted EBITDA. The aftermarket segment delivered another period of outperformance, with record quarterly Adjusted EBITDA, and overall market demand remained very strong. During the quarter, we submitted our highest number of bids ever, and our quarter-end backlog reached a record $6.7 billion, with 36% of backlog being zero-emission buses and coaches, up from just 20% in the second quarter of last year.

"New contract pricing continues to improve, with the average sale price in our backlog up 20% year-over-year, and we expect to complete and deliver nearly all remaining inflation-impacted legacy contracts before the end of 2023. We maintain our plan to significantly increase new vehicle production rates in the second half of the year, a process that started in earnest towards the end of the second quarter. As we ramp-up production, we anticipate some temporary inefficiencies, but we see a path for significant margin growth in 2024 and 2025 from a combination of pricing improvements, higher delivery volumes, sales mix and enhanced operational performance.

"Our comprehensive refinancing plan is nearing completion, and we are pleased to announce an additional equity private placement of Shares for approximately $38 million, which brings our total expected gross proceeds from all transactions of the plan to $443 million. When complete, this plan will help improve our liquidity and financial flexibility, improve our leverage profile and provide appropriate covenants to support our recovery as we drive towards our goal of $400 million of Adjusted EBITDA in 2025," said Paul Soubry, President and Chief Executive Officer, NFI.

Refinancing Plan and Liquidity

The Company continues to advance its comprehensive refinancing plan ("Refinancing Plan"), and today announced that as part of that plan it has entered into subscription agreements with a leading global asset manager (the “Investor”) whereby certain funds managed and/or advised by the Investor have agreed to subscribe for and purchase from the Company an aggregate of 5,000,000 Shares, on a private placement basis, at a subscription price of C$10.10 per share (the “Subscription Price”), for aggregate gross proceeds to NFI of C$50,500,000 [1] (approximately $38,113,000) (the "August Private Placement”).

The net proceeds from the August Private Placement will be used by the Company to repay outstanding indebtedness under NFI's existing credit facilities and for working capital and general corporate purposes. The Shares to be issued in the August Private Placement will be subject to a four-month hold period in accordance with applicable securities law rules. Completion of the August Private Placement is subject to customary conditions, approval by the Toronto Stock Exchange ("TSX"), and is conditional upon the concurrent completion of the other elements of the Refinancing Plan.

Following completion of the Refinancing Plan, NFI expects that it will have 118.9 million Shares outstanding. NFI expects to close all elements of the Refinancing Plan concurrently prior to August 31, 2023.

Based on the expected proceeds from the August Private Placement, NFI intends to lower the gross proceeds from its proposed second lien debt financing from $200 million to approximately $180 million. This is expected to generate annual interest savings of up to $2.9 million per annum.

Upon close of the Refinancing Plan, the Company will permanently reduce capacity under its Secured Facilities by $250 million, and receive additional liquidity of approximately $135 to $140 million as the Company will lower carrying balances on its revolving credit facilities and increase cash on-hand. A summary of the expected gross proceeds is provided below:

Refinancing Plan Gross Proceeds		**$ millions**	**Shares Issued (millions)**
Equity			
Coliseum Private Placement	$	133	*21.7*
Subscription Receipts Offering	$	92	*15.1*
August Private Placement	$	38	*5.0*
Debt			
Second Lien Debt	$	180	*N/A*
Total Refinancing Plan Gross Proceeds	**$**	**443**	***41.8***

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 of $25 million, was $82 million as at the end of 2023 Q2, down $43 million from the end of 2023 Q1. The decrease in liquidity is primarily due to increased requirements for letters of credit ("LOC") and increased debt drawings to support increased worked capital levels.

While NFI finalizes its Refinancing Plan, which is expected to significantly improve NFI's liquidity position, the Company is focused on cash management with expectations that working capital levels will be reduced in the second half of 2023 as the Company lowers inventory levels, collects on receivable balances and pursues advance payments and deposits from customers, wherever possible. The Company's current focus on simultaneously reducing work in progress and ramping up production puts additional stress on liquidity.

