



Financial Results Fiscal 2025

March 11, 2026

Notes to readers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 52-WEEKS ENDED December 28, 2025

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. and its subsidiaries (collectively referred to as "NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's audited consolidated financial statements (including notes) (the "Financial Statements") for the 52-week period ended December 28, 2025 and has been prepared as of March 11, 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 2025 and Fiscal 2024 are as follows:

Period from December 30, 2024 to December 28, 2025 ("Fiscal 2025")				Period from January 1, 2024 to December 29, 2024 ("Fiscal 2024")			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	March 30, 2025 ("2025 Q1")		13	Quarter 1	March 31, 2024 ("2024 Q1")		13
Quarter 2	June 29, 2025 ("2025 Q2")		13	Quarter 2	June 30, 2024 ("2024 Q2")		13
Quarter 3	September 28, 2025 ("2025 Q3")		13	Quarter 3	September 29, 2024 ("2024 Q3")		13
Quarter 4	December 28, 2025 ("2025 Q4")		13	Quarter 4	December 29, 2024 ("2024 Q4")		13
Fiscal year	December 28, 2025		52	Fiscal year	December 29, 2024		52

Specific references and definitions are used throughout this MD&A that are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies. Non-IFRS measures in this MD&A have been denoted with an "NG". Please see the "Non-IFRS and Other Financial Measures" section. References to LTM mean last-twelve months ("LTM"). References to North America mean the United States 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/coach manufacturing operations and medium-duty/cutaway manufacturing operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution and regulatory environment.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for Transit, Motorcoach and Medium-Duty and Cutaway buses, both for the Company's and third-party products.

Single and double deck buses manufactured by New Flyer and Alexander Dennis Limited ("Alexander Dennis" or "AD") are classified as "transit buses". ARBOC Specialty Vehicles, LLC manufactures body on-chassis or low floor "cutaway" and monocoque "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, heavy-duty transit buses, medium-duty buses and cutaways, are referred to as "buses". A "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, motor coaches, pre-owned coaches, cutaway and medium-duty buses.

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

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



Institute



MCI Academy
Training for Advancing Technology



Learning Institute

Infrastructure Solutions



Financing



Buses + Coaches



Connected Vehicles + Diagnostics



Parts, Publications + Service



nfi.parts

Dear NFI Stakeholders,

In 2025, NFI achieved record financial performance driven by the conversion of our backlog^{NG}, positive sales mix, and strong contributions from the aftermarket segment. These results were achieved despite a challenging operating environment, underscoring the discipline, resilience and commitment of our team across NFI. Throughout the year, our people continued to live our purpose: To Move People.

During the year the Company achieved several major milestones that strengthened both our financial position and our strategic plan. These milestones included the successful issuance of \$600 million of second lien notes in the U.S. market. This transaction significantly enhanced liquidity, strengthened our balance sheet, lowered interest costs, and advanced progress toward our total leverage ratio target of 1.5x to 2.5x. Our focus on longer-term growth was also on display as we launched a new facility in Las Vegas to restart double deck bus production for the North American market, opened our All Canadian Build facility in Winnipeg, secured over 5,000 EUs in new orders, and completed the strategic acquisition of a challenged seat supplier through a joint venture structure.

We achieved significant improvements to operational performance. The disciplined efforts of our team drove a 28.2% increase in year-over-year manufacturing revenue, improvements in weekly vehicle line entry rates in North America, and higher margins per delivered unit, despite the persistence of certain supply chain challenges and a softer market in the UK.

The Aftermarket business continued to be a strong contributor to overall group performance, while supporting over 100,000 vehicles in service. The segment delivered \$153.4 million of revenue, \$32.4 million of Adjusted EBITDA^{NG} and \$27.3 million of net earnings. The Aftermarket team remains laser focused on keeping our customers' vehicles operating as service levels and ridership numbers remain on an upward trend.

This past year also marked an important leadership transition for NFI. I assumed the role of Chair in April 2025, and John Sapp stepped into the position of President and CEO, succeeding Paul Soubry following 17 years of service.

