Financial Results
2026 Second Quarter

August 6, 2026

Notes to readers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS, 26-WEEKS, AND 52-WEEKS ENDED JUNE 28, 2026.

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. and its subsidiaries (collectively referred to as "NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's unaudited interim condensed consolidated financial statements (including notes) (the "Financial Statements") for the 13-week and 26-week period ended June 28, 2026 and 13-week and 26-week period ended June 29, 2025 and has been prepared as of August 6, 2026.

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

QUARTERLY AND ANNUAL REPORTING PERIODS

The quarterly and annual reporting periods for Fiscal 2026 and Fiscal 2025 are as follows:

Period from December 29, 2025 to December 27, 2026 ("Fiscal 2026")				Period from December 30, 2024 to December 28, 2025 ("Fiscal 2025")			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	March 29, 2026	("2026 Q1")	13	Quarter 1	March 30, 2025	("2025 Q1")	13
Quarter 2	June 28, 2026	("2026 Q2")	13	Quarter 2	June 29, 2025	("2025 Q2")	13
Quarter 3	September 27, 2026	("2026 Q3")	13	Quarter 3	September 28, 2025	("2025 Q3")	13
Quarter 4	December 27, 2026	("2026 Q4")	13	Quarter 4	December 28, 2025	("2025 Q4")	13
Fiscal year	December 27, 2026		52	Fiscal year	December 28, 2025		52

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

Notes to readers

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

The Manufacturing Operations segment derives its revenue from the design, manufacture, service and support of new transit buses ("Transit"), motorcoach ("Motorcoach"), medium-duty and low-floor cutaway buses ("Medium-Duty and Cutaway"), and the installation of infrastructure for electric vehicles and the third-party sales of fiberglass reinforced polymer components. Based on management's judgment and applying the aggregation criteria in IFRS 8.12, the Company's bus/motorcoach 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, Motorcoach and Medium-Duty and Cutaway, both for the Company's and third-party products.

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

Zero-emission buses ("ZEBs") refers to vehicles that do not have internal combustion engines. In the case of NFI, ZEBs include trolley-electric, hydrogen fuel cell-electric, and battery-electric buses and motorcoaches. All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motorcoaches 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 motorcoach, as the case may be, whereas one articulated transit bus represents two EUs as it takes up two production slots. An articulated transit bus is an extra-long transit bus (approximately 60-feet in length), composed of two passenger compartments connected by a joint mechanism.

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

NFI's mobility solutions

Workforce Development + Training

VIC Vehicle Innovation Center

AD24

New Flyer Institute

MCI | MCI Academy Training for Advancing Technology

NFI Learning Institute

Infrastructure Solutions

NFI Infrastructure Solutions™

Financing

NFI Financial Solutions™

Buses + Coaches

New Flyer

MCI

ARBOC Specialty Vehicles

Alexander Dennis

Connected Vehicles + Diagnostics

NFI Connect™

Connect 360

AD24

Parts, Publications + Service

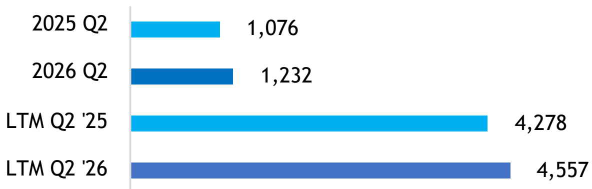
NFI Service

AD24

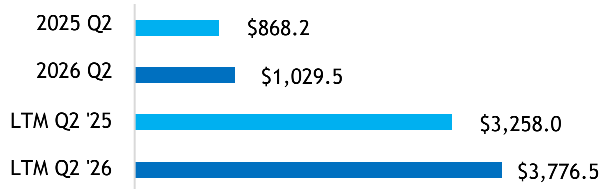
nfi.parts

Key Performance Indicators

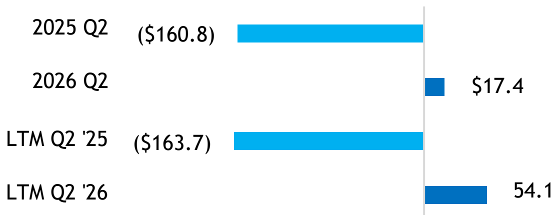
Deliveries (EUs)



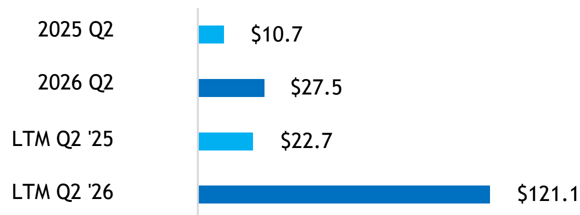
Revenue ($ millions)



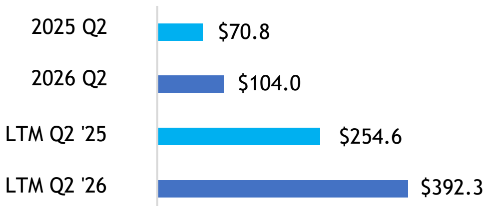
Net (Loss) Earnings ($ millions)



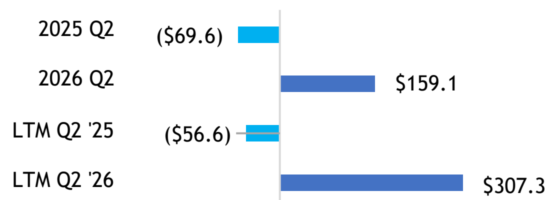
Adjusted Net Earnings NG ($ millions)



Adjusted EBITDA NG ($ millions)

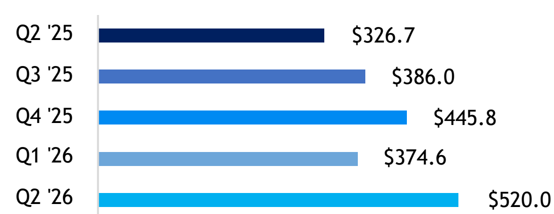


Net cash (used in) generated by operating activities ($ millions)

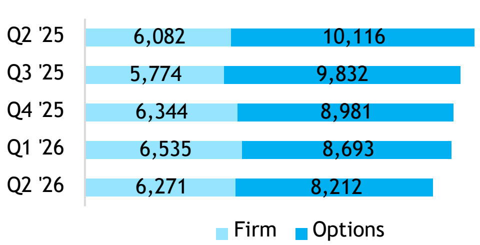


Working Capital Days NG

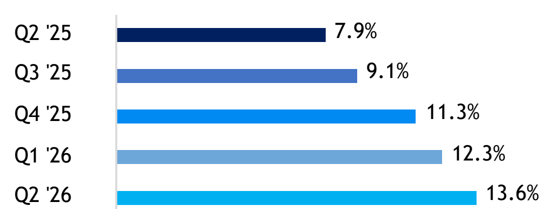
Liquidity NG ($ millions)



Backlog NG (EUs)



ROIC NG



2026 Q2 Highlights

During the second quarter of 2026, NFI achieved year-over-year improvement in various key operational and financial metrics, including deliveries, revenue, gross margin, net earnings, Adjusted EBITDA[NG], Free Cash Flow[NG] and Adjusted Net Earnings[NG]. The Company saw significant improvement in its manufacturing and aftermarket segment profitability, and ended the quarter with a backlog[NG] valued at approximately $12.5 billion.

Second Quarter Highlights

- **Deliveries:** 1,232 equivalent units ("EUs"), an increase of 14.5% from 2025 Q2
- **Revenue**: $1,029.5 million, an 18.6% increase year-over-year
- **Gross Margin:** $153.5 million, an increase of 32.1% from 2025 Q2, positively impacted by higher margins within manufacturing and aftermarket segments
- **Net Earnings:** $17.4 million, an increase of $178.2 million year-over-year
- **Adjusted Net Earnings[NG]**: $27.5 million and Adjusted Net Earnings[NG] per Share of $0.23, an improvement of $16.8 million from 2025 Q2
- **Net cash generated by operating activities:** $159.1 million, an improvement of $228.7 million from 2025 Q2, positively impacted by operating performance and cash inflows from working capital items
- **Adjusted EBITDA[NG]:** $104.0 million, an increase of 46.9% year-over-year
- **Backlog[NG]:** Approximately $12.5 billion (6,271 EUs firm and 8,212 EUs options)
- **ROIC[NG]:** increased to 13.6%, up from 7.9% in 2025 Q2
- **Liquidity[NG]:** $520.0 million, an increase of $193.3 million from 2025 Q2

Outlined below are several key events that occurred during the second quarter that impacted NFI's quarterly financial results. Full details are provided below in this MD&A.

North American Battery Recall Campaign

In March 2026, NFI began detailed work on its battery recall campaign through its service center network in North America. During the quarter NFI replaced batteries on 37 buses and since the commencement of the campaign has now completed replacement on 49 buses. NFI expects to replace the batteries on approximately 700 buses through the recall campaign by the end of Fiscal 2027.

During the quarter, NFI incurred cash outflows of $7.2 million related to the replacement of batteries under the recall and has incurred cash outflows of $9.7 million since the start of the campaign.

Market Demand

During the quarter NFI reported the following (see Appendix B for additional details):

- On an LTM basis, NFI reported new orders of 3,839 EUs and a total backlog of 14,483 EUs reflecting continued demand within NFI's end markets.
- Forward demand metrics remained strong in 2026 Q2 with 6,195 EUs of Active Bids (submitted or in-process), an improvement of 5.8% from 2025 Q2, and 26,603 EUs in the Company's forecasted five-year North American industry procurement.
- The Company also had 500 EUs in bid awards pending (where NFI had received notification of award from the customer, but formal purchase order documentation had not yet been finalized) as at the end of 2026 Q2. The combination of pending awards and active bids is expected to position NFI for new additions to its backlog[NG].

Other Events

- In May, NFI announced an order for 41 Enviro500 double deck buses from BC Transit in Victoria, BC and the election of its Board of Directors, with two new individuals being elected to the Board.

- In June, NFI announced an order for 60 tri-axle double deck buses from Scottish operator Lothian Buses. The vehicles will be built in partnership with Volvo Buses, using a Volvo chassis and Alexander Dennis bus body.

Subsequent Events

On July 14, 2026, the Company amended and extended its existing 2025 First Lien Facility (described below) with improvements to pricing, increases in certain permitted debt baskets and a new maturity date to July 14, 2030, with an uncommitted option to further extend the maturity date.

On July 21, 2026, the Company completed a private placement offering of senior unsecured notes with an aggregate principal amount of C$350 million due July 21, 2033. The notes have an interest rate of 6.625% per annum, payable semi-annually in arrears on January 21 and July 21, commencing January 21, 2027. The net proceeds of the private placement offering received on July 21, 2026 were used to repay a portion of the amounts outstanding under the First Lien Facility, and to repay in full all outstanding borrowings under the Manitoba Development Corporation ("MDC") Facility, which resulted in the termination of the MDC facility. NFI intends to redraw amounts under the 2025 First Lien Senior Credit Facility in January 2027 in order to repay the outstanding aggregate principal amount of the Company's existing convertible debentures (the "Debentures"), which is currently C$338 million.

Financial Results

NFI's second quarter financial results in 2026 saw both sequential and year-over-year improvement with increases in vehicle deliveries, revenue, gross profit, and Adjusted EBITDA[NG]. The Company continued to increase production rates during the quarter, benefitting from the addition of its All Canadian Build Facility. Quarterly financial performance improved significantly, driven primarily by North American manufacturing and aftermarket activity, with lower delivery volumes in the UK.

The Aftermarket segment delivered a record revenue quarter in Q2, driven by outperformance from North American transit volumes, reflecting the benefits of large-scale sporting events and mid-life retrofit programs. The segment also generated higher margins through favourable public market sales mix and tariff management.

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

Deliveries (EUs)	2026 Q2	2025 Q2	*% Change*	2026 Q2 LTM	2025 Q2 LTM	*% Change*
Transit Bus	911	747	*22.0 %*	3,099	2,981	*4.0 %*
Motorcoach	142	132	*7.6 %*	682	614	*11.1 %*
Medium-Duty and Low-Floor Cutaway	179	197	*(9.1 %)*	776	683	*13.6 %*
New vehicle deliveries	1,232	1,076	*14.5 %*	4,557	4,278	*6.5 %*
Pre-owned coach	40	18	*122.2 %*	111	88	*26.1 %*
Zero-emission deliveries (included in the above totals)	260	332	*(21.7 %)*	1,101	1,231	*(10.6 %)*
Zero-emission deliveries as a percentage of total new vehicle deliveries	21.1 %	30.9 %	*(31.7 %)*	24.2 %	28.8 %	*(16.0 %)*

Revenue ($ millions)	2026 Q2	2025 Q2	*% Change*	2026 Q2 LTM	2025 Q2 LTM	*% Change*
Transit Bus	704.4	567.8	*24.1 %*	2,445.9	2,049.6	*19.3 %*
Motorcoach	110.5	100.1	*10.4 %*	508.0	429.3	*18.3 %*
Medium-Duty and Low-Floor Cutaway	28.4	27.5	*3.4 %*	115.9	91.4	*26.8 %*
Total new vehicle revenue	**843.3**	**695.4**	***21.3 %***	**3,069.9**	**2,570.3**	***19.4 %***
Pre-owned coach	3.5	5.3	*(33.1 %)*	17.0	19.5	*(12.8 %)*
Infrastructure Solutions™	2.1	8.3	*(74.7 %)*	30.2	38.3	*(21.2 %)*
Fiberglass reinforced polymer components	4.4	3.5	*23.1 %*	12.1	11.8	*2.6 %*
Manufacturing revenue	**853.3**	**712.5**	***19.8 %***	**3,129.2**	**2,639.9**	***18.5 %***
Aftermarket revenue	176.2	155.7	*13.1 %*	647.2	618.1	*4.7 %*
Total revenue	**1,029.5**	**868.2**	***18.6 %***	**3,776.5**	**3,258.0**	***15.9 %***
North America	909.8	723.8	*25.7 %*	3,307.0	2,630.5	*25.7 %*
United Kingdom and Europe	106.6	133.8	*(20.4 %)*	427.2	583.8	*(26.8 %)*
Asia Pacific	13.1	10.5	*24.7 %*	42.3	43.7	*(3.2 %)*

In 2026 Q2, Manufacturing deliveries increased by a total of 156 EUs, or 14.5 % from 2025 Q2. Transit deliveries increased from 747 EUs to 911 EUs in 2026 Q2, an increase of 164 EUs from 2025 Q2 primarily driven by increased production and sales in the North American market, partially offset by decreased sales in the UK market. 2026 Q2 LTM Transit deliveries increased to 3,099 EUs from 2,981 EUs in 2025 Q2 LTM, an increase of 118 EUs. The increase in 2026 Q2 LTM is primarily attributable to the same impacts in 2026 Q2, offset by the negative impacts from seating supply disruption during Fiscal 2025 and the delivery delays associated with the Battery Recall in North America announced in 2025 Q3. Quarterly Motorcoach deliveries increased from 132 EUs in 2025 Q2 to 142 EUs in 2026 Q2, an increase of 10 EUs, or 7.6 %, driven by higher public Motorcoach deliveries. 2026 Q2 LTM Motorcoach deliveries increased to 682 EUs from 614 EUs, an increase of 68 EUs, reflecting higher public and private Motorcoach deliveries. Medium-Duty and Cutaway deliveries decreased to 179 EUs in 2026 Q2 from 197

EUs in 2025 Q2, a decrease of 18 EUs reflecting lower cutaway deliveries following several periods of record level volumes. Medium-Duty and Cutaway deliveries increased to 776 EUs in 2026 Q2 LTM from 683 EUs in 2025 Q2 LTM, an increase of 93 EUs, primarily driven by heightened demand from Canadian transit agencies.

Overall, zero-emission deliveries for 2026 Q2 decreased by 21.7 % from 2025 Q2. ZEBs as a percentage of total new vehicle deliveries decreased to 21.1 % in 2026 Q2 from 30.9 % in 2025 Q2. 2026 Q2 LTM ZEB deliveries were 1,101 EUs compared to the 1,231 EUs in 2025 Q2 LTM, a decrease of 130 EUs. ZEBs as a percentage of total new vehicle deliveries for 2026 Q2 LTM was 24.2 %. The decrease in ZEB deliveries was primarily due to certain North American Transit customers delaying or shifting their ZEB plans, putting increased focus on ICE vehicles in the near and medium-term.

Manufacturing revenue for 2026 Q2 increased by $140.9 million, or 19.8 %, compared to 2025 Q2. This increase was primarily due to increased deliveries in Transit and Motorcoach, offset by a decrease in Medium-Duty and Cutaway. 2026 Q2 LTM manufacturing revenue increased by $489.3 million, or 18.5 %. This increase was due to the higher average sales price and increased deliveries from North American Transit and Motorcoach, plus Medium-Duty and Cutaway, offset by lower UK Transit deliveries.

Aftermarket revenue for 2026 Q2 was $176.2 million, an increase of $20.5 million, or 13.1 %, compared to $155.7 million in 2025 Q2. Revenue growth was driven by robust aftermarket demand from transit operators, increased activity associated with mid-life retrofit programs, and continued expansion of external customer business.