To further support liquidity, subsequent to quarter-end NFI received approval under its senior credit facilities to lower the minimum liquidity requirement from $25 million to $5 million, effective as of July 31, 2023 to August 31, 2023. Post-completion of the Refinancing Plan, the minimum liquidity requirement under the senior facilities will increase to $50 million. If the Refinancing Plan is not completed by August 31, 2023, the Company will require relief from the lenders under its senior secured facilities and potentially additional liquidity support. There can be no assurance that such relief or support will be available.

Segment Results

Manufacturing segment revenue for 2023 Q2 increased by $238 million, or 84%, compared to 2022 Q2. The increase was driven by higher new vehicle and pre-owned coach deliveries. NFI experienced significant improvement in supplier performance and on-time production during the quarter, supporting a 66% year-over-year increase in bus and coach deliveries. While there was improvement, Quarterly and LTM deliveries are down relative to pre-COVID-19 levels due to global supply chain challenges and related production inefficiencies.

Manufacturing Adjusted EBITDA increased by $26 million, or 63%, compared to 2022 Q2. The increase was driven by higher overall deliveries, favourable sales mix, and a lower number of legacy inflation-impacted contracts.

Aftermarket segment revenue for 2023 Q2 of $138 million increased by $23 million, or 20% compared to 2022 Q2, driven by increased volume in the North America region. 2023 Q2 Aftermarket Adjusted EBITDA was $30 million, a $7 million, or 33%, year-over-year increase, stemming from improved sales volume and product mix.

Net loss, Adjusted Net Loss, and Return on Invested Capital

2023 Q2 net loss of $48 million decreased by $8 million from 2022 Q2, primarily due to higher overall deliveries, favourable sales mix, and a lower number of legacy inflation impacted contracts, offset by higher interest expense from higher carrying balances on the Company's facilities and higher interest rates.

2023 Q2 Adjusted Net Loss of $35 million compared to 2022 Q2 Adjusted Net Loss of $48 million. The decrease in Adjusted Net Loss was driven by the same items that impacted Adjusted EBITDA and net loss, with several one-time costs in 2022 related to insurance, pension and restructuring that did not repeat in 2023.

LTM 2023 Q2 ROIC increased by 1% from LTM 2023 Q1, due to the increase in Adjusted EBITDA and by a lower invested capital base. The decrease in invested capital is primarily due to a decrease in shareholders' equity, partially offset by increases in long-term debt.

Outlook

NFI anticipates positive improvements to revenue, gross profit, Adjusted EBITDA and Free Cash Flow, reduction in net loss, and improvement in ROIC as it delivers on its backlog, and benefits from record government investments in public transportation, and growing demand for its buses, coaches, parts and Infrastructure Solutions™ services.

Market demand is evident through the high volume of active bus and motor coach procurements in both North America and international markets. As of 2023 Q2, the Company's North American active bids remained high at 10,054 EUs. This bid activity is expected to drive additional backlog growth in the second half of 2023 and throughout 2024. The current five-year forecasted demand within the Company's North American bid universe is also strong at 21,569 EUs, and, when combined with active bids, provides a record Total Bid Universe of 31,623 EUs.

In addition to the increased numbers of bids for ZEBs, the number of EUs per bid has increased, as transit agencies are progressing from pilot or trials to more active deployment and operation of ZEB fleets. NFI expects active ZEB bids to remain high through the coming years based on strong government funding levels.

While certain supply chain challenges continue, and have impacted NFI's operating and financial performance, the Company has seen signs of significant improvement in the first half of 2023. The number of moderate and high risk suppliers within NFI's supply base has decreased, and, when combined with actions taken by NFI, on-time supplier delivery performance has improved, supporting expected increases to 2023 production volumes. Higher production allows NFI to absorb less fixed overhead on a per unit basis.

NFI is maintaining its plan to increase new vehicle production rates in the second half of 2023, subject to continued and sustained supply performance and anticipates it will hire approximately 100 additional direct labour team members before the end of 2023. This will be a phased approach with gradual headcount additions throughout the second half of the year driving improvements to new vehicle starts and deliveries. NFI anticipates that it will experience some temporary production inefficiencies as it ramps-up production of new vehicles.

Gross margins and other profitability metrics are expected to improve as NFI increases production rates, delivers more vehicles, and completes the remaining inflation impacted legacy contracts, originally bid in 2020 and 2021, in 2023. The Company has experienced signs of inflation easing during the first half of 2023 and anticipates that newer contracts in NFI's backlog now reflect appropriate, inflation-adjusted pricing.