We extend our sincere gratitude to Paul for his 17 years of dedicated service and exceptional leadership. Under his guidance, NFI strengthened its position as a global market leader, expanded its manufacturing capabilities, advanced innovation across its product portfolio, and built a resilient organization capable of navigating complex industry cycles. His steady leadership positioned the Company for continued long-term success. With a multi-year backlog^{NG} valued at \$13 billion and a strategic plan for growth and financial performance, we remain extremely well positioned following this transition.

As we look to the year ahead, several areas remain top priorities, including:

- Operational execution to deliver on our backlog
- Enhancing the customer experience across all business lines with a focus on product quality
- Disciplined cost management while continuing to invest in innovation and long-term growth
- Continued progression in reducing leverage towards our targeted range

We expect to see continued improvement in our financial performance with growth in deliveries, revenue, Adjusted EBITDA^{NG}, net earnings, and cash flow generation anticipated for 2026, despite the complexity of global trade dynamics, North American tariffs, and evolving government funding programs.

On behalf of the entire Board, I extend our sincere appreciation to all NFI employees, including the leadership team, for their commitment, perseverance, and contributions to the Company's success. The Board would also like to thank Vice Chair and Lead Independent Director, Larry Edwards, who will be retiring from the Board in May 2026 at the Annual & Special General Meeting of Shareholders (the "Shareholders' Meeting"). Larry has been an integral member of our Board for 18 years. His expertise, dedication, and leadership have been invaluable, and we thank him for his many contributions. We wish him all the best in his well-deserved retirement.

We also would like to thank retiring director, Kathy Winter for her seven years of board service and wish her well for the future.

At the Shareholder's Meeting in May, John Scannell and Daniel Barclay will stand for nomination as new independent Director's on NFI's Board. We look forward to benefitting from their new skills and experience in due course.

We remain proud of our history, confident in our strategy, and excited about our future. NFI is an industry leader with a direct impact on the communities in which we operate and serve, enabling the safe movement of millions every day.

Thank you for your continued support.

Colin Robertson, Chair, Board of Directors, NFI Group Inc. & John Sapp, President & Chief Executive Officer, NFI Group Inc.



NFI delivered record performance in 2025 advanced our innovation journey and strengthened our backlog