Net earnings (loss) ($ millions, except per Share amounts)	2026 Q2	2025 Q2	% Change	2026 Q2 LTM	2025 Q2 LTM	% Change
Manufacturing	18.5	(88.9)	*120.8 %*	97.5	(71.7)	*236.0 %*
Aftermarket	36.3	23.5	*54.4 %*	114.1	106.9	*6.8 %*
Corporate	(37.4)	(95.4)	*60.8 %*	(157.6)	(198.9)	*20.8 %*
Net earnings (loss)	**17.4**	**(160.8)**	***110.8 %***	**54.1**	**(163.7)**	***133.0 %***
Adjusted net earnings[NG]	27.5	10.7	*157.0 %*	121.1	22.7	*433.5 %*
Net earnings (loss) per Share	0.15	(1.35)	*111.1 %*	0.45	(1.45)	*131.0 %*
Adjusted net earnings per Share[NG]	0.23	0.09	*155.6 %*	1.02	0.20	*410.0 %*

Adjusted EBITDA[NG] ($ millions)	2026 Q2	2025 Q2	% Change	2026 Q2 LTM	2025 Q2 LTM	% Change
Manufacturing	70.7	52.6	*34.5 %*	276.3	138.3	*99.8 %*
Aftermarket	42.3	30.6	*38.6 %*	136.3	130.7	*4.3 %*
Corporate	(9.0)	(12.3)	*26.5 %*	(20.3)	(14.4)	*(40.7 %)*
Total Adjusted EBITDA[NG]	**104.0**	**70.8**	***46.9 %***	**392.3**	**254.6**	***54.1 %***
Adjusted EBITDA[NG] as a percentage of revenue						
Manufacturing	8.3 %	7.4 %	*12.2 %*	8.8 %	5.2 %	*69.2 %*
Aftermarket	24.0 %	19.6 %	*22.4 %*	21.1 %	21.1 %	*0.0 %*
Total	10.1 %	8.2 %	*23.2 %*	10.4 %	7.8 %	*33.3 %*

In 2026 Q2, Manufacturing operations experienced net earnings of $18.5 million compared to net losses of $88.9 million in 2025 Q2. The results reflect continued progress in ramping up production, converting backlog into deliveries, and improving profitability through a stronger margin profile. The comparative period in 2025 Q2 was significantly impacted by impairment charges, higher restructuring expenses, and costs associated with the seat supply disruption. In 2026 Q2, Manufacturing operations achieved Adjusted EBITDA[NG] of $70.7 million, an increase of $18.1 million, from 2025 Q2 Adjusted EBITDA[NG]. The increase in Manufacturing Adjusted EBITDA[NG] was primarily due to higher deliveries, improved gross margin of the delivered units reflecting the conversion of backlog and improved overhead absorption from higher volumes. 2026 Q2 LTM Manufacturing operations had net earnings of $97.5 million compared to net losses of $71.7 million in 2025 Q2 LTM, an increase in earnings of $169.2 million. 2026 Q2 LTM Manufacturing operations achieved Adjusted EBITDA[NG] of $276.3 million, an increase of $138.0 million, from 2025 Q2 LTM Adjusted EBITDA[NG] of $138.3 million. The increase in Manufacturing net earnings and Adjusted EBITDA[NG] is primarily attributable to increased deliveries with an improved margin profile. In addition, 2025 Q2 LTM net earnings were negatively impacted by the items that reduced profitability in 2025 Q2.

2026 Q2 Aftermarket segment net earnings increased by $12.8 million, or 54.4 %, compared to 2025 Q2. In 2026 Q2, the Aftermarket segment had an Adjusted EBITDA[NG] of $42.3 million (a 38.6 % year-over-year increase). This increase was driven by higher revenue, improved sales mix and the impact of tariff reimbursement. 2026 Q2 LTM Aftermarket segment net earnings were $114.1 million, an increase of $7.2 million, or 6.8 %, from $106.9 million in 2025 Q2 LTM. 2026 Q2 LTM Aftermarket operations achieved Adjusted EBITDA[NG] of $136.3 million compared to $130.7 million in 2025 Q2 LTM, an increase of $5.6 million or 4.3 %. The improvements during the LTM period are primarily from increased revenue and improved sales mix, including higher program revenues, combined with effective pricing and tariff management, plus cost control initiatives.

2026 Q2 Corporate net loss decreased by $58.0 million to $37.4 million primarily due to the absence of substantial non-recurring refinancing-related costs incurred in 2025 Q2, including a loss on debt extinguishment and fees associated with the early repayment of debt facilities. 2026 Q2 Corporate Adjusted EBITDA[NG] increased by $3.3 million compared to 2025 Q2, primarily due to lower FX costs and lower incentive compensation costs. The Company implemented an equity hedging strategy in the first half of 2026 that mitigates the impacts of improvements in the price of NFI's shares on the calculation of incentive related costs. 2026 Q2 LTM Corporate net loss decreased by $41.3 million. The decrease in losses compared to 2025 Q2 and 2025 Q2 LTM was mainly due to $54.0 million from the non-recurring impact of the Company’s debt refinancing that was completed in 2025 Q2. 2026 Q2 LTM Corporate Adjusted EBITDA[NG] decreased primarily due to higher SG&A expenses and increased LTIP costs, partially offset by lower interest expense and unrealized gains on the Company’s non-current monetary items. Further discussion related to the impacts on Corporate net loss and Adjusted EBITDA[NG] can be found in the results from operations section on page 16.

Net cash generated by (used in) operating activities and Free Cash Flow[NG] ($ millions, except per Share amounts)	2026 Q2	2025 Q2	% Change	2026 Q2 LTM	2025 Q2 LTM	% Change
Net cash generated by (used in) operating activities	159.1	(69.6)	*328.6 %*	307.3	(56.6)	*642.9 %*
Free Cash Flow[NG]	20.7	15.7	*31.8 %*	85.9	22.6	*280.1 %*
Free Cash Flow[NG] (CAD dollars)	28.7	21.7	*32.3 %*	118.9	31.5	*277.5 %*
Free Cash Flow per Share[NG] (CAD dollars)	0.24	0.18	*33.3 %*	1.00	0.28	*257.1 %*

Cash generated by operating activities in 2026 Q2 was $159.1 million compared to cash used in operating activities of $69.6 million in 2025 Q2, an increase of $228.7 million. The increase in cash generated by operating activities reflects improved results from operations, lower cash interest payments, and increased cash flows from working capital, offset by higher cash taxes. The cash proceeds from working capital are primarily driven by the timing of customer receipts, higher milestone billings and an increase in accounts payable balances. While working capital balances increased alongside the increase in production and sales volumes, the net impact of working capital movements was favourable to cash flow. The Company also incurred cash outflows related to the Battery Recall program and higher tax payments, offset by lower cash interest paid during the period. The 2026 Q2 LTM cash generated by operating activities was $363.9 million, an increase of $360.0 million, compared to cash used in operating activities of $56.6 million in 2025 Q2 LTM, primarily due to cash received from the Battery Settlement in 2025 Q4, lower cash interest payments, and increased cash from milestone billing, offset by increased income taxes paid.

Free Cash Flow[NG] in 2026 Q2 increased by $5.0 million, compared to 2025 Q2, mainly due to higher Adjusted EBITDA[NG] for the period and lower non-recurring restructuring costs, offset by higher cash capital expenditures. Free Cash Flow[NG] increased by $63.3 million to $85.9 million in 2026 Q2 LTM compared to $22.6 million in 2025 Q2 LTM. The increase was due to the higher Adjusted EBITDA[NG], lower interest expense, offset by higher current income tax expense and higher lease payments.

	2026 Q2	2026 Q1	2025 Q4	2025 Q3	2025 Q2
Working Capital Days[NG]	38	41	42	49	53
Liquidity[NG,1] ($ millions)	$520.0	$374.6	$445.8	$386.0	$326.7
Backlog[NG] (EUs)	14,483	15,228	15,325	15,606	16,198
ROIC[NG]	13.6 %	12.3 %	11.3 %	9.1 %	7.9 %

1. The Company defines Liquidity as cash on-hand plus available capacity under its 2025 First Lien Facility. 2026 Q2 Liquidity includes the full cash portion attributed to NFI’s captive insurance company of $13.5 million. Quarters prior to 2025 Q3 did not include the captive insurance cash in the calculations. 2025 Q2 Liquidity would have been $344.1 million if it included the captive insurance cash.

At the end of 2026 Q2, Working Capital Days[NG] was 38, a decrease from 41 days in 2026 Q1 and 53 days in 2025 Q2. The improvement was related to increased operating results driven by higher margin performance combined with lower working capital requirements, which were positively impacted by the Battery Recall and the Battery Settlement in 2025. Increases in advance payments and milestone billing structures, plus extended payment terms with certain suppliers, also contributed to the improvement. Offsetting this positive improvement were higher receivables balances from increased deliveries. As the Company continues to ramp up production, NFI is continuing to focus efforts on lowering work-in-process inventory by improving supplier performance, accelerating customer acceptance programs and improving supplier payment terms to decrease Working Capital Days[NG].

The Company's Liquidity[NG] position, which combines cash on-hand, plus available capacity under its 2025 first lien facility ("2025 First Lien Facility"), was $520.0 million at the end of 2026 Q2, an increase of $145.4 million, or 38.8 % from 2026 Q1. The increase in the Liquidity[NG] position was primarily driven by cash flows generated by operating activities, offset by higher cash tax payments.

At the end of 2026 Q2, the Company's total backlog[NG] (firm orders and options) was 14,483 EUs, a decrease of 4.9 % compared to 15,228 EUs at the end of 2026 Q1. The decrease largely reflects NFI's higher deliveries and the timing of new customer orders. Backlog[NG] at the end of 2026 Q2 had a total dollar value of $12.5 billion.

The 2026 Q2 ROIC[NG] increased by 5.7 % to 13.6 % from 7.9 % in 2025 Q2, due to the increase in 2026 Q2 LTM Adjusted EBITDA[NG] and a decrease in the average invested capital[NG]. Average invested capital[NG] decreased due to a lower long-term debt balance and a greater cash balance.

Outlook

Management anticipates continuing operational and financial performance growth, with expectations for improvements in revenue, gross profit, Adjusted EBITDA[NG], Free Cash Flow[NG], and ROIC[NG] in 2026. This improvement is expected to come from the execution of NFI's backlog[NG], increases in manufacturing production, deliveries of North American units, and from growth in NFI's aftermarket business. While there are numerous positive expectations, the Company continues to navigate and adjust to evolving macroeconomic conditions including tariffs, increasing competition and government funding dynamics, which may negatively impact overall growth and financial performance expectations.

NFI's strategy to provide the broadest range of buses and motorcoaches, built on common production lines wherever possible, is expected to position the Company well to realize upon demand within its markets as it can support customers' diverse fleet plans. NFI's offering includes low and no-emission heavy-duty transit buses, motorcoaches for public and private customers, accessible low-floor cutaway and medium-duty buses, alongside its broader solutions offering of aftermarket parts, training, Infrastructure Solutions™ and facilitation of motorcoach financing.

Market Demand

Management believes market demand for NFI's public heavy-duty transit and motorcoach products is evident through the Company's new order activity, a strong public transit funding environment (discussed in detail below), increasing fleet age in North America and a focus on fleet renewal. The funding environment and expected replacement of transit buses and public motorcoaches drives the Company's North American Public Bid Universe which currently has active bids of 6,195 EUs. These active bids typically drive delivery activity in the near to medium-term. The Public Bid Universe' five-year forecasted customer demand of 26,603 EUs provides longer-term visibility as this will typically drive new incoming firm and option orders.

Also within North America, ARBOC has relaunched the 'Equess', its medium-duty product that is primarily aimed at small to midsize transit applications, universities, airports and other specialty groups. Demand in this segment is anticipated to be strong, driven by existing fleet replacement and expanding transportation requirements. Following several years of heightened deliveries, low-floor cutaway demand has slowed somewhat in recent quarters as a significant number of vehicles were replaced in 2024 and 2025. During this period, numerous agencies converted their traditionally high-floor fleet to low-floor products and NFI believes there is opportunity for more of these types of conversion activities with other agencies across North America.

Private motorcoach markets showed continued strength in 2025 driven by increasing tour and charter travel, conventions, sports and leisure travel and employee shuttle programs. While many of these same factors are driving demand expectations for the rest of 2026, tariff developments, including a 10% tariff on all motorcoach imports into the U.S., and higher operating costs linked to inflation and macro factors, have had a negative impact on overall North American private motorcoach market demand. The industry saw a decline of 16% in total private market deliveries during the first quarter of 2026. Management does anticipate some improvement to overall industry deliveries in the second half of 2026 and also anticipates that selling prices for the industry will increase to reflect the addition of tariff costs on motorcoaches entering the United States, which may drive some operators to maintain vehicles for a longer period.

Overall, UK market demand remains strong, driven by fleet replacements and increased focus on zero-emission bus adoption, and while NFI has maintained a leading position in the UK, it has seen its overall market share decrease driven by increasing awards to foreign and other domestic players. In response to lower new UK orders, NFI initiated restructuring activities during the first half of 2026 to better match its production capacity to its order book. The Company continues to focus on strengthening customer relationships in the UK, increasing adoption of its ZEB platform and advancing discussions with governments at all levels to increase support for domestic UK manufacturing.

NFI anticipates that its Aftermarket segment will continue to generate strong revenue and margin contribution, with expectations for a low single digit growth rate. Increasing fleet age in both public and private sectors can be a driver of increased parts sales for the Aftermarket segment and there is potential for expanded program revenues for the second half of 2026 and into 2027, as certain customers complete vehicle life extension activities, which would support additional revenue and margin expansion. The timing and performance of those programs is dependent on customer procurement activity.

Government Investments in Public Transportation

Funding for capital purchases is a critical driver of transit agencies' and transit operators' ability to invest in capital purchases, which in turn drives demand for NFI's heavy-duty transit buses, medium-duty and cutaway buses and public motorcoaches. There are currently federal funding programs within the U.S., Canada and the UK that support the purchase of these vehicle types. Generally, these funding programs provide visibility into order demand as they are multi-year programs that support firm orders and backlog options.

U.S. Federal Transit Administration (FTA) apportionments for the government fiscal year ended September 30, 2026, amounts to approximately $21.1 billion. These apportionments support public transportation fleets and infrastructure throughout the United States. The current U.S. Administration continues to show strong support in enhancing infrastructure and transportation projects with funding continuing to be delivered to transit agencies and operators for previously approved projects through the FTA. Progress is being made on developing the next five-year surface transportation reauthorization bill that will replace the IIJA with the draft bi-partisan *Building Unrivaled Infrastructure and Long-term Development for America's 250th Act*, also known as the BUILD America 250 Act, approved by the House Transportation and Infrastructure Committee. The draft legislation has advanced through committee with broad bipartisan support, with a target to finalize by the end of 2026. Historically where a new funding act has not been passed prior to expiry of the predecessor act, the funding is continued under the prior act on an annual basis. Funding under the IIJA may continue through an extension if the BUILD America 250 Act is not passed before September 2026, as support for infrastructure funding remains high; however, there can be no assurance in this regard.

Ridership levels in the U.S. continue to steadily increase, with the latest available APTA Ridership Trends Dashboard report (as of 2026 Q1) showing LTM bus ridership levels down 0.9% from the same twelve-month period in 2025, but up 42% since the same LTM period in 2022. APTA’s 2026 Fact Book reported that the U.S. average fleet age was up slightly year-over-year going from 8.0 years to 8.2 years. This increase in age highlights that even with industry deliveries having trended higher in recent years, there are still a high number of older vehicles in agencies’ fleets that require replacement.

Canadian government support for public transit remains strong with a focus on funding critical infrastructure projects, including buses, through multi-year funding programs. NFI has seen increased demand from Canadian customers linked to the public funding environment and with increases in average fleet age. The Canadian Urban Transportation Association Annual Factbook for 2026 reported an increase in average fleet age of heavy-duty transit buses from 8.6 years in 2021 to 10.4 years in 2024.

To support growing Canadian demand, NFI completed Project “True North”, the all-Canadian build program of its New Flyer subsidiary, which began production in late 2025 and is expected to increase NFI’s Canadian manufacturing capacity by up to 240 EUs annually by 2027. Not only will this project allow for full Canadian bus builds, but it is expected that it will also make U.S. capacity available in New Flyer’s U.S. facilities to service more U.S. customers across NFI’s network.

Overall government support for buses in the UK has remained at elevated levels with a focus on overhauling and increasing service levels outside of London and driving fleet replacements with various propulsion types. NFI continues to see foreign competitors gain market share and be awarded higher proportion of government funded procurements.

Financial Guidance

NFI has updated its financial guidance for Fiscal 2026 summarized in the table below.

2026 Guidance ($ millions)	Original Guidance	Updated
Revenue	$3,900 to $4,200	$4,000 to $4,200
Adjusted EBITDA[NG]	$370 to $410	$385 to $415
Cash Capital Expenditures	$50 to $60	$55 to $65

The assumptions, expectations, and certain risks underlying NFI’s original guidance for 2026 are provided in NFI’s MD&A dated March 11, 2026. The additional assumptions and expectations underlying the updated guidance are the following:

Revenue: Increase driven by year-to-date results and expectations for higher total deliveries in the second half of 2026, as compared to the first half of the year, within heavy-duty transit operations in North America and the UK, and private motorcoach. This increase is somewhat offset by lower aftermarket revenues in the second half reflecting the positive impact of additional first half sales linked to the FIFA World Cup that occurred across the U.S. and Canada. The range reflects conversion of units from NFI’s backlog, new order activity and impacts of sales mix and the timing of vehicle deliveries.

Adjusted EBITDA: Impacted by the same revenue items and expected improvements to overall gross margins as NFI continues to convert its backlog into results and benefits from increased overhead and fixed cost absorption as NFI increases total deliveries. In addition, the Aftermarket segment experienced stronger than expected demand in the first half of 2026, that is not expected to repeat in the second half of the year. The guidance range reflects expected geographic product mix, anticipated ZEB deliveries and the expected impact of current tariffs in place on NFI's products.

See also Forward-Looking Statements in this MD&A and risk factors in the Company's public disclosure documents. Note that the guidance numbers above include the impact of all current and known U.S. and Canadian tariffs as of August 6, 2026, but do not reflect the potential impact of tariffs and other trade measures that may be imposed in the future.

Tariff Impacts

NFI is subject to tariffs on imports of steel and aluminum in the U.S. and Canada, and tariffs on imports of other goods from various international jurisdictions. NFI has also seen increases to pricing from its suppliers reflecting the impacts of tariffs on input components its suppliers source and import into the U.S. and expects pricing increases for certain components sourced from Canadian suppliers under the recent 50% tariffs announced by the U.S. Administration. NFI's motorcoaches are also subject to a 10% tariff on all imports of motorcoaches into the United States from any jurisdiction. This impacts private motorcoaches that are manufactured in Winnipeg and motorcoach shells that are started in Winnipeg and completed in the U.S. NFI has continued to actively engage with its customers to discuss the pricing impacts of all known tariffs on buses and motorcoaches and has been negotiating and charging surcharges to reflect the costs of those tariffs.