Financial Guidance and Targets

NFI updates its financial guidance for Fiscal 2023, including revenue of $2.6 to $2.8 billion (previous: $2.5 to $2.8 billion) and Adjusted EBITDA of $40 to $60 million (previous: $30 to $60 million); anticipated ZEBs as a percentage of manufacturing sales and cash capital expenditures remain unchanged for 2023. NFI also reaffirms its Fiscal 2024, and its 2025 targets, as presented on March 1, 2023.

	2019 Pro-forma Results	2023 Guidance	2024 Guidance	2025 Targets
Revenue	$3.2 billion	**$2.6 to $2.8 billion**	$3.2 to $3.6 billion	~$4 billion

ZEBs (electric) as a percentage of manufacturing sales	6%	25% to 30%	30% to 35%	~40%
Adjusted EBITDA[2]	$331 million	**$40 to $60 million**	$250 to $300 million	~$400 million
Cash Capital Expenditures		$35 to $40 million	$50 to $60 million	~$50 million
Return on Invested Capital - provided for 2025 targets	9.8%			>12%

Please review the Company's March 1, 2023 press release and the 2022 Q4 and Fiscal Year MD&A for details on the assumptions that drive Fiscal 2023 and Fiscal 2024 guidance, and 2025 targets, as well as certain applicable risks. Management's expectations regarding financial guidance and targets above are also subject to the risks and other factors referred to in Appendix B.

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

- **Revenue:** Anticipated revenue growth in 2023, 2024 and 2025 is based on year-to-date results, 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.

- **Adjusted EBITDA**: Adjusted EBITDA performance is driven by 2023 year-to-date results, anticipated 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. While there will be some impact to margins in 2023 from legacy inflation impacted contracts, contracts secured in the second half of 2022 and in Fiscal 2023 reflect updated pricing and improved margins.

- The ranges for ZEBs as a percentage of manufacturing sales are based on year-to-date results combined with existing firm backlog, active bids, and anticipated future orders. Cash capital expenditures are based on investments made in 2023 and expected future maintenance and growth projects.

Guidance and targets above are conditional on several factors and expectations, including the recovery of supply chain performance, a higher percentage of ZEB sales (which provide a higher revenue and dollar margin benefit), the mitigation of inflationary pressures, end markets recovering in-line with management expectations, international expansion, aftermarket parts sales, continuous improvement initiatives and completion of the Refinancing Plan. There can be no assurance that the Refinancing Plan will be completed on the terms disclosed or otherwise.

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 B Forward Looking Statements for risks and other factors and the Company's filings on SEDAR.

Environmental, Social & Governance

In May 2023, NFI released its environmental, social, and governance ("ESG") Report for 2022, which updated key performance indicators, highlights for 2022, ESG priorities for 2023, as well as some specific projects and initiatives the Company undertook in the year. The Report focuses on the three main components of NFI's Sustainability Pledge, first adopted in 2006: "Better Product. Better Workplace. Better World", which guides the Company's daily actions and long-term planning. The ESG Report for 2022 can be found at: https://www.nfigroup.com/esg/

In June 2023, NFI announced that it had been ranked among Corporate Knights' Best 50 Corporate Citizens in Canada for the second consecutive year. The Best 50 Corporate Citizens in Canada highlights companies that outperform their peers in corporate sustainability leadership.

Second Quarter 2023 Results Conference Call and Filing

NFI intends to release its second quarter 2023 financial results on Wednesday, August 16, 2023, prior to market open. A conference call for analysts and interested listeners will be held on August 16, 2023, from 8:30 a.m. Eastern Time (ET) until approximately 9:30 a.m. ET. An accompanying results presentation will be available prior to market open on August 16, 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/f6cpc95g. 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/BI0dc92246abb54d698c630515cc951b12. 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 August 16, 2023, until 11:59 p.m. ET on August 15, 2024, at https://edge.media-server.com/mmc/p/f6cpc95q. 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 7,700 team members in ten 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 Shares trade on the Toronto Stock Exchange ("TSX") under the symbol NFI, its Debentures trade on the TSX under the symbol NFI.DB, and its subscription receipts trade on the TSX under the symbol NFI.R. 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.