We expanded our manufacturing footprint and achieved several major milestones



All while giving back to our communities

Proud to be one of
Manitoba's Top Employers

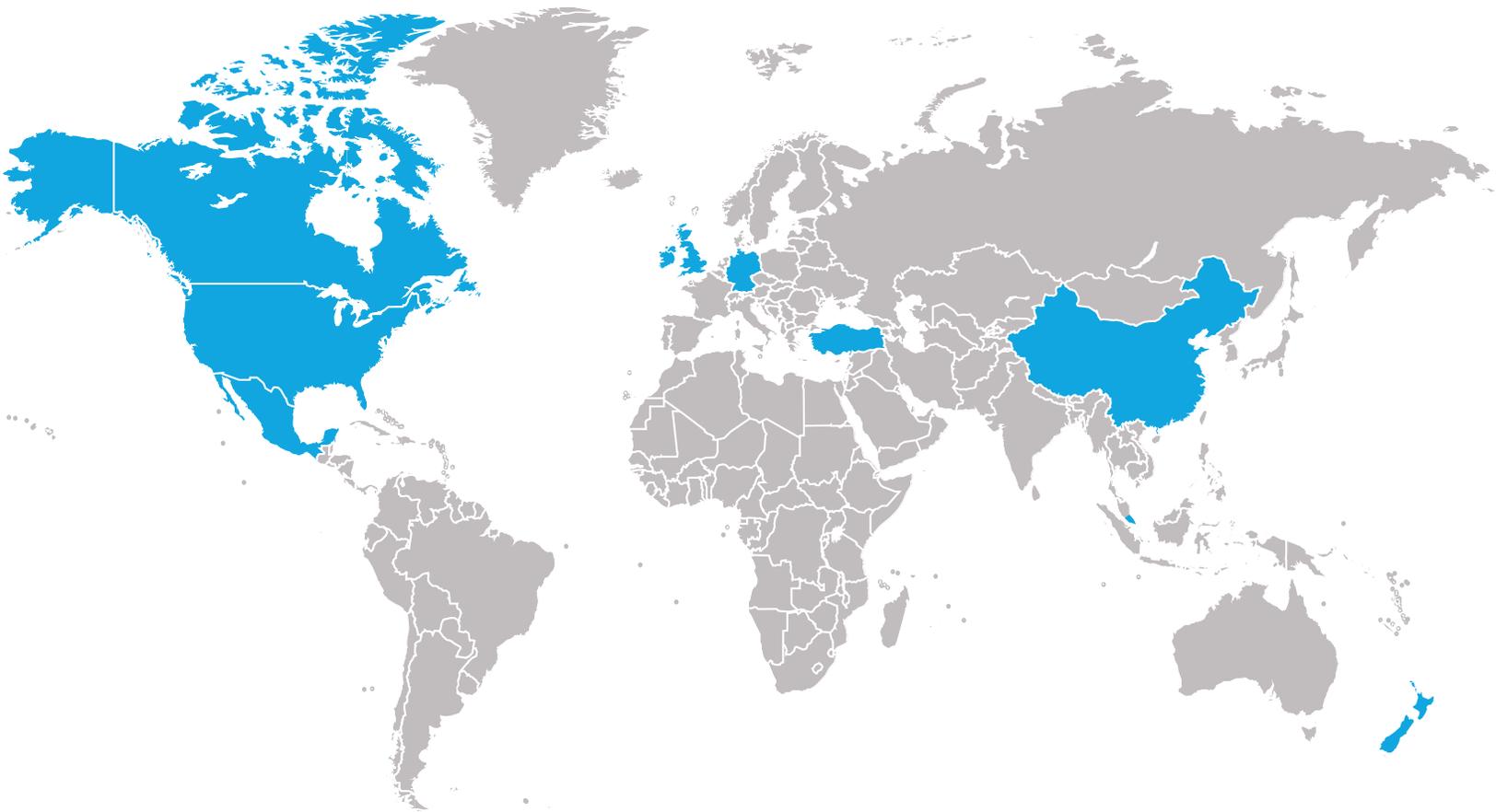
Our values:
Safety • Quality • Integrity • Accountability • Teamwork • Sustainability



We advanced leadership succession with a focus on business continuity and fresh perspectives



Global Presence with Propulsion-Agnostic Mobility Solutions



Map represents facility locations

60+

Models (battery electric, hydrogen, hybrid, CNG, and diesel)

9,000+

Team Members Globally

\$13.0B

Value of total firm (\$5.1B) and option (\$7.9B) backlog^{NG}

13

Countries with an NFI vehicle in service

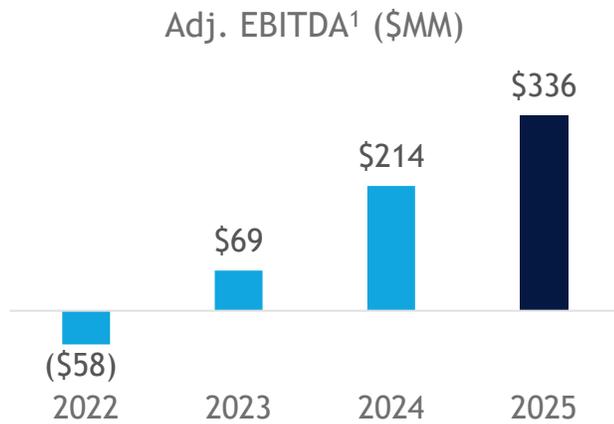
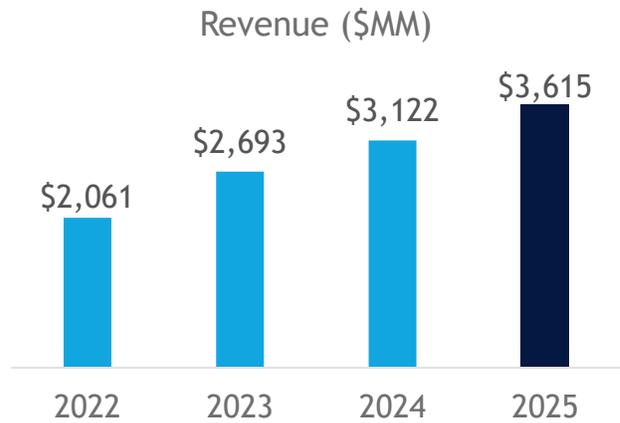
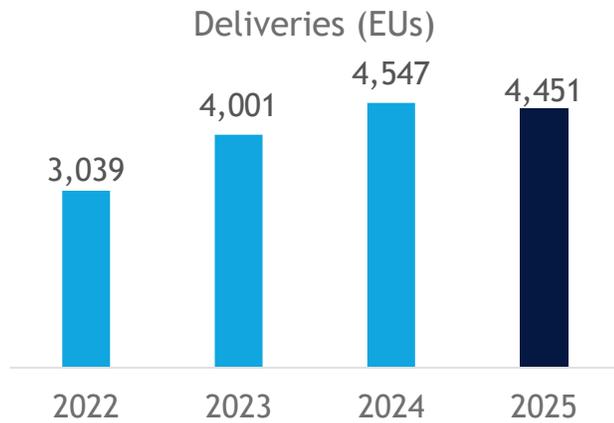
325M+