The guidance ranges referred to above do not take into account and may be materially adversely affected by changes to tariffs and trade policy, government funding and supply chain performance. Tariff-driven cost increases may be more difficult to offset on future deliveries, especially within the private motorcoach market. There may also be near-term cash flow implications on NFI's operations due to the timing of tariff payments, deliveries, and revenue collection, and potential decreases in order sizes due to higher prices. The impact that any future tariffs, U.S. funding developments and other trade measures could have on general economic conditions, supply chain health, customer demand and the Company's business is uncertain and could be materially adverse. In addition, there remains a risk of additional supply or operational disruptions beyond management's current expectations especially given conflicts currently ongoing in Iran, Ukraine, Russia and other jurisdictions. See Appendix A Forward Looking Statements for a description of risks and other factors and the Company's filings on SEDAR+ at www.sedarplus.ca.

We Move People

Selected Quarterly and Annual Financial and Operating Information

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

($ thousands, except per Share figures)

Fiscal Period	Quarter	Revenue	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[NG]	Earnings (loss) per Share
2026						
	Q2	1,029,507	70,803	17,394	103,987	0.15
	Q1	841,978	50,717	11,512	86,083	0.10
	Total	**1,871,485**	**121,520**	**28,906**	**190,070**	**0.24**
2025						
	Q4	1,025,118	101,457	166,019	121,308	1.39
	Q3	879,857	(165,634)	(140,879)	80,947	(1.18)
	Q2	868,169	26,757	(160,774)	70,811	(1.35)
	Q1	841,420	31,096	(6,486)	62,696	(0.05)
	Total	**3,614,564**	**(6,324)**	**(142,120)**	**335,762**	**(1.19)**
2024						
	Q4	836,989	36,034	18,564	67,886	0.16
	Q3	711,344	25,516	(14,993)	53,205	(0.13)
	Q2	851,233	36,362	2,547	59,411	0.02
	Q1	722,749	10,651	(9,414)	33,936	(0.08)
	Total	**3,122,315**	**108,563**	**(3,296)**	**214,438**	**(0.03)**

Comparison of Second Quarter 2026 Results

($ thousands)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025	52-Weeks Ended June 28, 2026	52-Weeks Ended June 29, 2025
Statement of Earnings (Loss) Data						
Revenue						
North America	766,818	601,198	1,392,845	1,189,667	2,791,396	2,139,207
United Kingdom and Europe	80,483	108,244	134,496	205,781	323,818	483,428
Asia Pacific	6,041	3,012	7,410	5,874	14,023	17,149
Manufacturing operations	**853,342**	**712,454**	**1,534,751**	**1,401,322**	**3,129,237**	**2,639,784**
North America	143,000	122,627	270,274	243,899	515,634	491,259
United Kingdom and Europe	26,095	25,586	52,901	50,787	103,361	100,357
Asia Pacific	7,070	7,502	13,559	13,581	28,228	26,522
Aftermarket operations	**176,165**	**155,715**	**336,734**	**308,267**	**647,223**	**618,138**
Total revenue	**$ 1,029,507**	**$ 868,169**	**$ 1,871,485**	**$ 1,709,589**	**$ 3,776,460**	**$ 3,257,922**
Earnings from operations	$ 70,803	$ 26,757	$ 121,520	$ 57,851	57,343	119,401
Earnings (loss) before finance costs and income taxes	$ 73,600	$ (124,106)	$ 135,056	$ (91,757)	230,337	(21,191)
Net earnings (loss)	$ 17,394	$ (160,774)	$ 28,906	$ (167,260)	54,046	(163,689)
Adjusted EBITDA[NG]	$ 103,987	$ 70,811	$ 190,070	$ 133,504	392,325	254,595
Cash capital expenditures	$ 6,728	$ 7,634	$ 18,215	$ 13,533	38,557	29,364

Results of Operations

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

Revenue

($ thousands)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025
Manufacturing Revenue	853,342	712,454	1,534,751	1,401,322
Aftermarket Revenue	176,165	155,715	336,734	308,267
Total Revenue	1,029,507	868,169	1,871,485	1,709,589
Earnings from Operations	70,803	26,757	121,520	57,851
Earnings (Loss) before finance costs and income taxes	73,600	(124,106)	135,056	(91,757)
Earnings (Loss) before income tax expense	39,137	(149,828)	59,208	(155,834)
Net earnings (loss)	17,394	(160,774)	28,906	(167,260)

Manufacturing revenue for 2026 Q2 increased by $140.9 million, or 19.8%, compared to 2025 Q2. Manufacturing revenue for 2026 Q2 YTD increased by $133.4 million or 9.5%, compared to 2025 Q2 YTD.

Aftermarket revenue reached a new record of $176.2 million in 2026 Q2, an increase of $20.5 million or 13.1% compared to 2025 Q2. Aftermarket revenue for 2026 Q2 YTD increased by $28.5 million, or 9.2%, compared to 2025 Q2 YTD.

Further discussion of segment and total revenue is provided in the Highlights and Financial Results sections on pages 6 and 9, respectively.

Cost of sales

($ thousands)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025
Manufacturing				
Direct cost of sales	646,492	550,347	1,159,972	1,106,347
Depreciation and amortization	18,106	16,641	34,640	31,797
Other overhead	90,498	70,269	155,847	137,013
Manufacturing cost of sales	755,096	637,256	1,350,459	1,275,156
As percent of Manufacturing Sales	88.5 %	89.4 %	88.0 %	91.0 %
Aftermarket				
Direct cost of sales	117,517	111,490	228,423	218,027
Depreciation and amortization	3,361	3,183	6,778	6,206
Aftermarket cost of sales	120,878	114,673	235,201	224,233
As percent of Aftermarket Sales	68.6 %	73.6 %	69.8 %	72.7 %
Total Cost of Sales	875,974	751,929	1,585,660	1,499,389
As percent of Sales	85.1 %	86.6 %	84.7 %	87.7 %

The consolidated cost of sales for 2026 Q2 increased by $124.0 million, or 16.5 %, compared to 2025 Q2. The consolidated cost of sales for 2026 Q2 YTD increased by $86.3 million, or 5.8 % compared to 2025 Q2 YTD.

Cost of sales from Manufacturing operations in 2026 Q2 was $755.1 million (88.5 % of Manufacturing operations revenue) compared to $637.3 million (89.4 % of Manufacturing operations revenue) in 2025 Q2, an increase of $117.8 million, or 18.5 %. Cost of sales from Manufacturing operations in 2026 Q2 YTD was $1,350.5 million (88.0 % of Manufacturing operations revenue) compared to $1,275.2 million (91.0 % of Manufacturing operations revenue) in 2025 Q2 YTD, an increase of $75.3 million, or 5.9 %. The increase in the quarter was driven primarily by an increase in overall deliveries. Manufacturing cost of sales as a percent of revenue decreased in 2026 Q2 as NFI converted on its backlog driving improved margin performance and from deliveries of Motorcoach and Medium-Duty and Cutaway vehicles with improved margin profiles.

Cost of sales from Aftermarket operations in 2026 Q2 was $120.9 million (68.6 % of Aftermarket revenue) compared to $114.7 million (73.6 % of Aftermarket revenue) in 2025 Q2, an increase of $6.2 million, or 5.4 %. Cost of sales from Aftermarket operations in 2026 Q2 YTD was $235.2 million (69.8 % of Aftermarket revenue) compared to $224.2 million (72.7 % of Aftermarket revenue) in 2025 Q2 YTD, an increase of $11.0 million or 4.9%. The decrease in cost of sales as a percentage of revenue in 2026 Q2 and 2026 Q2 YTD was mainly due to the positive impact of sales mix, combined with effective pricing and the management of tariffs.

Gross Margins

($ thousands)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025
Manufacturing	98,246	75,198	184,292	126,166
Aftermarket	55,287	41,042	101,533	84,034
Total Gross Margins	153,533	116,240	285,825	210,200
As a percentage of sales:				
Manufacturing	11.5 %	10.6 %	12.0 %	9.0 %
Aftermarket	31.4 %	26.4 %	30.2 %	27.3 %
	14.9 %	13.4 %	15.3 %	12.3 %

Manufacturing gross margin for 2026 Q2 of $98.2 million (11.5 % of Manufacturing revenue), increased by $23.0 million compared to a gross margin of $75.2 million (10.6 % of Manufacturing revenue) for 2025 Q2. Manufacturing gross margin for 2026 Q2 YTD of $184.3 million (12.0 % of Manufacturing revenue), increased by $58.1 million compared to a gross margin of $126.2 million (9.0 % of Manufacturing revenue) for 2025 Q2 YTD. The increase for both 2026 Q2 and 2026 Q2 YTD Manufacturing gross margins were primarily driven by the improved product mix as NFI converted its strong backlog. The increase in Manufacturing gross margin as a percentage of revenue in 2026 Q2 and 2026 Q2 YTD was driven by the same underlying factors that impacted the dollar-based results.

Aftermarket gross margins for 2026 Q2 of $55.3 million (31.4 % of Aftermarket revenue) increased by $14.2 million, or 34.7 %, compared to 2025 Q2 gross margins of $41.0 million (26.4 % of Aftermarket revenue). 2026 Q2 gross margins increased due to improved product mix and lower impacts of tariffs. Aftermarket gross margins for 2026 Q2 YTD of $101.5 million (30.2 % of Aftermarket revenue) increased by $17.5 million, or 20.8 %, compared to 2025 Q2 YTD gross margins of $84.0 million (27.3 % of Aftermarket revenue). Aftermarket gross margin as a percentage of revenue increased by 2.9% in 2025 Q2 YTD, reflecting the same items that impacted the dollar-based results.

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

($ thousands)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025
Selling expenses	8,040	8,173	16,048	16,277
General and administrative expenses	62,292	74,511	126,328	129,641
Other expenses	8,914	-	16,363	-
Total SG&A	79,246	82,684	158,739	145,918

The consolidated SG&A for 2026 Q2 of $79.2 million (7.7 % of consolidated revenue) decreased by $3.4 million, or 4.2 %, compared to $82.7 million (9.5 % of consolidated revenue) in 2025 Q2. The decrease in consolidated SG&A for the quarter was primarily due to the decrease in general payroll and administrative expenses, as well as lower share-based incentive compensation. Other expenses totaling $16.4 million year-to-date include non-recurring restructuring costs related to the furlough program for the Scottish facilities, and includes the write-off of the furlough receivable in 2026 Q1.

Realized foreign exchange loss

In 2026 Q2, the Company recorded a realized foreign exchange loss of $3.4 million compared to a loss of $6.8 million in 2025 Q2. In 2026 Q2 YTD, the Company recorded a realized foreign exchange loss of $5.6 million compared to a loss of $6.4 million in 2025 Q2 YTD.

The Company uses foreign exchange forward contracts to buy various currencies in which it operates with U.S. dollars, Canadian dollars and GBP. The purchases of these currencies using foreign exchange forward contracts at unfavourable forward rates compared to the spot rates at settlement were the primary reason for the losses in 2026 Q2.

Earnings from operations

Consolidated earnings from operations in 2026 Q2 was $70.8 million (6.9 % of consolidated revenue) compared to earnings of $26.8 million (3.1 % of consolidated revenue) in 2025 Q2, an increase of $44.0 million. Consolidated earnings from operations in 2026 Q2 YTD were $121.5 million (6.5% of consolidated revenue) compared to earnings of $57.9 million (3.4% of consolidated revenue) in 2025 Q2 YTD, an increase of $63.7 million, or 110.1%.

Earnings from operations attributable to the Manufacturing segment was $39.3 million for 2026 Q2 (4.6 % of Manufacturing revenue) compared to earnings of $18.8 million (2.6 % of Manufacturing revenue) in 2025 Q2. Earnings from Manufacturing operations in 2026 Q2 YTD were $81.7 million (5.3 % of Manufacturing revenue) compared to earnings of $26.5 million (1.9 % of Manufacturing revenue) in 2025 Q2 YTD, an increase of $55.2 million, or 208.2%. The increase in earnings as a percentage of revenue for 2026 Q2 and 2026 Q2 YTD was mainly due to the improved sales mix and an increase in deliveries.

Earnings from operations related to Aftermarket operations in 2026 Q2 was $36.3 million (20.6 % of Aftermarket revenue) compared to $23.5 million (15.1 % of Aftermarket revenue) in 2025 Q2. Earnings from Aftermarket operations in 2026 Q2 YTD were $63.8 million (19.0 % of Aftermarket revenue) compared to $50.3 million (16.3 % of Aftermarket revenue) in 2025 Q2 YTD, an increase of $13.6 million, or 27.0 %. Earnings from Aftermarket operations increased in 2026 Q2 and 2026 Q2 YTD due to higher sales and improved product mix.

Unrealized foreign exchange gain (loss) on monetary items

($ thousands)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025
Unrealized gain on forward foreign exchange contracts	259	3,972	1,941	5,188
Unrealized gain (loss) on other long-term monetary assets and liabilities	6,197	(4,021)	8,495	(4,131)
Unrealized foreign exchange gain (loss) on monetary items	6,456	(49)	10,436	1,057

At June 28, 2026, the Company had $109.8 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from July 2026 to December 2026. The related asset of $2.2 million (December 28, 2025: liability of $1.2 million) is recorded on the unaudited interim condensed consolidated statements of financial position 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 unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive earnings (loss).

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

In 2026 Q2, the Company recorded EBIT of $73.6 million compared to an LBIT of $124.1 million in 2025 Q2. The increase in EBIT for 2026 Q2 was driven primarily by greater sales of product with an improved margin profile, greater unrealized foreign exchange gains on non-current monetary items, and the absence of non-recurring restructuring impairments recorded in 2025 Q2.

In 2025 Q4, the Company entered a 50/50 joint venture to form GR Seating. Under IFRS Accounting Standards, this investment is accounted for using the equity method, requiring the Company to recognize its share of the joint venture's earnings or losses. In 2026 Q2, the Company recorded equity loss of $4.6 million related to its investment in the joint venture.

Interest and finance costs

The interest and finance costs for 2026 Q2 of $34.5 million increased by $8.7 million compared to $25.7 million in 2025 Q2. 2026 Q2 YTD interest and finance costs were $75.9 million compared to $64.1 million for 2025 Q2 YTD, an increase of $11.8 million. The increase for the quarter is primarily due to the greater fair market value loss on the Company's optional redemption of 2025 second lien notes, and a large fair market value gain on the Company's prepayment option on the 2023 second lien debt in 2025 Q2. This was offset by decreases in interest on the Company's long-term debt balances.

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

EBT in 2026 Q2 was $39.1 million, an increase of $189.0 million compared to the LBT of $149.8 million in 2025 Q2. EBT for 2026 Q2 YTD of $59.2 million increased by $215.0 million compared to LBT of $155.8 million in 2025 Q2 YTD. The primary drivers of the changes of EBT are addressed in the sections above.

Income tax expense

The income tax expense for 2026 Q2 was $21.7 million compared to an expense of $10.9 million in 2025 Q2. The income tax expense for 2026 Q2 YTD was $30.3 million compared to an expense of $11.4 million in 2025 Q2 YTD. The increased in income tax expense QTD and YTD were primarily due to the increase in earnings before income tax and a write-off of excess foreign tax credits offset by a much smaller charge for deferred tax assets not recognized.

The Effective Tax Rate ("ETR") for 2026 Q2 was 55.6% and the ETR for 2025 Q2 was (7.3%). The ETR for 2026 Q2 YTD was 51.2% and the ETR for 2025 Q2 YTD was (7.3%). The ETR for both 2026 Q2 and 2026 Q2 YTD were detrimentally impacted by excess unapplied U.S. foreign tax credits written off in the period.

Income tax expense recognized in the unaudited interim condensed consolidated statement of net earnings (loss) and total comprehensive earnings (loss) as at June 28, 2026 includes an immaterial recovery related to BEPS Pillar Two ("Pillar Two") income taxes.

Net earnings (loss)

The Company reported net earnings of $17.4 million in 2026 Q2, an increase of $178.2 million, compared to net loss of $160.8 million in 2025 Q2. The Company reported net earnings of $28.9 million in 2026 Q2 YTD, an increase of $196.2 million, compared to net losses of $167.3 million in 2025 Q2 YTD. The increase in net earnings for 2026 Q2 was primarily due to increased deliveries, favourable sales mix which increased gross profit, offset by increased interest and finance costs and income tax expense.

($ millions, except per Share figures)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025
Earnings from operations	70,803	26,757	121,520	57,851
Gain on disposition of property, plant and equipment and right-of-use asset	921	10	1,049	159
Impairment loss on goodwill and intangible assets	-	(92,481)	(129)	(92,481)
Loss on property, plant and equipment impairment	-	(4,333)	-	(4,333)
Penalty for Early Repayment of second lien debt	-	(10,825)	-	(10,825)
Unrealized foreign exhange gain (loss) on monetary items	6,456	(49)	10,436	1,057
Share of (loss) profit of joint ventures accounted for using the equity method	(4,580)	-	2,180	-
Loss on debt extinguishment	-	(43,185)	-	(43,185)
Interest and finance costs	(34,463)	(25,723)	(75,848)	(64,078)
Income tax expense	(21,743)	(10,945)	(30,302)	(11,425)
Net Earnings (loss)	17,394	(160,774)	28,906	(167,260)
Net earnings (loss) per Share (basic)	$ 0.15	$ (1.35)	$ 0.24	$ (1.40)
Net earnings (loss) per Share (fully diluted)	$ 0.15	$ (1.35)	$ 0.24	$ (1.40)

The Company recorded net earnings per Share for 2026 Q2 of $0.15 compared to net loss per Share of $1.35 in 2025 Q2. The Company's net earnings per Share for 2026 Q2 YTD of $0.24 compared to net loss per Share of $1.40 in 2025 Q2 YTD. The Company reported diluted net earnings per Share of $0.15 in 2026 Q2 and $0.24 in 2026 Q2 YTD. The per Share net earnings in 2026 Q2 and 2026 Q2 YTD increased primarily due to the same items that impacted net earnings.