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Appendix A - Reconciliation Tables

Reconciliation of Net Loss to 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 International Financial Reporting Standards ("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 press release are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with IFRS as an indicator of the Company's performance and NOPAT should not be construed as an alternative to earnings or loss from operations determined in accordance with IFRS as an indicator of the Company's performance. See "Non-IFRS Measures" for the definition of Adjusted EBITDA. The following table reconciles net loss 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) - unaudited	**2023 Q2**	**2022 Q2**	**52-Weeks Ended July 2, 2023**	**53-Weeks Ended July 3, 2022**
Net loss	(48,101)	(56,009)	(285,992)	(107,910)
Addback				
Income taxes	(8,606)	(17,595)	(37,249)	(32,410)
Interest expense[15]	39,970	9,120	109,171	14,768
Amortization	18,731	20,282	84,494	92,720
(Gain) loss on disposition of property, plant and equipment and right of use assets	969	(58)	818	25
Fair value adjustment for total return swap[9]	—	—	—	2,335
Unrealized foreign exchange (gain) loss on non-current monetary items and forward foreign exchange contracts	4,471	1,045	(2,363)	12,968
Costs associated with assessing strategic and corporate initiatives[7]	—	—	—	(106)
Past service costs and other pension costs[11]	—	7,000	4,764	7,000
Proportion of the total return swap realized[10]	—	—	—	(1,525)
Equity settled stock-based compensation	831	243	2,058	1,114
Unrecoverable insurance costs and other[12]	—	7,913	164	8,324
Expenses incurred outside of normal operations[17]	480	—	5,487	—
Prior year sales tax provision [13]	—	—	—	1,996
COVID-19 costs[14]	—	—	—	3,205
Out of period costs[16]	—	—	(1,597)	1,234
Impairment loss on goodwill[18]	—	—	103,900	—
Restructuring costs[8]	3,433	7,435	16,183	16,462
Adjusted EBITDA	12,178	(20,624)	(162)	20,200
Depreciation of property, plant and equipment and right of use assets	(10,896)	(12,346)	(53,387)	(60,350)
Tax at 31%	(397)	10,221	— 16,600	12,447
NOPAT	885	(22,749)	(36,949)	(27,703)

Adjusted EBITDA is comprised of:

Manufacturing	(15,912)	(42,380)	(106,330)	(87,353)
Aftermarket	29,567	22,256	100,093	96,342
Corporate	(1,477)	(500)	6,075	11,211

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 its Shares, service debt, 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 press release 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. See "Non-IFRS Measures" for the definition of Free Cash Flow. The following table reconciles net cash generated by operating activities to 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) - unaudited	**2023 Q2**	**2022 Q2**	**52-Weeks Ended July 2, 2023**	**53-Weeks Ended July 3, 2022**
Net cash generated by (used in) operating activities	(13,775)	8,440	(196,551)	(12,629)
Changes in non-cash working capital items[3]	11,284	(60,802)	109,520	(57,524)
Interest paid[3]	27,957	12,959	88,054	58,370
Interest expense[3]	(30,112)	(18,570)	(99,011)	(72,106)
Income taxes paid (recovered)[3]	(19,509)	2,974	(24,388)	6,079
Current income tax recovery (expense)[3]	53	2,824	13,452	3,105
Repayment of obligations under lease	(5,283)	(6,029)	(24,025)	(18,722)
Cash capital expenditures	(5,089)	(4,232)	(19,007)	(28,697)
Acquisition of intangible assets	(2,583)	(2,214)	(10,727)	(5,673)
Proceeds from disposition of property, plant and equipment	66	228	579	4,477
Costs associated with assessing strategic and corporate initiatives[7]	—	—	—	(106)
Defined benefit funding[4]	454	1,261	3,240	4,511
Defined benefit expense[4]	(779)	(1,746)	(2,336)	(6,735)
Past service costs and other pension costs[11]	—	7,000	—	7,000
Expenses incurred outside of normal operations[17]	480	—	5,488	—
Equity Hedge	229	(124)	42	(124)
Proportion of the total return swap realized[10]	—	—	—	(1,525)
Unrecoverable insurance costs and other[12]	—	7,913	164	10,320
Out of period costs[16]	—	—	(1,597)	2,498
Restructuring costs[8]	3,433	3,627	13,228	12,492
COVID-19 costs[14]	—	—	—	3,217
Foreign exchange gain (loss) on cash held in foreign currency[5]	2,405	(2,118)	4,915	(4,384)
Free Cash Flow[1]	(30,769)	(48,609)	(138,960)	(96,156)
U.S. exchange rate[2]	1.3245	1.2883	1.3590	1.2710
Free Cash Flow (C$)[1]	(40,754)	(62,624)	(188,847)	(122,213)
Free Cash Flow per Share (C$)[6]	(0.5281)	(0.8118)	(2.4474)	(1.8726)
Declared dividends on Shares (C$)	—	4,096	4,096	39,668
Declared dividends per Share (C$)[6]	—	0.0531	—	0.5312