Electric Service Miles Driven

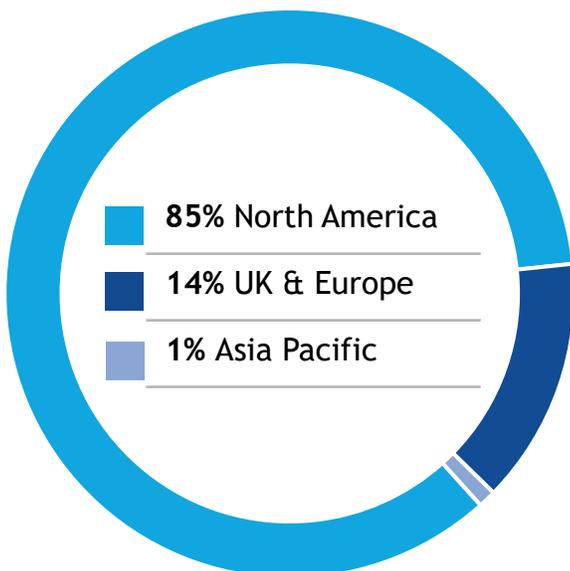
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Facilities Across the Group

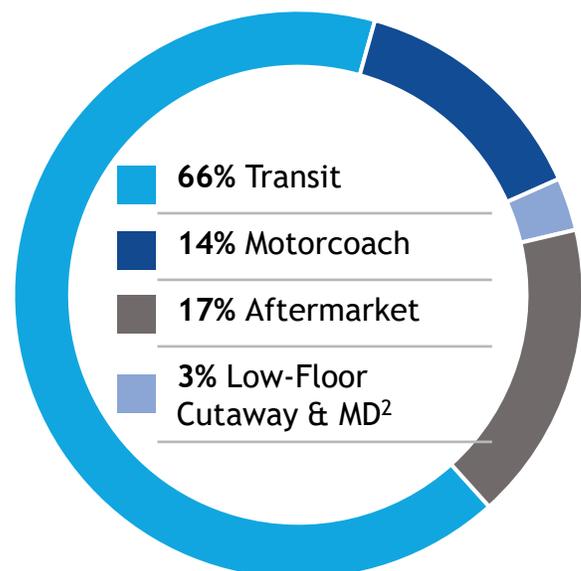
Record Financial Performance in 2025



2025 Revenue by Geography



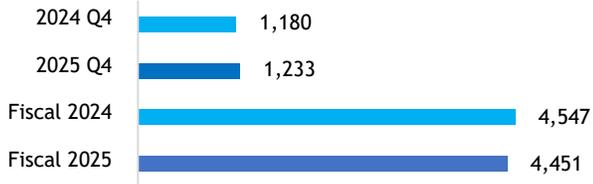
2025 Revenue by Product



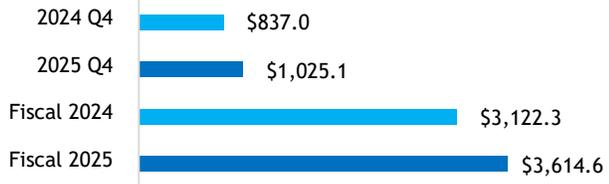
1. Represents a non-IFRS measure, which is not a defined term under IFRS, does not have a standard meaning, and may not be a reliable way to compare NFI to other companies. See non-IFRS and Other Financial Measures section.
2. Represents Low-Floor and Medium-duty vehicles