Cash Flow

The cash flows of the Company are summarized as follows:

($ thousands)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	90,145	36,082	162,675	86,010
Interest paid	(13,272)	(33,685)	(51,454)	(67,303)
Income taxes paid	(50,982)	(27,788)	(71,770)	(27,047)
Cash flow provided by (invested in) working capital	133,216	(44,218)	65,389	(20,470)
Net cash generated by (used in) operating activities	159,107	(69,609)	104,840	(28,810)
Net cash (used in) generated by financing activities	(107,569)	58,442	(84,580)	79,552
Net cash used in investing activities	(13,235)	(19,583)	(30,971)	(22,558)

Cash flow from operating activities

The 2026 Q2 net cash generated by operating activities was $159.1 million compared to net cash used in operating activities $69.6 million in 2025 Q2. This increase in cash generated was primarily due to a decrease in cash interest paid, and an increase in cash generated by operating activities to $90.2 million from $36.1 million in 2025 Q2. 2026 Q2 YTD net cash generated by operating activities increased to $104.8 million from $28.8 million net cash used in 2025 Q2 YTD, an improvement of $133.7 million. The improvement in both periods was primarily driven by increased cash generated from operations, lower cash interest paid, and favorable working capital contributions. These benefits were partially offset by higher cash income taxes paid as the Company's profitability and net earnings improved.

Cash flow from financing activities

The cash used in financing activities increased to $107.6 million during 2026 Q2 from cash generated by financing activities of $58.4 million in 2025 Q2. This increase in cash used was due to $100.3 million in repayments on the Company's 2025 First Lien Facility, and increased repayments made to obligations under leases of $7.5 million. Cash used in financing activities increased to $84.6 million during 2026 Q2 YTD compared to cash generated by financing activities of $79.6 million in 2025 Q2 YTD.

Cash flow from investing activities

Cash used in investing activities decreased in 2026 Q2, primarily due to decreased investments in long-term restricted deposits when compared to 2025 Q2. Long-term restricted deposits are collateral for a certain amount of the Company's letters of credit. The Company invested only $0.1 million in long-term restricted deposits during 2026 Q2, compared to $9.4 million in 2025 Q2.

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, typically covering 80% of the capital cost of new transit buses, motorcoaches, or cutaways, with the remaining 20% funded by state and municipal sources. There are a few U.S. public sector customers that obtain 100% of their funding from state and municipal sources. Customers in Canada have similar funding 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.

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

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

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

($ thousands)	June 28, 2026	December 28, 2025
Current, including holdbacks	$ 601,862	$ 681,937
Past due amounts but not impaired		
1 - 60 days	34,812	28,087
Greater than 60 days	17,166	15,088
Less: Allowance for doubtful accounts	(6,000)	(3,314)
Total accounts receivables, net	$ 647,840	$ 721,798

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 June 28, 2026:

($ thousands)	Total	2026	2027	2028	2029	2030	Post 2030
Leases	$ 218,948	$ 21,261	$ 30,283	$ 20,546	$ 16,970	$ 14,153	$ 115,735
Accrued benefit liability	2,721	2,721	-	-	-	-	-
	$ 221,669	$ 23,982	$ 30,283	$ 20,546	$ 16,970	$ 14,153	$ 115,735

As at June 28, 2026, outstanding surety bonds guaranteed by the Company totaled $315.8 million (December 28, 2025: $315.1 million). The estimated maturity dates of the surety bonds outstanding at June 28, 2026 range from July 2026 to March 2029.

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.

The Export Development Canada ("EDC") guarantee facility in the amount of $190.0 million consists of the Performance Security Guarantee ("PSG") up to $135.0 million and the Surety Reinsurance Support up to $55.0 million.

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

As at June 28, 2026, $170.0 million outstanding letters of credit were drawn against the 2025 First Lien Facility.

Management believes that the Company was in compliance in all material respects with all applicable contractual obligations as at June 28, 2026. The Company has not provided for any costs associated with these letters of credit.

Share Option Plan

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

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

The following reconciles the Share options outstanding:

	Q2 2026 YTD		Q2 2025 YTD	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	2,055,606	C$21.95	1,973,558	C$24.25
Granted during the period	468,493	C$15.58	320,059	C$13.82
Expired during the period	(130,770)	C$51.26	(192,075)	C$34.16
Exercised during the period	(30,448)	C$14.13	(15,795)	C$10.89
Balance at end of period	2,362,881	C$19.16	2,085,747	C$21.68

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company's Restricted Share Unit Plans for Non-Employee Directors, a maximum of one million Shares are reserved for issuance to non-employee directors. The Company issued 15,414 Director RSUs under the 2025 Director RSU plan, with a total value of $0.2 million, in 2026 Q2. Approximately $0.1 million of the issued Director RSUs were exercised and exchanged for 6,175 Shares.

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgements were the same as those applied by the Company in its audited consolidated financial statements as at and for the 52-week period ended December 28, 2025. The Company's filings can be found on SEDAR+ at www.sedarplus.ca.

Amended Standards Adopted

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

The changes set criteria for derecognition of a financial liability settled through electronic transfer and include amendments for the classification of financial assets involving contractual terms that are consistent with a basic lending arrangement, assets with non-recourse features, and contractually linked instruments. Disclosure requirements change for investments in equity instruments designated at fair value through other comprehensive income and include a new requirement for disclosure of contractual terms that could change the timing or amount of contractual cash flows based on a contingent event that does not relate directly to changes in basic lending risks and costs. The Company has elected not to restate prior periods. As such, the difference in the closing balance of cash as at December 28, 2025 and the adjusted opening balance after the initial application of the amendments as at December 29, 2025 is $10.6 million, which resulted to a reclassification of the outstanding cheques between cash and accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position.

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

The changes relate to designation of contracts relating to nature-dependent electricity as hedging instruments and their disclosure requirements. Under the amendments an entity is permitted to designate as the hedged item a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and the Company is in compliance with the required disclosure.

IFRS 10 and IAS 28 – Amendments for sale or contribution of assets between an investor and its associate or joint venture

The changes relate to equity method procedures on the sale or contribution of assets between an investor or joint venture. Under the amendments, the gain or loss resulting from a downstream transaction involving assets that constitute a business between an entity including its consolidated subsidiaries and its associate or joint venture is recognized in full in the investor's financial statements. An entity might sell or contribute assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. The changes also set out guidance for the accounting for the loss of control of a subsidiary that does not contain a business as a result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and the Company is in compliance with the required disclosure.

Standards Issued but not adopted

IFRS 18 – Presentation and disclosure in the financial statements

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

The Company is currently assessing the impact of the adoption of IFRS 18 on its unaudited interim condensed consolidated financial statements.

NFI We Move People

Non-IFRS and Other Financial Measures

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

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

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

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

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

($ thousands)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025	52-Weeks Ended June 28, 2026	52-Weeks Ended June 29, 2025
Net earnings (loss)	17,394	(160,774)	28,906	(167,260)	54,046	(163,689)
Addback						
Income tax expense	21,743	10,945	30,302	11,425	38,380	12,069
Interest expense[7]	34,463	25,723	75,848	64,078	137,911	130,429
Depreciation and amortization	21,467	19,824	41,418	38,005	80,969	76,287
(Gain) loss on disposition of property, plant and equipment and right of use assets	(921)	(10)	(1,049)	(159)	(983)	76
Unrealized foreign exchange (gain) loss on non-current monetary items and forward foreign exchange contracts	(6,456)	49	(10,436)	(1,057)	(7,553)	(11,558)
Equity settled stock-based compensation	366	1,352	2,149	1,721	3,244	2,688
Expenses incurred outside of normal operations[8]	1,250	9,697	4,295	20,333	11,772	31,390
Loss on debt extinguishment[10]	-	43,185	-	43,185	-	43,185
Impairment loss on goodwill and intangible assets[9]	-	90,862	129	90,862	2,784	92,112
Fee for early repayment of 2023 second lien debt[12]	-	10,825	-	10,825	-	10,825
Impairment loss (recovery) on property, plant, and equipment[11]	-	4,333	-	4,333	(3,829)	4,333
Share of loss (profit) of joint ventures accounted for using the equity method[16]	4,580	-	(2,180)	-	2,586	-
Battery Recall and Battery Settlement[14]	1,187	-	4,325	-	61,737	-
Restructuring costs[6]	8,914	14,800	16,363	17,213	11,894	26,448
Prior year sales tax provision[15]	-	-	-	-	(631)	-
Adjusted EBITDA[NG]	103,987	70,811	190,070	133,504	392,327	254,598
Depreciation of property, plant and equipment and right of use assets	(13,711)	(12,147)	(25,495)	(22,891)	(50,975)	(45,114)
Tax at 31%	(27,986)	(18,186)	(51,018)	(34,290)	(105,819)	(64,939)
NOPAT[NG]	62,290	40,478	113,557	76,323	235,533	144,542
Adjusted EBITDA is comprised of:						
Manufacturing	70,692	52,557	128,860	85,787	276,311	138,322
Aftermarket	42,335	30,552	75,587	63,600	136,314	130,703
Corporate	(9,040)	(12,299)	(14,377)	(15,883)	(20,298)	(14,430)

See foonotes on page 26

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

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

The Company generates its Free Cash Flow[NG] from operations and management expects this will continue to be the case for the foreseeable future. Net cash flows generated from operating activities are significantly impacted by changes in non-cash working capital. The Company uses its 2025 First Lien Facility to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow[NG].

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

($ thousands, except per Share figures)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025	52-Weeks Ended June 28, 2026	52-Weeks Ended June 29, 2025
Net cash generated by (used in) operating activities	159,107	(69,609)	104,840	(28,810)	307,317	(56,558)
Changes in non-cash working capital items[2]	(133,216)	44,218	(65,389)	20,470	(157,749)	62,809
Interest paid[2]	13,272	33,685	51,454	67,303	75,309	143,310
Interest expense[2]	(27,550)	(31,157)	(57,762)	(63,483)	(115,076)	(124,953)
Income taxes paid[2]	50,982	27,788	71,770	27,047	81,688	38,631
Current income tax expense[2]	(35,127)	(8,988)	(49,077)	(21,471)	(107,564)	(40,627)
Repayment of obligations under lease	(7,495)	(4,859)	(14,218)	(10,231)	(25,985)	(22,080)
Cash capital expenditures	(6,728)	(7,634)	(18,215)	(13,533)	(38,557)	(29,364)
Acquisition of intangible assets	(6,405)	(2,530)	(12,654)	(4,734)	(19,378)	(15,100)
Proceeds from disposition of property, plant and equipment	44	15	44	13	131	119
Defined benefit funding[3]	625	751	1,358	1,468	2,550	2,798
Defined benefit expense[3]	(912)	(1,403)	(1,825)	(1,892)	(3,561)	(4,071)
Fair value adjustment on total return swap[17]	3,325	-	3,325	-	3,325	-
Expenses incurred outside of normal operations[8]	1,250	9,697	4,295	20,333	11,772	31,390
Foreign exchange (loss) gain on cash held in foreign currency[4]	(547)	1,677	(446)	1,171	(1,324)	637
Fee for early repayment of 2023 second lien debt[12]	-	10,825	-	10,825	-	10,825
Asset impairment[13]	-	(1,619)	-	(1,619)	-	(1,619)
Battery Recall and Battery Settlement[14]	1,187	-	4,325	-	61,737	-
Restructuring costs[6]	8,914	14,800	16,363	17,213	11,894	26,448
Prior year sales tax provision[15]	-	-	-	-	(631)	-
Free Cash Flow[NG]	20,726	15,657	38,188	20,070	85,898	22,595
U.S. exchange rate[1]	1.3834	1.3852	1.3772	1.4100	1.3816	1.3928
Free Cash Flow (C$)[NG]	28,672	21,688	52,611	28,006	118,922	31,471
Free Cash Flow per Share (C$)[NG, 5]	0.2407	0.1822	0.4417	0.2352	0.9985	0.2791

See foonotes on page 26

1. U.S. exchange rate (C$ per US$) is the average exchange rate for the period.
2. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow[NG] as these temporary fluctuations are managed through the 2025 First Lien Facility which is available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the unaudited interim condensed consolidated statements of cash flows net of interest and income taxes paid.
3. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow[NG] as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability as well as payment holidays associated with pension surpluses.
4. Foreign exchange gain or loss on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS Accounting Standards; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow[NG].
5. Per Share calculations for Free Cash Flow[NG] (C$) are determined by dividing Free Cash Flow[NG] by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2026 Q2 was 119,123,977 and 119,064,892 for 2025 Q2. The weighted average number of Shares outstanding for 2026 Q2 LTM and 2025 Q2 LTM was 119,100,140 and 119,042,977 respectively.
6. Normalized to exclude non-operating restructuring costs. Costs primarily related to severance costs, labour inefficiencies, medical costs, right-of-use asset impairments, and inventory impairments associated with restructuring initiatives. In 2025 Q2, NFI recorded a $14.8 million restructuring provision related to the expected employee reductions at Alexander Dennis. In 2025 Q3, with the advocacy and intervention of the Scottish government and Scottish Enterprise, NFI announced that the Scottish manufacturing sites would remain open. This resulted in net recoveries of $7.9 million related to previously expected employee reductions. In 2025 Q4, NFI recorded $3.5 million non-operating restructuring costs related to Alexander Dennis. On March 31 2026, the Company announced that the Falkirk, Scotland manufacturing site would be closed and the Larbert, Scotland site would be converted to manufacture chassis. This resulted in a write-off of the furlough receivable from the Scottish government, as well as other restructuring costs totaling $7.5 million in 2026 Q1. In 2026 Q2, ongoing restructuring costs related to the Falkirk, Scotland closure totaled $8.9 million.
7. Includes fair market value adjustments to interest rate swaps, cash conversion option on the Debentures, and the prepayment option on the Company's second lien debt. 2026 Q2 includes no gain or loss compared to a gain of $0.3 million in 2025 Q2 for the interest rate swaps. 2026 Q2 includes a loss of $4.8 million and 2025 Q2 includes a gain of $2.9 million on the cash conversion option. The prepayment option related to the 2023 Second Lien Debt had a loss of $2.3 million in 2025 Q2. Following the high-yield debt issuance in 2025 Q2, the prepayment option expired. The 2025 second lien optional redemption had a loss of $7.6 million in 2026 Q1 and $1.2 million gain 2026 Q2.
8. Includes adjustments made related to items that occurred outside of normal operations. Labour and overhead costs from the seat supply disruption were $31.4 million in 2025 Q2 LTM. In 2026 Q1, the Company incurred $1.7 million in CEO transition costs and legal expenses related to the Battery Recall and Battery Settlement. In 2026 Q2, the Company incurred $1.3 million of CEO transition costs.
9. In 2024 Q4, the Company recognized an impairment loss on an internally developed intangible asset that was discontinued for $1.3 million. In 2025 Q2, the Company recorded $80.9 million intangible asset impairment, and $10.0 million goodwill impairment related to the Alexander Dennis manufacturing business unit. In 2025 Q4, the Company recorded a $2.7 million intangible asset impairment loss related to a New Product Development project.
10. In 2025 Q2, the Company recognized an accounting loss of $43.2 million for the debt extinguishment as a result of the Company's comprehensive refinancing with the 2025 First Lien Facility.
11. In 2025 Q2, NFI recorded impairments related to the reductions in expected new vehicle demand in response to increased competition within the UK market. This resulted in property, plant and equipment impairment of $4.3 million within the Alexander Dennis manufacturing business unit. In 2025 Q3, with the advocacy and intervention of the Scottish government and Scottish Enterprise, NFI announced that the Scottish manufacturing sites would remain open. This resulted in recoveries of $3.8 million in 2025 Q3 related to the previous impairment recorded on property, plant and equipment.
12. In 2025 Q2, the Company incurred an early repayment fee of $10.8 million associated with the 2023 second lien debt.
13. In 2025 Q2, NFI recorded an impairment on the previously recorded California Air Resources Board (CARB) credit of $1.6 million.
14. During 2025 Q3, NFI declared a Battery Recall related to certain battery modules from XALT. The recall impacted approximately 700 battery-electric buses and coaches (primarily New Flyer buses). In 2025 Q4, NFI reached a settlement with XALT Energy, LLC and its parent company. As part of this settlement, NFI received cash and assets totaling $166.0 million. This also includes other miscellaneous

amounts related to the Battery Settlement. Costs related to the management of the Battery Recall program totaled $3.1 million in 2026 Q1 and $1.2 million in 2026 Q2.

15. In 2025 Q4, the Company released a prior years sales tax provision for $0.6 million.
16. During 2025 Q4, NFI and GILLIG, formed a 50/50 joint venture named GR Seating to acquire the assets of American Seating Corporation. In 2026 Q1, NFI recorded $6.8 million equity method income and $4.6 million equity method loss in 2026 Q2 from GR Seating. The equity method loss in 2026 Q2 included NFI's portion of the net loss of the joint venture in 2026 Q2 as well as an adjustment of 2026 Q1 estimate of net loss of the joint venture to actual, and an adjustment to the bargain purchase option recorded in 2026 Q1.
17. A portion of the fair value adjustment of the total return swap is added to Free Cash Flow[NG] to match the equivalent portion of the related deferred compensation expense recognized. In 2026 Q2, hedge accounting was applied to the total return swap derivative and therefore, the portion of the loss on the fair value adjustment, which does not apply to the current periods is recognized in other comprehensive income. The 2026 Q2 portion recognized in Free Cash Flow[NG] was $3.3 million.

Adjusted Net Earnings[NG] and Adjusted Net Earnings per Share[NG]

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

The Company defines Adjusted Net Earnings[NG] as Net Earnings 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[NG] based on the historical financial statements of the Company for the periods indicated.

The Company defines Adjusted Net Earnings[NG] per share as Adjusted Net Earnings[NG] divided by the average number of Shares outstanding.