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$) are determined by dividing Free Cash Flow by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2023 Q2 was 77,174,517 and 77,140,467 for 2022 Q2. The weighted average number of Shares outstanding for 2023 Q2 LTM and 2022 Q2 LTM are 77,159,634 and 74,517,345, respectively. Per Share calculations for declared dividends (C$) 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 and other 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. Also included is $4.8 million of pension past service costs.
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 a previous 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. 2023 Q2 includes a loss of $2.0 million and 2022 Q2 includes a gain of $5.8 million for the interest rate swaps. 2023 Q2 includes a loss of $4.5 million and 2022 Q2 includes a gain of $5.9 million on the cash conversion option.
16. Includes adjustments made related to expenses that pertain to prior years. 2022 Q2 includes expenses related to amounts that should have been capitalized from Fiscal years 2010 - 2021.
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 2022 Q4 impairment charges with respect to ARBOC's goodwill of $23.2 million and the ADL manufacturing cash generating unit ("CGU")'s goodwill of $80.7 million.

Reconciliation of Net Loss to Adjusted Net Loss

Adjusted Net Loss and Adjusted Loss per Share are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Accordingly, Adjusted Net Loss and Adjusted Loss per Share may not be comparable to similar measures presented by other issuers. Readers of this press release are cautioned that Adjusted Net Loss and Adjusted Loss per Share should not be construed as an alternative to net loss, or net loss per Share, determined in accordance with IFRS as indicators of the Company's performance. See Non-IFRS Measures for the definition of Adjusted Net Loss and Adjusted Loss per Share. The following table reconcile net loss to Adjusted Net Loss based on the historical financial statements of the Company for the periods indicated.

(U.S. dollars in thousands, except per Share figures) - unaudited	2023 Q2	2022 Q2	52-Weeks Ended July 2, 2023	53-Weeks Ended July 3, 2022

Net loss	(48,101)	(56,009)	(285,992)	(107,909)
Adjustments, net of tax [1, 7]				
Fair value adjustments of total return swap[4]	—	—	—	1,286
Unrealized foreign exchange loss (gain)	3,085	722	(1,632)	7,267
Unrealized loss (gain) on interest rate swap	1,385	(4,010)	(1,264)	(24,854)
Unrealized gain on Cash Conversion Option	3,113	(4,122)	(2,294)	(12,790)
Portion of the total return swap realized[5]	—	—	—	(759)
Costs associated with assessing strategic and corporate initiatives[2]	—	—	—	(106)
Equity settled stock-based compensation	574	167	1,421	631
(Gain) loss on disposition of property, plant and equipment	669	(40)	564	(89)
Past service costs and other pension costs[6]	—	4,830	3,287	4,830
Unrecoverable insurance costs and other[11]	—	5,460	114	7,214
Expenses incurred outside of normal operations[12]	332	—	3,786	—
Other tax adjustments[9]	45	(1,700)	20,663	(5,329)
COVID-19 costs[8]	—	—	—	1,458
Out of period costs[10]	—	—	(2,366)	1,264
Accretion in carrying value of convertible debt and cash conversion option	1,289	1,309	5,221	2,883
Impairment loss on goodwill[13]	—	—	103,900	—
Restructuring costs[3]	2,368	5,130	11,166	9,259
Adjusted Net Loss	(35,241)	(48,263)	(143,426)	(115,744)
Loss per Share (basic)	(0.62)	(0.74)	(3.70)	(1.44)
Loss per Share (fully diluted)	(0.62)	(0.74)	(3.70)	(1.44)
Adjusted Net Loss per Share (basic)	(0.46)	(0.64)	(1.86)	(1.60)
Adjusted Net Loss per Share (fully diluted)	(0.46)	(0.64)	(1.86)	(1.60)

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 and other 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 2022 Q2, 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. 2022 Q2 includes $7.0 million for the liability related to the closure of the Pembina facility and withdrawal from the multi-employer pension plan. Also included is $4.8 million of pension past service costs.
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. 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.
9. 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.