Key Performance Indicators

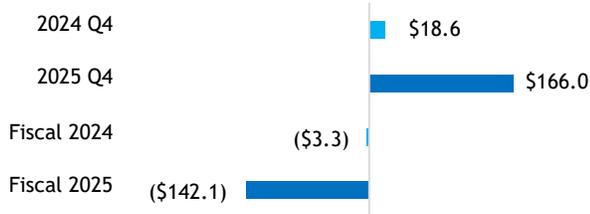
Deliveries (EUs)



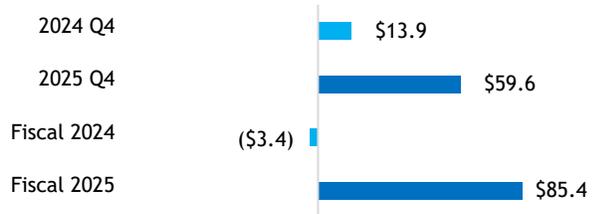
Revenue (\$ millions)



Net Earnings (Loss) (\$ millions)



Adjusted Net Earnings (Loss)^{NG} (\$ millions)



Adjusted EBITDA^{NG} (\$ millions)



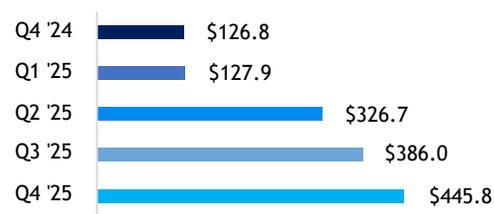
Net cash generated by operating activities (\$ millions)



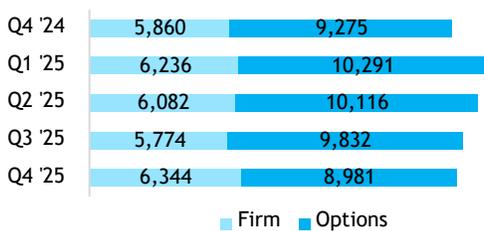
Working Capital Days^{NG}



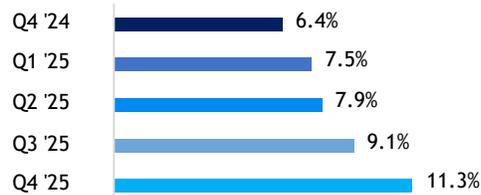
Liquidity^{NG} (\$ millions)



Backlog^{NG} (EUs)



ROIC^{NG}



2025 Q4 Highlights

During the fourth quarter of 2025, NFI achieved year-over-year improvement in various key operational and financial metrics, including deliveries, revenue, net earnings, net cash from operating activities, Free Cash Flow^{NG}, Liquidity^{NG}, Adjusted Net Earnings^{NG} and Adjusted EBITDA^{NG}. The Company saw significant improvement in its manufacturing segment revenue and per EU profitability, plus it ended with a backlog^{NG} worth over \$13 billion. The quarter was positively impacted by the previously announced Master Settlement Agreement with a battery supplier (“Battery Settlement”), that impacted various financial metrics, discussed in the relevant sections of this MD&A. The financial impacts of the Battery Settlement have been removed from Adjusted EBITDA^{NG} and Adjusted Net Earnings^{NG}.