($ thousands, except per Share figures)	2026 Q2	2025 Q2	26-Weeks Ended June 28, 2026	26-Weeks Ended June 29, 2025	52-Weeks Ended June 28, 2026	52-Weeks Ended June 29, 2025
Net earnings (loss)	17,394	(160,774)	28,906	(167,260)	54,046	(163,689)
Adjustments, net of tax[1,2]						
Unrealized foreign exchange (gain) loss	(4,455)	34	(7,201)	(729)	(5,212)	(7,974)
Unrealized (gain) loss on interest rate swap	(29)	(236)	(285)	(352)	(1)	1,120
Unrealized loss (gain) on cash conversion option	3,320	1,968	3,815	772	1,791	(974)
Unrealized gain on prepayment option of 2023 second lien debt[3]	-	(11,006)	-	(9,420)	-	(13,894)
Unrealized (gain) loss on 2025 second lien optional redemption[3]	(800)	1,145	4,451	1,145	3,616	1,145
Accretion associated to gain on debt modification	-	(304)	-	(1,013)	-	(2,048)
Loss on debt extinguishment[4]	-	29,798	-	29,798	-	29,798
Equity settled stock-based compensation	253	933	1,483	1,188	2,238	1,855
(Gain) loss on disposition of property, plant and equipment and right-of-use asset	(635)	(7)	(723)	(110)	(678)	53
Expenses incurred outside of normal operations[5]	863	6,691	2,964	14,030	8,123	21,659
Accretion in carrying value of convertible debt and cash conversion option	1,477	1,468	3,034	2,914	6,058	5,773
Deferred tax assets not recognized[10]	-	34,443	-	34,443	-	34,443
Other tax adjustments	-	(6,311)	-	(6,311)	-	(6,311)
Impairment loss on property, plant, and equipment[8]	-	4,333	-	4,333	(3,829)	4,333
Impairment loss on goodwill and intangible assets[6]	-	90,862	129	90,862	2,784	91,725
Fee for early repayment of 2023 second lien debt[9]	-	7,469	-	7,469	-	7,469
Share of loss (profit) of joint ventures accounted for using the equity method[13]	3,160	-	(1,504)	-	1,785	-
Battery Recall and Battery Settlement[11]	819	-	2,984	-	42,599	-
Restructuring costs[7]	6,151	10,212	11,291	11,877	8,208	18,250
Prior year sales tax provision[12]	-	-	-	-	(435)	-
Adjusted Net Earnings[NG]	27,518	10,718	49,344	13,636	121,093	22,733
Earnings (Loss) per Share (basic)	0.15	(1.35)	0.24	(1.40)	0.45	(1.45)
Earnings (Loss) per Share (fully diluted)	0.15	(1.35)	0.24	(1.40)	0.45	(1.45)
Adjusted Net Earnings per Share (basic)[NG]	0.23	0.09	0.41	0.11	1.02	0.20
Adjusted Net Earnings per Share (fully diluted)[NG]	0.23	0.09	0.41	0.11	1.01	0.20

1. Addback items are derived from the historical financial statements of the Company.
2. The Company has utilized a rate of 31.0% to tax effect the adjustments for the periods above and footnotes below, unless stated otherwise.
3. The unrealized loss (gain) on the prepayment option is related to the Company's 2023 second lien debt instrument. The debt instrument had an unrealized loss in 2025 Q2 LTM. After the 2025 Second Lien Debt offering in 2025 Q2, the 2023 second lien debt instrument and the related prepayment option were extinguished. The Company can exercise an option to redeem the 2025 Second Lien Debt before the maturity date; this option had a fair value loss of $5.3 million in 2026 Q1 and $5.6 million in 2026 Q2 LTM.
4. In 2025 Q2, the Company recognized an accounting loss of $29.8 million for the debt extinguishment as a result of the Company's comprehensive refinancing with the 2025 First Lien Facility.
5. Includes adjustments made related to items that occurred outside of normal operations. Labour and overhead costs from the seat supply disruption were $5.1 million in 2026 Q2 LTM compared to $21.7 million in 2025 Q2 LTM. 2026 Q1 includes $1.2 million in costs incurred for legal services for the Battery Recall and Battery Settlement and costs associated with the CEO transition. In 2026 Q2, the Company incurred $0.8 million of CEO transition costs.
6. In 2024 Q4, the Company recognized an impairment loss on an internally developed intangible asset that was discontinued for $1.3 million. In 2025 Q2, the Company recorded $80.9 million intangible asset impairment, and $10.0 million goodwill impairment related to the Alexander Dennis manufacturing business unit. In 2025 Q4, the Company recorded a $2.7 million intangible asset impairment loss related to a New Product Development project.
7. Normalized to exclude non-operating restructuring costs. Costs primarily related to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with other restructuring initiatives. In 2025 Q2, NFI recorded a restructuring provision related to the expected employee reductions at Alexander Dennis. In 2025 Q3, with the advocacy and intervention of the Scottish government and Scottish Enterprise, NFI announced that the Scottish manufacturing sites would remain open. This resulted in recoveries of $5.5 million related to previously expected employee reductions. In 2025 Q4, NFI recorded $2.4 million non-operating restructuring costs related to Alexander Dennis. On March 31 2026, the Company announced that the Falkirk, Scotland manufacturing site would be closed and the Larbert, Scotland site would be converted to manufacture chassis. This resulted in a write-off of the furlough receivable from the Scottish government, as well as other restructuring costs totaling $5.1 million in 2026 Q1. In 2026 Q2, ongoing restructuring costs related to the Falkirk, Scotland closure totaled $6.2 million. Free Cash Flow[NG] reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
8. In 2025 Q2, NFI recorded impairments related to the reductions in expected new vehicle demand in response to increased competition within the UK market. This resulted in property, plant and equipment impairment of $4.3 million within the Alexander Dennis manufacturing business unit. In 2025 Q3, with the advocacy and intervention of the Scottish government and Scottish Enterprise, NFI announced that the Scottish manufacturing sites would remain open. This resulted in recoveries of $3.8 million related to the previously recorded property, plant and equipment impairments.
9. In 2025 Q2, the Company incurred an early repayment fee of $7.5 million associated with the 2023 second lien debt.
10. The Company recorded a write-down of deferred tax assets of $34.4 million, the ETR was detrimentally impacted by the derecognition of deferred tax assets associated with the UK operations.
11. During 2025 Q3, NFI declared a Battery Recall related to certain battery modules from XALT. The recall impacted approximately 700 battery-electric buses and motorcoaches (primarily New Flyer buses). In 2025 Q4, NFI reached a settlement with XALT Energy, LLC and its parent company. As part of this settlement, NFI received cash and assets totaling $114.5 million. This also includes other miscellaneous amounts related to the Battery Settlement. Costs related to the management of the Battery Recall program totaled $2.2 million in 2026 Q1 and $0.8 million in 2026 Q2.
12. In 2025 Q4, the Company released a prior years sales tax provision for $0.4 million.
13. During 2025 Q4, NFI and GILLIG, formed a 50/50 joint venture named GR Seating to acquire the assets of American Seating Corporation. In 2026 Q1, NFI recorded $4.7 million equity method income and $3.2 million equity method loss in 2026 Q2 from GR Seating. The equity method loss in 2026 Q2 included NFI's portion of the net loss of the joint venture in 2026 Q2 as well as an adjustment of 2026 Q1 estimate of net loss of the joint venture to actual, and an adjustment to the bargain purchase option recorded in 2026 Q1.

Reconciliation of Shareholders' Equity to Invested Capital[NG]

($ thousands)	2026 Q2	2026 Q1	2025 Q4	2025 Q3
Shareholders' Equity	620,911	597,709	586,448	417,925
Addback				
Long term debt	202,641	299,103	269,881	273,334
Second lien debt	608,029	607,469	606,919	607,887
Obligation under lease	141,426	141,580	140,438	134,973
Convertible debentures	234,124	237,335	238,468	231,841
Senior unsecured debt	35,171	35,735	35,226	33,659
Derivatives	(8,445)	(11,015)	(16,772)	(15,644)
Cash	(117,973)	(77,374)	(118,548)	(72,649)
Invested Capital[NG]	1,715,884	1,830,542	1,742,060	1,611,326
Average of invested capital[NG] over the quarter	1,773,213	1,786,301	1,676,693	1,704,346

	2025 Q2	2025 Q1	2024 Q4	2024 Q3
Shareholders' Equity	557,787	703,529	707,754	699,717
Addback				
Long term debt	324,660	643,872	610,237	610,624
Second lien debt	611,056	174,202	173,741	173,309
Obligation under lease	129,738	129,629	129,511	130,020
Convertible debentures	233,567	221,540	218,020	230,453
Senior unsecured debt	33,322	51,051	50,040	56,210
Derivatives	(13,852)	(6,874)	(10,497)	2,327
Cash	(78,912)	(107,985)	(49,557)	(59,720)
Invested Capital[NG]	1,797,366	1,808,964	1,829,249	1,842,940
Average of invested capital[NG] over the quarter	1,803,165	1,819,107	1,836,095	1,813,922

Invested Capital[NG]

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

ROIC[NG]

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

Liquidity[NG]

Liquidity[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines Liquidity[NG] as cash on-hand plus available capacity under its 2025 First Lien Facility.

Working Capital Days[NG]

Working Capital Days[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines Working Capital Days[NG] as the calculated number of days to convert working capital to cash. It is calculated by the number of days in the last twelve months (2026 Q2 LTM - 364 days) divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

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

Book-to-Bill Ratio[NG]

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

Backlog[NG]

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

Total Leverage Ratio (Bank)[NG]

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

Total Leverage Ratio[NG]

Total Leverage Ratio[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. TLR[NG] is calculated total debt less cash, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). Total debt includes senior unsecured debt, long-term debt, second lien debt, convertible debentures, and obligations under leases.

Interest Coverage Ratio[NG]

Interest Coverage Ratio[NG] is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS.

ICR[NG] for Q2 2026 was calculated as Trailing Twelve Month Adjusted EBITDA[NG] divided by interest expense incurred in the LTM, including interest on the 2025 First Lien Facility, 2025 Second Lien Debt, Debentures, any senior unsecured or second lien indebtedness, and other interest.

Senior Secured Net Leverage[NG]

Senior Secured Net Leverage[NG] includes the 2025 First Lien Facility and is calculated as indebtedness on those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis).

Capital Allocation Policy

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

Maintaining Financial Flexibility

The Company plans to prudently use leverage to manage liquidity 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 volume and mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of debt obligations, including lease obligations, interest costs, funding requirements of the Company's pension plans, income taxes, credit capacity, letters of credit for surety bonds and 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 2025 First Lien Facility (see below), leases, debt and equity capital markets. The Company believes that its cash position and capacity under its 2025 First Lien Facility, combined with anticipated future cash flows and access to capital markets, will be sufficient to fund operations, meet financial obligations as they come due, and provide the funds necessary for capital expenditures, and other operational needs. It is possible that unexpected events could significantly impair the Company's liquidity and there can be no assurance that the Company would be able to obtain additional liquidity when required in such circumstances. Please refer to Appendix A of this MD&A for identified liquidity risks.

At June 28, 2026, the Company had Debentures outstanding of C$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. The Debentures are currently classified as current in the Company's unaudited interim condensed consolidated statement of financial position. Subsequent to quarter-end the Company completed a private placement offering of senior unsecured notes with an aggregate principal amount of C$350 million the net proceeds of which NFI used to repay certain indebtedness, including a portion of the amounts outstanding under the 2025 First Lien Facility. NFI intends to redraw amounts under the 2025 First Lien Facility in January 2027 in order to repay the outstanding aggregate principal amount of the Debentures.

The details of the covenants under the 2025 First Lien Facility are as follows:

	June 28, 2026	December 28, 2025
Total Leverage Ratio (Bank)[NG] (must be less than 4.75)	2.19	2.79
Senior Secured Leverage Ratio[NG] (must be less than or equal to 3.00)	0.40	0.72
Interest Coverage Ratio[NG] (must be greater than 2.50) [2025: must be greater than 2.00]	3.16	2.66

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

As of June 28, 2026, NFI's Liquidity[NG] was $520.0 million. As part of the Company's efforts to improve working capital and liquidity, the Company has secured milestone payments and deposits from certain customers. The Company remains focused on cash and liquidity management, including efforts to accelerate deliveries and customer acceptances, accelerating customer payments through the pursuit of advance payments and deposits wherever possible, and improving supplier payment terms.

The Company remains focused on deleveraging its balance sheet and returning to its targeted Total Leverage Ratio[NG] of 1.5x to 2.5x. As of June 28, 2026, NFI's Total Leverage Ratio was 2.81x. Total debt includes senior secured and unsecured debt, long-term debt, second lien debt, convertible debentures, and obligations under leases. Management believes it will achieve its longer-term leverage targets as the Company delivers on its backlog[NG], and benefits from record government investments in public transportation, and growing demand for its buses, motorcoaches, parts and services provided by Infrastructure Solutions™ services and Aftermarket sales. The reduction in leverage is also expected to be driven by increased production rates, the anticipated stabilization of parts and components supply, and the active focus on reducing working capital.

The Company continuously evaluates its capital structure to match liquidity and capital needs with a desire to lower overall interest expenses. On May 7, 2025, the Company entered into the 2025 First Lien Facility with a total borrowing capacity of $845 million, which includes $300 million in letter of credit availability, set for a two-year term. On June 13, 2025, the Company issued 2025 Second Lien Debt, as disclosed in Note 11 of the unaudited interim condensed consolidated financial statements, that decreased the total borrowing capacity to $700 million and provided access to an additional $250 million through an accordion feature and an extension to May 7, 2029.

Business Investment

The Company plans to invest in the current business for future growth and will continue to invest in common systems, LEAN manufacturing operations and vehicle platforms to improve quality and cost effectiveness, while also investing to expand the Company's broader mobility solutions capabilities. The Company has made significant investments in its production facilities to achieve its strategy of offering the broadest range of vehicle offerings in heavy-duty transit, motorcoach, low-floor cutaways and medium-duty transit buses. These investments have ensured that New Flyer has the ability to manufacture clean diesel, compressed natural gas (CNG), diesel electric hybrid and ZEBs across its network. Alexander Dennis has the ability to produce ZEBs and diesel buses at all of its facilities and MCI has invested in its production facilities to improve common line production for public and private markets.

The Company also plans to make investments in people, facilities, equipment and engineering to strengthen its supply chain from both internal and external sources. NFI looks to invest in insourcing capacity where NFI controls decisions on input components, and where it is cost effective for internal development. The Company has made significant investments in strengthening its supplier development, management teams and systems to help drive overall improvements to supply chain performance and health.

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

In October 2024, NFI announced that in response to growing demand for its products in Canada, the Company was expanding its Canadian manufacturing capabilities through its All Canadian Build project. Construction activities began in October 2024 and the first transit bus entered production in September 2025, with full completion of the facility in early 2026. The facility is expected to see a continued ramp-up in production with a goal to achieve 5 EUs of weekly production.

In June 2025, Alexander Dennis assumed manufacturing operations of its North American contract manufacturing partner, Big Rig Manufacturing, in Las Vegas. The transaction included a purchase of assets (primarily inventory and equipment), with Alexander Dennis Inc. assuming a leased facility and hiring Big Rig’s employees.

In October 2025, NFI, through a 50/50 joint venture called GR Seating, acquired the assets of American Seating, ensuring that a critical component of the transit industry’s supply chain remained viable and positioning American Seating for operational performance recovery and long-term stability to the benefit of all its customers.

During the first half of 2026, NFI initiated restructuring activities within its Alexander Dennis business to better match its production capacity to its existing order book. These activities included the closure of the Company’s Falkirk production facility in Scotland and repurposing its Larbert production facility for chassis production. In total NFI has incurred approximately $16.4 million in restructuring related costs in 2026.

The Company is currently investing in enhancing and expanding its internal fiberglass production capabilities within its Carfair subsidiary which are expected to improve the ability to support New Flyer’s increasing heavy-duty transit bus production for both the near-and longer-term.

The Company's capital allocation priorities are currently focused on deleveraging, product development, strengthening its balance sheet and supporting the recovery of operations. While the Company will consider business acquisitions and partnerships that will further grow and diversify the business, strengthen its supply chain, and contribute to long-term competitiveness, NFI’s current focus remains on increased production, quality and margin improvement. The Company saw significant improvement in its Total Leverage Ratio (Bank)[NG] in Fiscal 2025 and expects that continued performance from the Company’s manufacturing and aftermarket segments will support further improvement.

There are covenants under the 2025 First Lien Facility and 2025 Second Lien Debt and unsecured notes that limit the Company's ability to make acquisitions and pay dividends. Investment decisions are based on several criteria, including but not limited to: investment required to maintain or enhance operations; enhancement of cost effectiveness through vertical integration of critical supply and sub-assembly in-sourcing; and acquisitions in current or adjacent markets that are considered accretive to the business.

Return of Capital to Shareholders

The Company maintains a Share dividend policy that is consistent with the Company's financial performance and the desire to retain certain cash flows to support the ongoing requirements of the business and to provide the financial flexibility to pursue revenue diversification and growth opportunities. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance, compliance with the 2025 First Lien Facility, 2025 Second Lien Debt, and unsecured notes covenants, and capital allocation priorities.

The Company's 2026 Q2 Free Cash Flow[NG] was C$28.7 million compared to Free Cash Flow[NG] of C$21.7 million in 2025 Q2. No dividends were declared during either period.

Controls and Procedures

Internal Controls over Financial Reporting

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

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

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company’s ICFR as of June 28, 2026 in accordance with the criteria established in COSO 2013, and concluded that the Company’s ICFR are effective.

There have been no changes in our internal controls over financial reporting that occurred as of June 28, 2026 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

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

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The Company’s CEO and CFO have concluded that disclosure controls and procedures as at June 28, 2026 were effective.

Appendix A

Meaning of Certain References

References in this MD&A to the “Company” are to NFI and all of its direct or indirect subsidiaries, including New Flyer Industries Canada ULC (“NFI ULC”), New Flyer of America Inc. (“NFAI”), The Aftermarket Parts Company, LLC (“TAPC”), KMG Fabrication, Inc. ("KMG"), Carfair Composites Inc. (“CCI”) and Carfair Composites USA, Inc. (“CCUI”, and together with "CCI", "Carfair"), The Reliable Insurance Company Limited, ARBOC Specialty Vehicles, LLC ("ARBOC"), New MCI Holdings, Inc. and its affiliated entities (collectively, "MCI”), Alexander Dennis Limited and its affiliated entities (collectively, "AD"), and Seatco Holdings, LLC, which holds a 50% interest in GR Seating LLC ("GR Seating"). References to “New Flyer” generally refer to NFI ULC, NFAI, TAPC, KMG, CCI, and CCUI. References in this MD&A to “management” are to senior management of NFI and the Company.