10. Includes adjustments made related to expenses that pertain to prior years. 2022 Q1 includes expenses related to amounts that should have been capitalized from Fiscal Years 2010 - 2021.
11. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
12. 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.
13. Includes 2022 Q4 impairment charges with respect to ARBOC's goodwill of $23.2 million and the AD manufacturing CGU's goodwill of $80.7 million.

Reconciliation of Shareholders' Equity to Invested Capital

The following table reconciles Shareholders' Equity to Invested Capital. The average invested capital for the last twelve months is used in the calculation of ROIC. ROIC is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Accordingly, ROIC may not be comparable to similar measures presented by other issuers. See Non-IFRS Measures for the definition of ROIC.

(U.S. dollars in thousands) - unaudited	2023 Q2	2023 Q1	2022 Q4	2022 Q3
Shareholders' Equity	$ 495,140	533,756	577,575	710,984
Addback				
Long term debt	935,605	911,203	896,626	859,297
Obligation under lease	124,405	127,247	131,625	122,666
Convertible Debentures	225,081	218,719	217,516	211,281
Senior unsecured debt	87,363	86,431	—	—
Derivatives	9,422	(17,164)	(21,620)	(18,904)
Cash	(57,488)	(59,375)	(49,987)	(39,832)
Bank indebtedness	—	—	—	—
Invested Capital	1,819,528	1,800,817	1,751,735	1,845,492
Average of invested capital over the quarter	1,810,173	1,776,276	1,798,614	1,822,554

	2022 Q2	2022 Q1	2021 Q4	2021 Q3
Shareholders' Equity	783,905	850,323	871,772	787,010
Addback				
Long term debt	718,139	677,996	586,411	1,049,273
Capital leases	131,077	139,129	143,675	150,212
Convertible Debentures	224,947	229,673	225,768	—
Senior unsecured debt	—	—	—	—
Derivatives	(8,179)	4,806	31,883	20,920
Cash	(50,274)	(26,604)	(77,318)	(64,822)
Bank indebtedness	—	1,233	—	—
Invested Capital	1,799,615	1,876,556	1,782,191	1,942,593
Average of invested capital over the quarter	1,838,086	1,829,373	1,862,392	1,924,303

Appendix B - Non-IFRS Measures and Forward-Looking Statements

Non-IFRS Measures

References to "Adjusted EBITDA" are to earnings before interest, income taxes, depreciation and amortization after adjusting for the effects of certain non-recurring and/or non-operations related items and expenses incurred outside the normal course of operations that do not reflect the current ongoing cash operations of the Company. These adjustments include gains or losses on disposal of property, plant and equipment, fair value adjustment for total return swap, unrealized foreign exchange losses or gains on non-current monetary items and forward foreign exchange contracts, costs associated with assessing strategic and corporate initiatives, past service costs and other pension costs or recovery, non-operating costs or recoveries related to business acquisition, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, proportion of the total return swap realized, equity settled stock-based compensation, expenses incurred outside the normal course of operations, recovery of currency transactions, prior year sales tax provision, COVID-19 costs and impairment loss on goodwill and non-operating restructuring costs.

References to "NOPAT" are to Adjusted EBITDA less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%.

“Free Cash Flow” means net cash generated by or used in operating activities adjusted for changes in non-cash working capital items, interest paid, interest expense, income taxes paid, current income tax expense, repayment of obligation under lease, cash capital expenditures, acquisition of intangible assets, proceeds from disposition of property, plant and equipment, costs associated with assessing strategic and corporate initiatives, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, defined benefit funding, defined benefit expense, past service costs and other pension costs or recovery, expenses incurred outside the normal course of operations, proportion of total return swap, unrecoverable insurance costs, prior year sales tax provision, non-operating restructuring costs, extraordinary COVID-19 costs, foreign exchange gain or loss on cash held in foreign currency.