Fourth Quarter Highlights

- **Deliveries:** 1,233 equivalent units (“EUs”), with 27.4% being battery- and fuel cell-electric buses (“ZEBs”)
- **Revenue:** \$1,025.1 million, an increase of 22.5% year-over-year
- **Gross Margin:** \$174.4 million, an increase of 89.0% year-over-year, positively impacted by higher margin units being delivered from backlog^{NG}
- **Net Earnings:** \$166.0 million, an increase of \$147.5 million year-over-year
- **Adjusted Net Earnings^{NG}:** \$59.6 million and Adjusted Net Earnings^{NG} per Share of \$0.50, an improvement of 328.8% year-over-year
- **Net cash generated by operating activities:** \$118.6 million, positively impacted by the Battery Settlement, lower cash interest paid, somewhat offset by cash invested in working capital
- **Adjusted EBITDA^{NG}:** \$121.3 million, an increase of 78.7% year-over-year
- **Backlog^{NG}:** Approximately \$13.0 billion (6,344 EUs firm and 8,981 EUs options), up 1.3% year-over-year; ZEBs represent 34.1% of total backlog^{NG} EUs
- **ROIC^{NG}:** increased to 11.3%, up from 6.4% in 2024 Q4
- **Liquidity^{NG}:** \$445.8 million, an increase of \$319.0 million from 2024 Q4, positively impacted from the Battery Settlement

Outlined below are several key events that occurred during the fourth quarter that impacted NFI’s quarterly financial results. Full details are provided in the reconciliation tables starting on page 25.

2025 North American Battery Recall & Settlement

Before year-end, NFI announced that it had signed the Battery Settlement regarding costs related to a recall on Generation 3 batteries on certain electric buses and coaches, and estimated future costs associated with supporting other battery electric buses (collectively the “Battery Recall”) described in NFI’s third quarter earnings release on November 6, 2025. A breakdown of the impacts on income statement and balance sheet line items is below.

\$MM	2025 Q3	2025 Q4	FY 2025
Income Statement			
Battery Recall (COGS)	\$229.9	\$ -	\$229.9
Battery Recall (Other Income)	\$-	\$166.0	\$166.0
Net Earnings (Loss)	(\$229.9)	\$166.0	(\$63.9)
Balance Sheet			
Battery Recall (Liabilities)	\$229.9	\$ -	\$229.9
Battery Settlement (Assets)	\$ -	\$166.0	\$166.0
Shareholder’s Equity	(\$229.9)	\$166.0	(\$63.9)

As a result of the battery settlement, the Company recognized in its consolidated statements of financial position the cash payment of \$100 million, assets acquired at \$56.0 million and escrow payment of \$10.0 million. See notes to the consolidated statements for further information.

NFI expects that cash outflows directly related to the replacement of batteries under the recall will be incurred over 18 to 24 months commencing in Q2 2026, with 35% to 45% of the cash expenses (approximately \$70 to \$90 million) in 2026 and the remainder in 2027. All of the 2026 cash expenses and a portion of the 2027 outflows will be fully funded by cash proceeds of the Battery Settlement.

CEO Transition

In late December, NFI announced that Paul Soubry, NFI's President and Chief Executive Officer, was retiring on January 1, 2026, after 17 years of service with NFI. The Board of Directors (the "Board") appointed John Sapp to the role of President and Chief Executive Officer to succeed Mr. Soubry. John will be based out of NFI's Winnipeg, Manitoba headquarters. John joins NFI from intelligent power management company Eaton Corporation, where he served as President of Eaton's Aerospace division since 2023, leading a global team of over 12,000 employees that delivered record revenue and operating profits in 2025. He previously held roles at Collins and GE Aviation.

North American Transit Seat Supply

On October 22nd, NFI acquired the assets of American Seating Co. in a 50/50 joint venture with GILLIG through an entity called GR Seating, LLC. NFI's joint venture ownership position is reported on the balance sheet as an asset "Investment accounted for using equity method." NFI recorded its share of American Seating's net loss of \$3.8 million net of tax in the fourth quarter. This amount included operating losses for the period from NFI's ownership to the end of the fiscal year. In addition this included transaction expenses associated with the acquisition which elevated the loss for the period.