The Shares trade on the Toronto Stock Exchange (“TSX”) under the symbol NFI, and the Convertible Debentures trade on the TSX under the symbol NFI.DB. As at June 28, 2026, 119,107,776 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI’s Annual Information Form and information circular, is available on SEDAR+ at http://www.sedarplus.ca.

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

Forward-Looking Statements

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

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

The level, type, coverage and duration of tariffs and other trade measures imposed by the US, Canada and other countries such as China is fluidly evolving and may continue to change and evolve in unpredictable ways. The impact of tariffs and other trade measures on general economic conditions, customer demand and on the Company's business is uncertain and may be significant. Such impacts may include general inflationary pressures as well as new and exacerbated supply chain disruptions leading to production inefficiencies, delivery delays and additional liquidity deterioration. It is impossible to predict the full impact on the Company of tariffs or other trade actions, and if they are in place for an extended period they may have a material adverse effect on the Company's business, operating results, financial condition and liquidity and may result in the Company not achieving its financial guidance. In addition, U.S. federal funding for transit buses and coaches, including electric vehicles, could potentially be significantly reduced as a result of the U.S. administration's executive orders and potential policy and legislative changes. This could significantly impact the ability of U.S. transit agencies to purchase vehicles from the Company, which would likely have the most significant impact on purchases of electric vehicles. There can be no assurance as to the continuation or future amount of U.S. federal funding for transit bus and coach purchases.

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

Appendix B - 2026 Second Quarter Bid Universe and Order Activity

Demand for Transit Buses and Motor Coaches

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

In 2026 Q2, active bids of 6,195 EUs were up 5.8% year-over-year mainly driven by stronger bidding activity in 2026 Q2, during which NFI submitted bids for 4,530 EUs, up from 4,144 EUs in 2025 Q2. Active bids decreased by 4.2% from 2026 Q1 primarily driven by seasonality in bids and timing of certain procurements. During the quarter, bids in process activity increased significantly, leading to a 102.6% quarter-over-quarter increase from 2026 Q1.

The forecasted five-year North American industry demand remains strong at 26,603 EUs. The Company expects that the forecasted five-year North American industry procurements will remain high through the second half of 2026 as transit agencies continue to formalize their short- and long-term procurement plans while considering fleet replacements, vehicle age, and access to municipal, state, provincial and federal funding, including the IIJA maturing in September 2026. As of 2026 Q2, the Total Bid Universe was 32,798 EUs, up 14.6% year-over-year.

As at 2026 Q2, 11,519 EUs, or 35.1%, of the Total Bid Universe are ZEBs. The Company has seen some reduction in ZEB demand in recent periods with certain transit agency customers issuing procurements for diesel, CNG and Hybrid transit buses. In addition, some customers have revisited their near-term fleet plans with additional focus on ICE vehicles.

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

	Bids in Process (EUs)	Bids Submitted (EUs)	Active EUs	Forecasted Industry Procurement over 5 Years (EUs)[1]	Total Bid Universe (EUs)
2025 Q2	1,711	4,144	5,855	22,769	28,624
2025 Q3	1,286	6,217	7,503	22,956	30,459
2025 Q4	3,001	4,119	7,120	25,004	32,124
2026 Q1	822	5,643	6,465	26,003	32,468
2026 Q2	**1,665**	**4,530**	**6,195**	**26,603**	**32,798**

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

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

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

Due to the transactional nature of the procurement process in the UK, European and Asia Pacific markets, Alexander Dennis does not have a Total Bid Universe metric like the one seen in North American public markets. Alexander Dennis does, however, maintain a current sales pipeline based on market demand by region.

Order activity

New orders (firm and options) during 2026 Q2 totaled 1,084 EUs, a 31.9% increase from 2025 Q2. The increase is primarily driven by the timing of incoming new orders from transit agencies with several awards received in 2026 Q2. New firm and option orders for 2026 Q2 LTM were 3,839 EUs, a decrease of 39.1% from 2025 Q2 LTM. The decrease reflects the large order quantities received in 2024 Q4 and 2025 Q1. The timing of new orders can vary based on transit agency procurement processes and the timing of bid submissions.

In 2026 Q2, 115 option EUs converted to firm orders, down 31.1% from 2025 Q2, which contributed to 1,467 EUs converted in 2026 Q2 LTM, representing a conversion ratio of 61.6%. *Further details on options are provided below under the "Options" section.*

In 2026 Q2, the Company received orders for 26 EUs of battery-electric, zero-emission vehicles, a decrease from the 248 EUs of ZEB orders in 2025 Q2 and a decrease from 109 EUs of ZEB orders in 2026 Q1. These 26 EUs of ZEBs equate to 2.4% of all new firm and option orders for the quarter. This lower percentage of ZEB orders reflects the continued focus of some North American transit agencies on ICE vehicles.

500 EUs of new firm and option orders were pending from customers at the end of 2026 Q2, where approval of the award to the Company had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog[NG].

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2025 Q2	822	6,299	167	888
2025 Q3	644	5,893	237	957
2025 Q4	1,062	5,051	977	1,497
2026 Q1	1,049	3,577	138	1,519
2026 Q2	**1,084**	**3,839**	**115**	**1,467**

Options

In 2026 Q2, 594 options expired, as compared to 156 options that expired in 2026 Q1, and 59 options that expired in 2025 Q2. Option expiries in the quarter were primarily driven by customers' fleet plans and market competition dynamics. Option expiries can vary significantly quarter-to-quarter. In 2026 Q2, the LTM option conversion decreased year-over-year to 61.6%. Overall option conversion is generally linked to the availability of funding in the U.S. and Canada. The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis.

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

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
A) Options Expired (EUs)	575	268	297	750							1,890
B) Options Exercised (EUs)	404	865	1,497	253							3,019
C) Current Options by year of expiry (EUs)				802	1,416	1,511	3,439	828	210	6	8,212
D) Conversion rate % = B / (A+B)	**41%**	**76%**	**83%**								

In addition to contracts for identified public customers, the Company has increased its focus on purchasing schedules (state and national contracts, and cooperative agency purchasing agreements) with the objective of having multiple available schedules, from which customers within a prescribed region or from a defined list, can purchase. The Company is currently named on over 40 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog[NG] as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer makes an order under one of these agreements, the purchase is recorded as a firm order. The importance of these schedules as a procurement tool for North American transit agencies has been increasing and the Company has received more than 3,700 vehicle awards from these schedules since the start of 2018.

The Company's 2026 Q2 Book-to-Bill[NG] ratio (defined as new firm orders and exercised options divided by new deliveries) was 78.8%, a decrease from 88.2% in 2025 Q2. This decrease was driven primarily by higher deliveries and lower option conversion in the quarter. 2026 Q2 LTM Book-to-Bill[NG] ratio was 106.0%, a decrease from the rate of 119.9% for 2025 Q2 LTM, as NFI received several large-scale awards in 2025 Q1 and the second half of 2024.

Backlog^{NG}

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

Transit buses and motorcoaches 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 50.9% of the total backlog^{NG} as of the end of 2026 Q2. This was a decrease of 5.8% from 2026 Q1, largely reflecting increased focus on ICE vehicles for certain customers in the U.S. and Canada.

As at the end of 2026 Q2, there were 4,654 EUs of ZEBs in the backlog^{NG}, representing 32.1% of the total backlog^{NG}, a decrease of 6.8% from the end of 2026 Q1 and a decrease of 18.7% from the end of 2025 Q2. ZEBs within the backlog declined reflecting NFI's higher ZEB deliveries in 2025, which represented 29.8% of NFI's total annual deliveries, and lower ZEB demand from public and private customers in Canada and the U.S. in 2026.

	2026 Q2			2026 Q1			2025 Q2		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	6,535	8,693	15,228	6,344	8,981	15,325	6,236	10,291	16,527
New orders	856	228	1,084	1,043	6	1,049	771	51	822
Options exercised	115	(115)	—	138	(138)	—	167	(167)	—
Shipments[1]	(1,232)	—	(1,232)	(978)	—	(978)	(1,076)	—	(1,076)
Cancelled/expired	(3)	(594)	(597)	(12)	(156)	(168)	(16)	(59)	(75)
End of period	**6,271**	**8,212**	**14,483**	**6,535**	**8,693**	**15,228**	**6,082**	**10,116**	**16,198**
Consisting of:									
Heavy-duty transit buses	5,522	7,807	13,329	5,825	8,420	14,245	4,950	9,691	14,641
Motor coaches	467	405	872	341	273	614	434	425	859
Cutaway and medium-duty buses	282	—	282	369	—	369	698	—	698
Total Backlog^{NG}	**6,271**	**8,212**	**14,483**	**6,535**	**8,693**	**15,228**	**6,082**	**10,116**	**16,198**

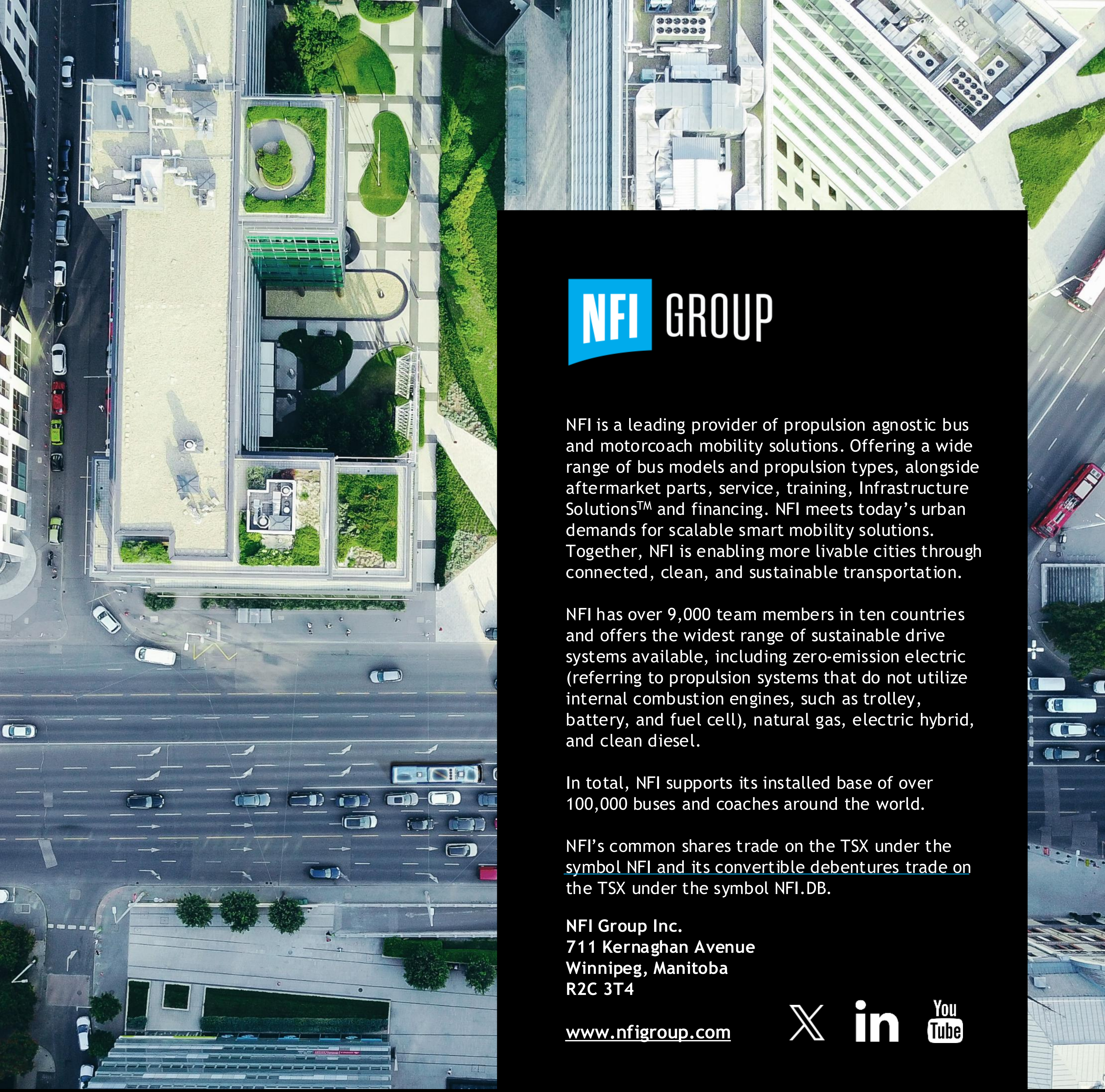
1. Shipments do not include delivery of pre-owned coaches as these coaches are not included in the backlog^{NG}.

At the end of 2026 Q2, the Company's total backlog^{NG} of 14,483 EUs (firm and options) decreased by 10.6% from the end of 2025 Q2. Backlog^{NG} for 2026 Q2 has a total dollar value of $12.5 billion, a decrease of 3.9% from 2026 Q1 and a 7.5% decrease from 2025 Q2. The decline primarily reflects NFI's increased deliveries in 2026 Q2.

The average price of an EU in total backlog^{NG} is now $0.86 million, a 3.4% increase from 2025 Q2. This increase was driven by the impacts of improved pricing and general improvements in contract margins.

The summary of the values is provided below.

	2026 Q2		2026 Q1		2025 Q2	
		EUs		**EUs**		**EUs**
Total firm orders	$5,355.3	6,271	$5,487.5	6,535	$4,871.3	6,082
Total options	$7,166.3	8,212	$7,548.7	8,693	$8,672.6	10,116
Total backlog^{NG}	**$12,521.6**	**14,483**	**$13,036.2**	**15,228**	**$13,543.9**	**16,198**



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

NFI has over 9,000 team members in ten countries and offers the widest range of sustainable drive systems available, including zero-emission electric (referring to propulsion systems that do not utilize internal combustion engines, such as trolley, battery, and fuel cell), natural gas, electric hybrid, and clean diesel.

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

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

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Unaudited Interim Condensed Consolidated Financial Statements of

NFI GROUP INC.

June 28, 2026

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NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS) AND TOTAL COMPREHENSIVE EARNINGS (LOSS)

13-weeks and 26-weeks ended June 28, 2026 (“2026 Q2” and “2026 Q2 YTD”, respectively) and 13-weeks and 26-weeks ended June 29, 2025 (“2025 Q2” and “2025 Q2 YTD”, respectively)

(in thousands of U.S. dollars except per share figures)

	2026 Q2	2025 Q2	2026 Q2 YTD	2025 Q2 YTD
Revenue (note 14)	$ 1,029,507	$ 868,169	$ 1,871,485	$ 1,709,589
Cost of sales (note 5)	875,974	751,929	1,585,660	1,499,389
Gross profit	153,533	116,240	285,825	210,200
Sales, general and administration costs and other operating expenses	79,246	82,684	158,739	145,918
Foreign exchange loss	3,484	6,799	5,566	6,431
Earnings from operations	70,803	26,757	121,520	57,851
Gain on disposition of property, plant and equipment and right-of-use asset	921	10	1,049	159
Fee for early repayment of 2023 second lien debt	-	(10,825)	-	(10,825)
Loss on debt extinguishment	-	(43,185)	-	(43,185)
Impairment loss on property, plant and equipment	-	(4,333)	-	(4,333)
Impairment loss on goodwill and intangible assets	-	(92,481)	(129)	(92,481)
Unrealized foreign exchange gain (loss) on monetary items	6,456	(49)	10,436	1,057
Share of (loss) profit of joint ventures accounted for using the equity method (note 7)	(4,580)	-	2,180	-
Earnings (loss) before interest and income taxes	73,600	(124,106)	135,056	(91,757)
Interest and finance costs (note 15)	34,463	25,723	75,848	64,078
Earnings (loss) before income tax expense	39,137	(149,829)	59,208	(155,835)
Income tax expense (note 16)	21,743	10,945	30,302	11,425
Net earnings (loss) for the period	$ 17,394	$ (160,774)	$ 28,906	$ (167,260)
Other comprehensive earnings (loss)				
Net gain on equity hedge of share plan (note 18c)	1,675	-	1,675	-
Actuarial gain on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	2,770	2,490	3,696	1,613
Unrealized foreign exchange gain (loss) on translation of foreign operations - this item will not be reclassified subsequently to profit or loss	368	11,085	(2,306)	13,762
Total comprehensive earnings (loss) for the period	$ 22,207	$ (147,199)	$ 31,971	$ (151,885)
Net earnings (loss) per share (basic) (note 13)	$ 0.15	$ (1.35)	$ 0.24	$ (1.40)
Net earnings (loss) per share (diluted) (note 13)	$ 0.15	$ (1.35)	$ 0.24	$ (1.40)

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 28, 2026
(in thousands of U.S. dollars)

	June 28, 2026	December 28, 2025
Assets		
Current		
Cash	$ 117,970	$ 118,548
Accounts receivable (note 4, 18e)	647,840	721,798
Income tax receivable	1,607	415
Other current asset (note 6)	7,917	66,000
Derivative financial instruments (note 18a, b, c)	7,093	-
Prepaid expenses and deposits	29,397	33,724
Inventories (note 5)	1,065,972	922,192
	1,877,796	1,862,677
Other long-term assets (note 6, 18a)	56,607	55,033
Investment accounted for using equity method (note 7)	13,693	11,513
Deferred tax assets	140,693	132,989
Accrued benefit asset	18,109	14,104
Derivative financial instruments (note 11, 18a, b)	12,180	18,630
Property, plant and equipment	211,752	206,760
Right-of-use asset	119,373	116,726
Goodwill and intangible assets (note 8)	860,603	857,394
	$ 3,310,806	$ 3,275,826
Liabilities		
Current		
Accounts payable and accrued liabilities	753,482	687,207
Income tax payable	19,130	43,051
Current portion of long-term liabilities (note 9)	805,387	490,160
Derivative financial instruments (note 18a, b, c)	-	1,620
	1,577,999	1,222,038
Accrued benefit liability	2,089	2,265
Obligations under leases	117,206	119,720
Deferred compensation obligation	4,180	2,801
Deferred revenue	23,315	22,599
Provisions (note 10)	110,077	159,186
Deferred tax liabilities	39,787	46,314
Long-term debt (note 11)	809,260	1,113,806
Derivative financial instruments (note 11, 18a, b)	5,982	649
	$ 2,689,895	$ 2,689,378
Commitments and contingencies (note 20)		
Shareholders' equity		
Share capital (note 12)	1,242,657	1,242,000
Stock option and restricted share unit reserve	18,518	16,683
Accumulated other comprehensive income	31,578	28,513
Deficit	(671,842)	(700,748)
	$ 620,911	$ 586,448
	$ 3,310,806	$ 3,275,826