References to "ROIC" are to NOPAT divided by average invested capital for the last twelve month period (calculated as to shareholders’ equity plus long-term debt, obligations under leases, other long-term liabilities and derivative financial instrument liabilities less cash).

References to "Adjusted Net Earnings (Loss)" are to net earnings (loss) after adjusting for the after tax effects of certain non-recurring and/or non-operational related items that do not reflect the current ongoing cash operations of the Company including: fair value adjustments of total return swap, unrealized foreign exchange loss or gain, unrealized gain or loss on the interest rate swap, impairment loss on goodwill, portion of the total return swap realized, costs associated with assessing strategic and corporate initiatives, fair value adjustment to acquired subsidiary company's inventory and deferred revenue, equity settled stock-based compensation, gain or loss on disposal of property, plant and equipment, past service costs and other pension costs or recovery, recovery on currency transactions, expenses incurred outside the normal course of operations prior year sales tax provision, COVID-19 costs and non-operating restructuring costs .

References to "Adjusted Earnings (Loss) per Share" are to Adjusted Net Earnings (Loss) divided by the average number of Shares outstanding.

Management believes Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss) and Adjusted Net Earnings (Loss) per Share are useful measures in evaluating the performance of the Company. However, Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share are not recognized earnings or cash flow measures under IFRS and do not have standardized meanings prescribed by IFRS. Readers of this press release are cautioned that ROIC, Adjusted Net Earnings (Loss) and Adjusted EBITDA should not be construed as an alternative to net earnings or loss or cash flows from operating activities determined in accordance with IFRS as an indicator of NFI’s performance, and Free Cash Flow should not be construed as an alternative to cash flows from operating, investing and financing activities determined in accordance with IFRS as a measure of liquidity and cash flows. A reconciliation of net earnings (loss) to Adjusted EBITDA, based on the Financial Statements, has been provided under the headings “Reconciliation of Net Earnings (Loss) to Adjusted EBITDA”. A reconciliation of net earnings (loss) to Adjusted Net Earnings (Loss) is provided under the heading “Reconciliation of Net Loss to Adjusted Net Loss”.

NFI's method of calculating Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings and Adjusted Earnings per Share may differ materially from the methods used by other issuers and, accordingly, may not be comparable to similarly titled measures used by other issuers. Dividends paid from Free Cash Flow are not assured, and the actual amount of dividends received by holders of Shares will depend on, among other things, the Company's financial performance, debt covenants and obligations, working capital requirements and future capital requirements, all of which are susceptible to a number of risks, as described in NFI’s public filings available on SEDAR at www.sedarplus.ca.

"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.

"Backlog" value is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.

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.

Forward-Looking Statements

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 Refinancing Plan, the Private Placement, the use of proceeds therefrom, the second lien debt financing, 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, labour supply shortages, the recovery of the Company’s markets and the expected benefits to be obtained through its “NFI Forward” initiatives) 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, labour supply shortages and inflationary pressures, will not occur or be achieved. There can be no assurance that the transactions comprising the Refinancing Plan will be completed on the terms disclosed or otherwise. There can be no assurance that further relief from the lenders under NFI's senior secured facilities or additional liquidity support will be available.

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, inflationary effects and labour supply challenges; the Company’s business, operating results, financial condition and liquidity may be materially adversely impacted by the ongoing Russian invasion of Ukraine due to factors including but not limited to further supply chain disruptions, inflationary pressures and tariffs on certain raw materials and components that may be necessary for the Company’s operations; 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 security holders 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 electrical components, 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, failure to comply with motor vehicle manufacturing regulations and standards and the 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; in December 2022, the Board made the decision to suspend the payment of dividends given credit agreement constraints and to support the Company's focus on improving its liquidity and financial position and the resumption of dividend dividends is not assured or 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 or shortage of 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" initiatives 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, the Company's management in preparing the financial guidance and targets and the Company's ability to successfully execute the "NFI Forward" initiatives 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.

[1] Assumes CAD/USD exchange rate of 1.325.