Market Demand

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

- On an LTM basis, NFI reported new orders of 5,051 reflecting continued demand within NFI's markets.
- Forward demand metrics remained strong in 2025 Q4 with 4,119 EUs in Bids Submitted to customers, 3,001 EUs in Bids in Process, and 25,004 EUs in the Company's forecasted five-year North American industry procurement.
- NFI's backlog^{NG}, with a combined value of just over \$13.0 billion, is up 1.9% year-over-year.
- The Company also had 757 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 2025 Q4. The combination of pending awards and active bids is expected to position NFI for new additions to its backlog^{NG}

In late January, New Flyer announced an additional order from New Jersey Transit for 375 Xcelsior® 40-foot, clean-diesel transit buses. This order is part of a larger, previously announced multi-phase fleet replacement program, with orders placed (and recorded in NFI's backlog) in the third and fourth quarters of 2025.

In early February, New Flyer announced that the Regional Transportation Commission of Southern Nevada is exercising options for 19 sixty-foot and 31 forty-foot Xcelsior® compressed natural gas (CNG) buses. This order was included in NFI's fourth quarter 2025 firm backlog.

In mid-February, New Flyer announced that Washington Metropolitan Area Transit Authority has exercised options for 75 Xcelsior® hybrid-electric forty-foot transit buses and 25 Xcelsior CHARGE NG™ battery-electric forty-foot transit buses. The options are being exercised from New Flyer's robust Q4 backlog.

Other Events in the Quarter

In late December, NFI announced that its Board had approved an amendment to its existing Investment Agreement entered into in May 2023 with Coliseum Capital Management, LLC. Under the terms of the Amended Agreement, Coliseum has the flexibility to increase its total ownership up to a maximum of 25% of NFI's issued and outstanding common shares (up from 20% previously). This flexibility will end no later than December 31, 2026, after which additional purchases by Coliseum above the 20% threshold will again require Board approval. NFI is not selling any new shares and will not receive any proceeds should Coliseum increase its investment due to these shares being purchased in the open market.

Financial Results

NFI's fourth quarter of 2025 and fiscal year saw record financial results, with the highest revenue and Adjusted EBITDA^{NG} in the Company's history. During the quarter, Transit operations in North America benefited from the Battery Settlement, as the cash and assets received enhanced gross profits and working capital. The Company also benefitted from favourable sales mix as it executed on its improved backlog.

The Aftermarket segment delivered a strong performance in the fourth quarter, while sales mix and tariffs negatively impacted quarterly margins during Fiscal 2025 results.

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

Deliveries (EUs)						
	2025 Q4	2024 Q4	% Change	Fiscal 2025	Fiscal 2024	% Change
Transit Bus	782	835	(6.3 %)	3,020	3,258	(7.3 %)
Motorcoach	266	180	47.8 %	670	667	0.4 %
Medium-Duty and Low-Floor Cutaway	185	165	12.1 %	761	622	22.3 %
New vehicle deliveries	1,233	1,180	4.5 %	4,451	4,547	(2.1 %)
Pre-owned coach	33	29	13.8 %	104	154	(32.5 %)
Zero-emission deliveries (included in the above totals)	338	308	9.7 %	1,326	1,036	28.0 %
Zero-emission deliveries as a percentage of total new vehicle deliveries	27.4 %	26.1 %	5.0 %	29.8 %	22.8 %	30.8 %

Revenue (\$ millions)						
	2025 Q4	2024 Q4	% Change	Fiscal 2025	Fiscal 2024	% Change
Transit Bus	640.3	513.9	24.6 %	2,321.8	1,928.5	20.4 %
Motorcoach	187.4	122.9	52.5 %	491.6	432.7	13.6 %
Medium-Duty and Low-Floor Cutaway	28.0	21.7	28.9 %	109.8	77.3	42.0 %
Total New Vehicle Revenue	855.6	658.5	29.9 %	2,923.2	2,438.5	19.9 %
Pre-owned coach	4.6	8.4	(44.4 %)	19.0	15.9	19.2 %
Infrastructure Solutions™	10.1	11.6	(12.9 %)	42.3	26.2	61.4 %
Fiberglass reinforced polymer components	1.3	1.6	(13.4 %)	11.3	10.3	10.5 %
Manufacturing Revenue	871.7	679.9	28.2 %	2,995.8	2,490.9	20.3 %
Aftermarket	153.4	157.1	(2.3 %)	618.8	631.4	(2.0 %)
Total Revenue	1,025.1	837.0	22.5 %	3,614.6	3,122.3	15.8 %
North America	899.3	625.2	43.8 %	3,077.5	2,452.7	25.5 %
United Kingdom and Europe	113.7	193.9	(41.3 %)	496.4	626.9	(20.8 %)
Asia Pacific	12.1	17.9	(32.5 %)	40.7	42.7	(4.7 %)