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

NFI GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended June 28, 2026
(in thousands of U.S. dollars)

	Share Capital (note 12)	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive Earnings	Deficit	Total Shareholders' Equity
Balance, December 29, 2024	**$ 1,241,397**	**$ 14,249**	**$ 10,736**	**$ (558,628)**	**$ 707,754**
Net loss	-	-	-	(167,260)	(167,260)
Other comprehensive earnings	-	-	15,375	-	15,375
Share-based compensation, net of deferred income taxes	-	1,721	-	-	1,721
Shares issued	396	(199)	-	-	197
Balance, June 29, 2025	**$ 1,241,793**	**$ 15,771**	**$ 26,111**	**$ (725,888)**	**$ 557,787**
Net earnings	-	-	-	25,140	25,140
Other comprehensive earnings	-	-	2,402	-	2,402
Share-based compensation, net of deferred income taxes	-	1,090	-	-	1,090
Shares issued	207	(178)	-	-	29
Balance, December 28, 2025	**$ 1,242,000**	**$ 16,683**	**$ 28,513**	**$ (700,748)**	**$ 586,448**
Net earnings	-	-	-	28,906	28,906
Other comprehensive earnings	-	-	3,065	-	3,065
Share-based compensation, net of deferred income taxes	-	2,148	-	-	2,148
Shares issued	657	(313)	-	-	344
Balance, June 28, 2026	**$ 1,242,657**	**$ 18,518**	**$ 31,578**	**$ (671,842)**	**$ 620,911**

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
13-weeks and 26-weeks ended June 28, 2026 (“2026 Q2” and “2026 Q2 YTD”, respectively) and 13-weeks and 26-weeks ended June 29, 2025 (“2025 Q2” and “2025 Q2 YTD”, respectively)
(in thousands of U.S. dollars)

	2026 Q2	2025 Q2	2026 Q2 YTD	2025 Q2 YTD
Operating activities				
Net earnings (loss) for the period	$ 17,394	(160,774)	$ 28,906	(167,260)
Income tax expense	21,743	10,945	30,302	11,425
Depreciation of property, plant and equipment and right-of-use assets	13,711	12,147	25,495	22,891
Amortization of intangible assets	7,756	7,677	15,923	15,114
Impairment loss on property, plant and equipment	-	4,333	-	4,333
Impairment loss on goodwill and intangible assets	-	92,481	129	92,481
Share of loss (profit) of joint ventures accounted for using the equity method (note 7)	4,580	-	(2,180)	-
Share-based compensation	366	1,352	2,149	1,721
Interest and finance costs recognized in profit or loss (note 15)	30,813	37,161	63,871	74,957
Unrealized foreign exchange (gain) loss on monetary items	(6,456)	49	(10,436)	(1,057)
Foreign exchange loss (gain) on cash held in foreign currency	547	(1,677)	446	(1,171)
Fair value adjustment on derivative financial instruments (note 15)	3,650	(11,439)	11,977	(10,874)
Fair value adjustment on total return swap	(3,325)	-	(3,325)	-
Gain on disposition of property, plant and equipment	(921)	(10)	(1,049)	(159)
Loss on debt extinguishment	-	43,185	-	43,185
Defined benefit expense	912	1,403	1,825	1,892
Defined benefit funding	(625)	(751)	(1,358)	(1,468)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	90,145	36,082	162,675	86,010
Changes in non-cash working capital items (note 17)	133,216	(44,218)	65,389	(20,470)
Cash generated by operating activities before interest and income taxes paid	223,361	(8,136)	228,064	65,540
Interest paid	(13,272)	(33,685)	(51,454)	(67,303)
Income taxes paid	(50,982)	(27,788)	(71,770)	(27,047)
Net cash generated by (used in) operating activities	159,107	(69,609)	104,840	(28,810)
Financing activities				
Repayment of obligations under lease	(7,495)	(4,859)	(14,218)	(10,231)
Repayment of senior unsecured debt	-	(20,000)	-	(20,000)
(Repayment of) proceeds from first lien facility and second lien debt	(100,342)	83,104	(70,705)	109,586
Proceeds from share issuance and stock options exercise	268	197	343	197
Net cash (used in) generated by financing activities	(107,569)	58,442	(84,580)	79,552
Investing activities				
Proceeds from disposition of property, plant and equipment	44	15	44	13
Acquisition of property, plant and equipment and right-of-use asset	(6,728)	(7,634)	(18,215)	(13,533)
Acquisition of intangible assets	(6,405)	(2,530)	(12,654)	(4,734)
Investment in long-term restricted deposits	(146)	(9,434)	(146)	(4,304)
Net cash used in investing activities	(13,235)	(19,583)	(30,971)	(22,558)
Effect of foreign exchange rate on cash	(547)	1,677	(446)	1,171
Increase (decrease) in cash	37,756	(29,073)	(11,157)	29,355
Cash at the beginning of period, prior to adjustment for the initial application of the amendments to IFRS 9	-	107,985	118,548	49,557
Adjustment on the initial application of the amendments to IFRS 9 (note 3)	-	-	10,579	-
Cash — beginning of period	80,214	107,985	129,127	49,557
Cash — end of period	$ 117,970	$ 78,912	$ 117,970	$ 78,912

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

(in thousands of U.S. dollars except per share figures)

1. CORPORATE INFORMATION

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

These unaudited interim condensed consolidated financial statements (the "Statements") were approved by NFI's board of directors (the "Board") on August 6, 2026.

2. BASIS OF PREPARATION

The Statements were prepared on a going concern basis in accordance with IFRS® Accounting Standards which require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

In preparing these Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied by the Company in its audited consolidated financial statements as at and for the 52-week period ended December 28, 2025 ("Fiscal 2025").

2.1 Statement of Compliance

The Statements are unaudited and have been prepared in accordance with IAS® Standards ("IAS") 34, Interim Financial Reporting, and do not include all the information required for audited annual financial statements.

2.2 Functional and presentation currency

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

2.3 Fiscal periods

	Period from December 29, 2025 to December 27, 2026 ("Fiscal 2026")			Period from December 30, 2024 to December 28, 2025 ("Fiscal 2025")		
	Period End Date		# of Calendar Weeks	Period End Date		# of Calendar Weeks
Quarter 1	March 29, 2026	("2026 Q1")	13	March 30, 2025	("2025 Q1")	13
Quarter 2	June 28, 2026	("2026 Q2")	13	June 29, 2025	("2025 Q2")	13
Quarter 3	September 27, 2026	("2026 Q3")	13	September 28, 2025	("2025 Q3")	13
Quarter 4	December 27, 2026	("2026 Q4")	13	December 28, 2025	("2025 Q4")	13
Fiscal year	December 27, 2026		52	December 28, 2025		52

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(in thousands of U.S. dollars except per share figures)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Amended standards adopted

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

The changes set criteria for derecognition of a financial liability settled through electronic transfer and include amendments for the classification of financial assets involving contractual terms that are consistent with a basic lending arrangement, assets with non-recourse features, and contractually linked instruments. Disclosure requirements change for investments in equity instruments designated at fair value through other comprehensive income and include a new requirement for disclosure of contractual terms that could change the timing or amount of contractual cash flows based on a contingent event that does not relate directly to changes in basic lending risks and costs. The Company has elected not to restate prior periods. As such, the difference in the closing balance of cash as at December 28, 2025 and the adjusted opening balance after the initial application of the amendments as at December 29, 2025 is $10.6 million, which resulted to a reclassification of the outstanding cheques between cash and accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position.

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

The changes relate to designation of contracts relating to nature-dependent electricity as hedging instruments and their disclosure requirements. Under the amendments an entity is permitted to designate as the hedged item a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and the Company is in compliance with the required disclosure.

IFRS 10 and IAS 28 – Amendments for sale or contribution of assets between an investor and its associate or joint venture

The changes relate to equity method procedures on the sale or contribution of assets between an investor or joint venture. Under the amendments, the gain or loss resulting from a downstream transaction involving assets that constitute a business between an entity including its consolidated subsidiaries and its associate or joint venture is recognized in full in the investor's financial statements. An entity might sell or contribute assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. The changes also set out guidance for the accounting for the loss of control of a subsidiary that does not contain a business as a result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and the Company is in compliance with the required disclosure.

3.2 Standards issued but not yet adopted

IFRS 18 – Presentation and Disclosure in Financial Statements

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

The Company is currently assessing the impact of the adoption of IFRS 18 on its unaudited interim condensed consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	June 28, 2026	December 28, 2025
Trade, net of allowance for doubtful accounts (note 18e)	$ 594,488	$ 676,040
Other (note 18e)	53,352	45,758
	$ 647,840	$ 721,798

In the normal course of its business, the Company has entered into facilities with certain financial institutions whereby it can sell, without credit recourse, eligible receivables to such financial institutions. As at June 28, 2026, trade receivables of $33.3 million (December 28, 2025: $8.7 million) were derecognized under these facilities. Accounts receivables are derecognized under this agreement as financial assets when the rights to receive cash flows have been transferred and substantially all of the risks and rewards of the asset have been transferred.

(in thousands of U.S. dollars except per share figures)

5. INVENTORIES

	June 28, 2026	December 28, 2025
Raw materials	$ 459,110	$ 352,997
Work in process	478,580	483,113
Finished goods	128,282	86,082
	$ 1,065,972	$ 922,192

	2026 Q2	2025 Q2	2026 Q2 YTD	2025 Q2 YTD
Cost of inventories recognized as expense and included in cost of sales	$ 821,966	$ 701,402	$ 1,497,838	$ 1,403,406
Write-down (up) of inventory to net realizable value in cost of sales	720	(67)	1,793	1,078

6. OTHER ASSETS

	June 28, 2026	December 28, 2025
Restricted deposit(s) (note 18b)	$ 53,290	$ 53,144
Long-term accounts receivable	3,317	1,889
Assets acquired through settlement (note 20d)	-	56,000
Escrow receivable (note 20d)	7,917	10,000
Less: current portion of other assets	7,917	66,000
Total other long-term assets	$ 56,607	$ 55,033

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

On December 15, 2025, the Company entered into the battery settlement with XALT regarding costs related to the voluntary recall for buses and coaches equipped with certain battery modules from the supplier, XALT. As part of the battery settlement, the Company was entitled to receive assets including inventory and intangible assets. The escrow receivable is for certain future costs associated with the transfer of people and facilities.

On February 1, 2026, the assets acquired through settlement were reclassified to inventory and intangible assets and escrow payments are classified in current as they are expected to be received within the next twelve months.

7. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On October 21, 2025, the Company and GILLIG LLC formed a 50/50 joint venture, through an entity called “GR Seating, LLC”, to acquire the assets of American Seating Inc., a key producer of seats for transit, motorcoach, and rail applications. The net carrying amount of the investment in GR Seating, LLC consists of the assets acquisition from American Seating Inc., and capital contributions to fund the business operations. The Company uses the management financial information provided up to May 31, 2026 to estimate the net loss (earnings) of the joint venture during the period-end. Management assessed that there were no significant transactions or events occurred between the joint venture’s reporting date and June 28, 2026 that would require adjustment.

The following table contains a summary of the aggregated income statement data and aggregated carrying amounts of the joint venture accounted for using the equity method:

	2026 Q2	2025 Q2	2026 Q2 YTD	2025 Q2 YTD
Net loss from joint venture	$ (479)	$ -	$ (1,056)	$ -
Adjustment of net (loss) earnings estimates	(1,885)	-	1,510	-
Bargain purchase option	(2,216)	-	1,726	-
Share of net (loss) earnings	$ (4,580)	$ -	$ 2,180	$ -
Tax (recovery) expense recorded on net (loss) earnings	(962)	-	670	-
Share of net (loss) earnings after income taxes	$ (3,618)	$ -	$ 1,510	$ -

	June 28, 2026	December 28, 2025
Net carrying amount	$ 13,693	$ 11,513

(in thousands of U.S. dollars except per share figures)

8. GOODWILL AND INTANGIBLE ASSETS

During the fourth quarter of each fiscal year, the Company performs annual goodwill and indefinite-life intangible assets impairment tests for each of its cash generating units ("CGUs"). Management has determined that for purposes of this evaluation the Company has five CGUs: North America Bus and Coach manufacturing, ARBOC, AD manufacturing, AD parts and NFI parts. The Company also performs goodwill and indefinite-life intangible assets impairment tests whenever events or circumstances occur which, in management's judgment, could reduce the recoverable amount of one or more CGUs below its carrying amount. Potential impairment indicators include, but are not limited to, (i) the results of the most recent annual impairment test, in particular the magnitude of the excess of recoverable amount over carrying amount observed, (ii) significant downward revisions to a CGU's budgeted net cash flows, and (iii) significant increases in market interest rates or other market rates of return that are likely to affect the discount rate used in calculating a CGU's value-in-use and decrease the CGU's recoverable amount materially.

On March 31, 2026, Alexander Dennis announced a consultation on a new strategy for its United Kingdom (UK) manufacturing operations in response to the changing market demands in UK. Alexander Dennis continues to expect that some roles would be placed at risk of potential redundancy. In 2026 Q1, management considered if indicators of impairment were present at the period-end and concluded that impairment indicators existed at AD manufacturing. Accordingly, an interim quantitative impairment test was performed. Based on the results of the interim quantitative impairment test conducted in the first quarter of 2026, no impairment losses were recognized.

As of June 28, 2026, management determined that there have been no significant changes in the impairment indicators assessed from 2026 Q1 and concluded that no indication of impairment existed.

9. CURRENT PORTION OF LONG-TERM LIABILITIES

		June 28, 2026		December 28, 2025
Deferred compensation obligation	$	9,081	$	6,864
Deferred revenue		263,630		245,753
Obligations under leases		24,219		20,718
Provisions (note 10)		237,752		180,137
Long-term debt (note 11)		270,705		36,688
	$	805,387	$	490,160

10. PROVISIONS

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

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

During Fiscal 2025, the Company announced a battery recall for buses and coaches equipped with certain battery modules from a supplier, XALT, which impacts approximately 700 battery-electric buses and coaches (primarily New Flyer buses). The Company's warranty provision also includes battery recall reflecting the estimated costs for full battery replacement on all the vehicles impacted by the recall and estimated future costs associated with supporting vehicles in service that have other older XALT batteries. The warranty provision recognized in Fiscal 2025 was $229.9 million. As of June 28, 2026, estimated costs for the battery recall and future warranty costs of $195.7 million remain accrued.

In December 2025, the Company entered into the battery settlement with XALT with respect to the battery recall costs for buses and coaches equipped with certain battery modules. As a result of the battery settlement, the Company has recognized settlement payments from XALT comprising of cash payments, transfer of certain personnel, contribution of relevant assets including battery modules, systems, equipment, and intellectual property.

The other category includes a restructuring provision for the costs in relation to the occurrence of redundancy at the Alexander Dennis facilities and onerous contracts when the unavoidable costs of meeting the contract are greater than the economic benefits expected to be received under it.

(in thousands of U.S. dollars except per share figures)

10. PROVISIONS (Continued)

	Insurance Risk Retention	Warranty	Other	Total
December 29, 2024	$ 32,577	$ 62,862	$ 1,660	$ 97,099
Additions	13,107	349,285	16,404	378,796
Amounts used/realized	(12,512)	(106,504)	(5,080)	(124,096)
Unused provision	(416)	-	(12,641)	(13,057)
Unwinding of discount and effect of changes in the discount rate	-	(1,001)	-	(1,001)
Exchange rate differences	(16)	1,517	81	1,582
December 28, 2025	$ 32,740	$ 306,159	$ 424	$ 339,323
Additions	7,445	71,918	6,073	85,436
Amounts used/realized	(6,250)	(65,212)	(4,579)	(76,041)
Unused provision	-	(393)	-	(393)
Unwinding of discount and effect of changes in the discount rate	-	(8)	-	(8)
Exchange rate differences	11	(479)	(20)	(488)
	33,946	311,985	1,898	347,829
Less: current portion (note 9)	1,551	234,303	1,898	237,752
June 28, 2026	$ 32,395	$ 77,682	-	$ 110,077

11. LONG-TERM DEBT

	Currency	Interest rate	Maturity	Face Value	Unamortized Transaction Costs	**Carrying amount June 28, 2026**	Carrying amount December 28, 2025
Senior unsecured debt	CAD	7.00%	April 30, 2027	$ 35,241	$ 70	$ 35,171	$ 35,226
First Lien Facility, secured	USD	N/A	May 7, 2029	196,256	4,099	192,157	262,451
Second Lien Debt	USD	9.25%	July 1, 2030	619,080	11,051	608,029	606,919
Government of Canada Loans	CAD	0.00%	March 1, 2030	5,286	466	4,820	4,795
Government of Canada Loans	CAD	0.00%	March 1, 2033	7,753	2,089	5,664	2,635
Convertible Debentures	CAD	5.00%	January 15, 2027	235,254	1,130	234,124	238,468
				$ 1,098,870	$ 18,905	$ 1,079,965	$ 1,150,494
Current portion (note 9)				271,905	1,200	270,705	36,688
Non-current portion				826,965	17,705	809,260	1,113,806
				$ 1,098,870	$ 18,905	$ 1,079,965	$ 1,150,494

The Company's senior unsecured debt consists of Manitoba Development Corporation ("MDC") facility with Export Development Canada ("EDC"). The senior unsecured debt also includes surety and performance bonding requirements for new contracts ("Guarantee Facility'). The Guarantee Facility is made up of an Account Performance Security Guarantee ("PSG") and Surety Reinsurance Support. These facilities were last amended and restated in November 2025. The current size of the Guarantee Facility is $190 million, PSG is $135 million, and Surety Reinsurance Support is $55 million. The Guarantee Facility remains outstanding as of June 28, 2026.

In April 2026, the Company's MDC loan agreement was amended to extend the maturity date to April 30, 2027 with a fixed interest rate of 7.00% payable quarterly, and principal repayments of C$12.5 million.

As of June 28, 2026, the Company's First Lien Facility has a total borrowing capacity of $700 million, which includes $300 million in letters of credit availability set for a two-year term, and provided access to an additional $250 million through an accordion feature. The First Lien Facility was last amended and restated in June 2025. As of June 28, 2026, $170.0 million outstanding letters of credit were drawn against the First Lien Facility.

11. LONG-TERM DEBT (Continued)

In 2025, the Company issued $600 million in aggregate principal amount of second lien senior secured notes ("Second Lien Debt"). At any time prior to July 1, 2027, the Company can exercise an option to redeem the Second Lien Debt at a redemption price equal to 100% of the aggregate principal amount plus a "make-whole" premium. At any time on or after July 1, 2027, the Company can exercise an option to redeem the Second Lien Debt at a redemption equal to 104.625% in 2027, 102.313% in 2028, and 100.000% in 2029 and thereafter. As at June 28, 2026, the optional redemption had a fair value of $12.2 million (December 28, 2025: $18.6 million).

In 2024 and 2025, the Company entered into funding agreements with the Government of Canada. The Company received a total of C$10 million interest free repayable contribution through "Jobs and Growth Fund" to support the Motor Coach Industries Winnipeg facility enhancements and zero-emission product development and growth. As at June 28, 2026, $1.4 million interest-free contribution repayments are due within the next twelve months.

In addition, the Company received a total of C$11.0 million interest-free repayable contribution through Prairies Economic Development Canada ("PrairiesCan") to support the expansion of the New Flyer Winnipeg facility for all Canadian build heavy-duty transit buses and increased offering of zero-emission buses. The interest-free contribution repayments will commence in April 2028. The deferred interest benefit of both Government of Canada loans is presented within the unamortized transaction costs.

The Company has C$338 million in aggregate principal amount of convertible debentures (the "Debentures"). The Debentures may be converted in whole or in part from time to time at the holder's option into 30.1659 Shares for each C$1,000 principal amount of Debentures ("Conversion Price"), representing a Conversion Price of approximately C$33.15 per Share, prior to maturity and subject to adjustment in certain circumstances. NFI has the option to settle the conversion in either Shares or cash (the "Cash Conversion Option"), with the Cash Conversion Option determined to be a financial liability. As at June 28, 2026, the cash conversion option had a fair value of $6.0 million (December 28, 2025: $0.6 million).

12. SHARE CAPITAL

	June 28, 2026	December 28, 2025
Authorized - Unlimited		
Issued - 119,142,102 Common Shares (December 28, 2025: 119,092,658)	$ 1,242,657	$ 1,242,000

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

Shares	Number (000s)	Net Book Value
Balance - December 28, 2025	119,093	$ 1,242,000
Stock options exercised	19	223
Director Restricted Share Units ("Director RSU") exercised	30	434
Balance - June 28, 2026	119,142	$ 1,242,657

13. EARNINGS (LOSS) PER SHARE

	2026 Q2	**2025 Q2**	**2026 Q2 YTD**	**2025 Q2 YTD**
Net earnings (loss) attributable to equity holders	$ 17,394	$ (160,774)	$ 28,906	$ (167,260)
Weighted average number of Shares in issue	119,123,977	119,064,892	119,112,257	119,054,241
Weighted average number of Shares for diluted earnings per Share	119,614,447	119,064,892	119,496,647	119,054,241
Net earnings (loss) per Share (basic)	$ 0.1460	$ (1.3503)	$ 0.2427	$ (1.4049)
Net earnings (loss) per Share (diluted)	$ 0.1454	$ (1.3503)	$ 0.2419	$ (1.4049)

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

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

14. DISAGGREGATION OF REVENUE

(in thousands of U.S. dollars except per share figures)

The Company's revenue by geography is summarized below:

	2026 Q2	2025 Q2	2026 Q2 YTD	2025 Q2 YTD
North America	$ 909,818	$ 723,826	$ 1,663,119	$ 1,433,566
UK and Europe	106,578	133,830	187,397	256,569
Asia Pacific	13,111	10,513	20,969	19,454
Total	$ 1,029,507	$ 868,169	$ 1,871,485	$ 1,709,589

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

	2026 Q2	2025 Q2	2026 Q2 YTD	2025 Q2 YTD
Transit buses	$ 704,438	$ 567,812	$ 1,242,302	$ 1,118,168
Motorcoaches	110,506	100,088	213,727	197,282
Medium-duty and cutaway buses	28,401	27,457	57,209	51,029
Pre-owned motorcoach	3,544	5,296	7,040	9,009
Infrastructure solutions™	2,085	8,255	7,034	19,188
Fiberglass reinforced polymer components	4,368	3,546	7,439	6,646
Manufacturing revenue (note 19)	$ 853,342	$ 712,454	$ 1,534,751	$ 1,401,322

15. INTEREST AND FINANCE COSTS

	2026 Q2	2025 Q2	2026 Q2 YTD	2025 Q2 YTD
Interest on long-term debt and second lien debt	$ 18,892	$ 21,642	$ 38,643	$ 43,892
Interest on convertible debt	3,056	3,056	6,179	6,135
Interest on senior unsecured debt	-	215	-	989
Accretion in carrying value of long-term debt and second lien debt	903	1,783	1,788	4,802
Accretion in carrying value of convertible debt	2,141	2,127	4,398	4,222
Accretion in carrying value of senior unsecured debt	72	73	145	146
Interest on lease liability	2,841	2,306	5,369	5,038
Other interest and bank charges	2,950	6,302	7,762	10,239
Fair value gain on prepayment option of 2023 second lien debt	-	(15,951)	-	(13,653)
Fair market value gain on interest rate swap	(42)	(342)	(413)	(510)
Fair market value (gain) loss on optional redemption of 2025 second lien debt	(1,160)	1,660	6,450	1,660
Fair market value loss on cash conversion option	4,810	2,852	5,527	1,118
	$ 34,463	$ 25,723	$ 75,848	$ 64,078

16. INCOME TAX EXPENSE

The income tax expense for 2026 Q2 was $21.7 million compared to an expense of $10.9 million in 2025 Q2. The income tax expense for 2026 Q2 YTD was $30.3 million compared to an expense of $11.4 million in 2025 Q2 YTD. The increase in income tax expense QTD and YTD were primarily due to the increase in earnings before income tax and a write-off of excess foreign tax credits offset by a much smaller charge for deferred tax assets not recognized.

The Effective Tax Rate ("ETR") for 2026 Q2 was 55.6% and the ETR for 2025 Q2 was (7.3%). The ETR for 2026 Q2 YTD was 51.2% and the ETR for 2025 Q2 YTD was (7.3%). The ETR for both 2026 Q2 and 2026 Q2 YTD were detrimentally impacted by excess unapplied U.S. foreign tax credits written off in the period.

Income tax expense recognized in the unaudited interim condensed consolidated statement of net earnings (loss) and total comprehensive earnings (loss) as at June 28, 2026 includes an immaterial recovery related to BEPS Pillar Two (“Pillar Two”) income taxes.

17. SUPPLEMENTAL CASH FLOW INFORMATION

(in thousands of U.S. dollars except per share figures)

	2026 Q2	2025 Q2	2026 Q2 YTD	2025 Q2 YTD
Accounts receivable	$ 44,558	$ (9,876)	$ 73,958	$ (100,571)
Other current asset	(6,740)	(7,319)	50,083	(382)
Income tax receivable	15,501	14,512	21,501	2,727
Inventories	(24,844)	(30,077)	(143,811)	30,336
Prepaid expenses and deposits	1,768	(830)	4,327	(475)
Accounts payable and accrued liabilities	104,356	(27,343)	55,696	(22,786)
Income tax payable	(16,845)	(14,818)	(23,921)	(3,867)
Deferred revenue	5,220	18,048	18,593	39,050
Provisions	7,827	4,880	8,506	18,473
Other	2,415	8,605	457	17,025
Change in non-cash working capital items	$ 133,216	$ (44,218)	$ 65,389	$ (20,470)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value measurement of financial instruments

The Company has made the following classifications:

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

(b) Fair value measurement of financial instruments

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

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

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

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

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

(in thousands of U.S. dollars except per share figures)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	June 28, 2026		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value through profit and loss			
Cash	Level 1	$ 117,970	$ 117,970
Restricted deposit(s) (note 6)	Level 1	53,290	53,290
		$ 171,260	$ 171,260
Foreign exchange forward contracts	Level 2	2,245	2,245
Total Return Swap	Level 2	4,846	4,846
Interest Rate Swap	Level 2	2	2
Derivative financial instrument assets – current		$ 7,093	$ 7,093
Optional redemption (note 11)	Level 2	12,180	12,180
Derivative financial instrument assets – long term		$ 12,180	$ 12,180
Financial liabilities recorded at fair value through profit and loss			
Cash Conversion Option (note 11)	Level 2	5,982	5,982
Derivative financial instrument liabilities - long term		$ 5,982	$ 5,982

	December 28, 2025		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value through profit and loss			
Cash	Level 1	$ 118,548	$ 118,548
Restricted deposit(s) (note 6)	Level 1	53,144	53,144
		$ 171,692	$ 171,692
Optional redemption (note 11)	Level 2	18,630	18,630
Derivative financial instrument assets – long term		$ 18,630	$ 18,630
Financial liabilities recorded at fair value through profit and loss			
Foreign exchange forward contracts	Level 2	1,209	1,209
Interest Rate Swap	Level 2	411	411
Derivative financial instrument liabilities - current		$ 1,620	$ 1,620
Cash Conversion Option (note 11)	Level 2	649	649
Derivative financial instrument liabilities - long term		$ 649	$ 649

(in thousands of U.S. dollars except per share figures)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Risk Management

Foreign currency risk

At June 28, 2026, the Company had $109.8 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from July 2026 to December 2026. The related asset of $2.2 million (December 28, 2025: liability of $1.2 million) is recorded on the unaudited interim condensed consolidated statements of financial position as a current derivative financial instrument asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net earnings (loss) and the total comprehensive earnings (loss) within “foreign exchange loss”.

Market risk

The Company entered into a total return swap contract to hedge the exposure associated with changes in value of its Shares with respect to outstanding cash-settled share-based compensation awards such as restricted share units (“RSUs”), performance share units (“PSUs”), and non-employee directors’ deferred share units (“DSUs”). The Company applies hedge accounting to the total return swaps that are intended to hedge the exposure related to the change in share price associated with RSUs, PSUs, and DSUs.

As at June 28, 2026, the Company hedged a total of 1,521,770 Shares with a nominal amount of C$29,596,822. The total return swap contract had a fair value asset of $4.8 million that is recorded on the unaudited interim condensed consolidated statements of financial position as a current derivative financial instrument asset. Due to the differences in notional amount of the total return swap contract and the number of outstanding cash-settled share-based compensation awards, this resulted in a hedge ineffectiveness gain of $1.0 million recorded in the unaudited interim condensed consolidated statements of net earnings (loss) and the total comprehensive earnings (loss) within “sales, general and administration costs and other operating expenses”.

(d) Liquidity risk

The Company's principal sources of funds are cash generated from its operating activities, share and other issuances and borrowing capacity remaining on its First Lien Facility.

The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At June 28, 2026, the Company had a cash balance of $118.0 million (December 28, 2025: $118.5 million), $196.3 million (December 28, 2025: $267.2 million) drawn under the First Lien Facility, and $101.7 million of outstanding letters of credit (December 28, 2025: $105.5 million). The liquidity position as at June 28, 2026 is $520.0 million (December 28, 2025: $445.8 million).

Compliance with financial covenants under the First Lien Facility is reported quarterly to the Board. Other than the requirements imposed by letters of credit collateral (note 6) and borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise. As at June 28, 2026, the Company was in compliance with all covenant requirements.

Under the terms of the First Lien Facility, the Company cannot declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with First Lien Facility covenants.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liabilities and committed leases as at June 28, 2026:

	Total	2026	2027	2028	2029	2030	Post 2030
Leases	$ 218,948	$ 21,261	$ 30,283	$ 20,546	$ 16,970	$ 14,153	$ 115,735
Accrued benefit liability	2,721	2,721	-	-	-	-	-
	$ 221,669	$ 23,982	$ 30,283	$ 20,546	$ 16,970	$ 14,153	$ 115,735

(in thousands of U.S. dollars except per share figures)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Credit risk

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

		June 28, 2026		December 28, 2025
Current, including holdbacks	$	601,862	$	681,937
Past due amounts but not impaired				
1 - 60 days		34,812		28,087
Greater than 60 days		17,166		15,088
Less: Allowance for doubtful accounts		(6,000)		(3,314)
Total accounts receivables, net	$	647,840	$	721,798

As at June 28, 2026, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

(f) Capital management

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

19. SEGMENT INFORMATION

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

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

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

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

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

(in thousands of U.S. dollars except per share figures)

19. SEGMENT INFORMATION (Continued)

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

	2026 Q2			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 853,342	$ 176,165	$ -	$ 1,029,507
Operating costs and expenses	813,098	139,843	37,429	990,370
Earnings (loss) before income tax expense	40,244	36,322	(37,429)	39,137
Total assets	2,301,550	661,362	347,894	3,310,806
Addition of capital expenditures	6,038	690	-	6,728
Addition of intangible assets	2,481	-	-	2,481
Indefinite-life intangible assets	223,834	18,812	-	242,646
Goodwill	214,208	190,972	-	405,180

	2026 Q2 YTD			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 1,534,751	$ 336,734	$ -	$ 1,871,485
Operating costs and expenses	1,452,199	272,900	87,178	1,812,277
Earnings (loss) before income tax expense	82,552	63,834	(87,178)	59,208
Total assets	2,301,550	661,362	347,894	3,310,806
Addition of capital expenditures	17,435	780	-	18,215
Addition of intangible assets	8,730	-	-	8,730
Impairment loss on goodwill and intangible assets	129	-	-	129
Indefinite-life intangible assets	223,834	18,812	-	242,646
Goodwill	214,208	190,972	-	405,180

	2025 Q2			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 712,454	$ 155,715	-	$ 868,169
Operating costs and expenses	790,439	132,188	95,371	1,017,998
(Loss) earnings before income tax expense	(77,985)	23,527	(95,371)	(149,829)
Total assets	2,120,418	543,538	296,343	2,960,299
Addition of capital expenditures	6,970	664	-	7,634
Addition of intangible assets	2,530	-	-	2,530
Impairment loss on property, plant, and equipment	4,333	-	-	4,333
Impairment loss on goodwill and intangible assets	92,481	-	-	92,481
Indefinite-life intangible assets	248,690	19,041	-	267,731
Goodwill	214,461	192,192	-	406,653

(in thousands of U.S. dollars except per share figures)

19. SEGMENT INFORMATION (Continued)

	2025 Q2 YTD			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 1,401,322	$ 308,267	-	$ 1,709,589
Operating costs and expenses	1,471,580	258,001	135,843	1,865,424
(Loss) earnings before income tax expense	(70,258)	50,266	(135,843)	(155,835)
Total assets	2,120,418	543,538	296,343	2,960,299
Addition of capital expenditures	12,869	664	-	13,533
Addition of intangible assets	4,734	-	-	4,734
Impairment loss on property, plant, and equipment	4,333	-	-	4,333
Impairment loss on goodwill and intangible assets	92,481	-	-	92,481
Indefinite-life intangible assets	248,690	19,041	-	267,731
Goodwill	214,461	192,192	-	406,653

20. COMMITMENTS AND CONTINGENCIES

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

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

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at June 28, 2026 range from July 2026 to March 2029.

At June 28, 2026, outstanding surety bonds guaranteed by the Company totaled $315.8 million (December 28, 2025: $315.1 million). The Company has not recorded any liability under these guarantees, as management believes that no material events of default exist under any contracts with customers.

(c) The EDC Guarantee Facility in the amount of $190 million consists of the PSG up to $135 million and the Surety Reinsurance Support up to $55 million.

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

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

As at June 28, 2026, there was $68.3 million (December 28, 2025: $132.1 million) outstanding under the Guarantee Facility.

As at June 28, 2026, 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.

20. COMMITMENTS AND CONTINGENCIES (Continued)

(d) In Fiscal 2025, the Company announced a battery recall for buses and coaches equipped with certain battery modules from a supplier, XALT. The amounts accrued and disclosed in note 10 reflect management's best estimate of the potential costs and adjustments may be made as changes in the cost estimates become known.

In December 2025, the Company entered into the battery settlement with XALT regarding the battery recall costs for buses and coaches equipped with certain battery modules. The Company has received cash payment of $100.0 million, inventory of $48.0 million, intellectual property of $8.0 million, and escrow payment of $10.0 million.

As of June 28, 2026, escrow payments of $7.9 million remain outstanding as disclosed in note 6.

21. SUBSEQUENT EVENTS

On July 14, 2026, the Company amended and extended its existing First Lien Facility with improvements to pricing, increases in certain permitted debt baskets and extending the maturity date to July 14, 2030, with an uncommitted option to further extend the maturity date.

On July 21, 2026, the Company completed a private placement offering of senior unsecured notes with an aggregate principal of C$350 million due July 21, 2033. The senior unsecured notes have an interest rate of 6.625% per annum, payable semi-annually in arrears on January 21 and July 21, commencing January 21, 2027. The net proceeds of the private placement offering received on July 21, 2026 were used to repay a portion of the amounts outstanding under the First Lien Facility, and to repay in full all outstanding borrowings under the MDC Facility, which resulted in the termination of the MDC facility. The Company intends to re-draw amounts under the First Lien Facility in January 2027 in order to repay the outstanding aggregate principal amount of the Convertible Debentures, which is currently C$338 million.