In 2025 Q4, Manufacturing deliveries increased by a total of 53 EUs, or 4.5 % from 2024 Q4. Transit deliveries decreased from 835 EUs to 782 EUs in 2025 Q4, a decrease of 53 EUs from 2024 Q4. Fiscal 2025 Transit deliveries decreased to 3,020 EUs from 3,258 EUs for Fiscal 2024, a decrease of 238 EUs. Fiscal 2025 Transit deliveries were impacted by the continuing seating supply challenges, the Battery Recall in North America, and lower UK volumes. Motorcoach deliveries increased from 180 EUs in 2024 Q4 to 266 EUs in 2025 Q4, an increase of 86 EUs, and the highest Motorcoach deliveries in an individual quarter since 2019 Q4. Fiscal 2025 Motorcoach deliveries increased to 670 EUs from 667

EUs, an increase of 3 EUs. Medium-Duty and Cutaway deliveries increased to 185 EUs in 2025 Q4 from 165 EUs in 2024 Q4, an increase of 20 EUs. Medium-Duty and Cutaway deliveries increased to 761 EUs in Fiscal 2025 from 622 EUs in Fiscal 2024, an increase of 139 EUs, setting the highest annual deliveries for Medium-Duty and Cutaway in the Company's history.

Overall, zero-emission bus and coach deliveries for 2025 Q4 increased by 9.7 % from 2024 Q4. ZEBs as a percentage of total new vehicle deliveries increased to 27.4 % in 2025 Q4 from 26.1 % in 2024 Q4. Fiscal 2025 ZEB deliveries reached a new record at 1,326 EUs compared to the previous company record of 1,036 EUs in Fiscal 2024. ZEBs as a percentage of total new vehicle deliveries for Fiscal 2025 was 29.8 %. Transit is the primary driver of ZEB deliveries with fewer electric propulsion Motorcoach deliveries and no ZEB Medium-Duty and Cutaway deliveries.

Manufacturing revenue for 2025 Q4 increased by \$191.8 million, or 28.2 %, compared to 2024 Q4. This increase was due to the favourable product mix in Transit, and increased deliveries for both Motorcoach, and Medium-Duty and Cutaway. Fiscal 2025 manufacturing revenue increased by \$504.9 million, or 20.3 %. This increase was due to the same factors that impacted quarterly results and the higher average sales price for Motorcoach, offset by lower UK Transit deliveries.

Quarterly revenue of the Company's Infrastructure Solutions™ division was \$10.1 million for 2025 Q4, a decrease of \$1.5 million from 2024 Q4. The decrease is primarily due to the timing of delivery and completion of open contracts.

Aftermarket revenue for 2025 Q4 decreased by \$3.7 million, or 2.3 %, compared to 2024 Q4. The decrease was mainly related to unfavourable sales mix and lower program revenues.

Net Earnings (Loss) (\$ millions, except per share amounts)	2025 Q4	2024 Q4	% Change	Fiscal 2025	Fiscal 2024	% Change
Manufacturing	177.2	15.8	N.M.	(36.4)	4.0	N.M.
Aftermarket	27.3	27.2	0.5 %	100.6	119.6	(15.9 %)
Corporate	(38.5)	(24.4)	(57.8 %)	(206.3)	(126.9)	(62.6 %)
Net earnings (loss)	166.0	18.6	N.M.	(142.1)	(3.3)	N.M.
Adjusted net earnings (loss) ^{NG}	59.6	13.9	N.M.	85.4	(3.4)	N.M.
Net earnings (loss) per Share	1.39	0.16	N.M.	(1.19)	(0.03)	N.M.
Adjusted net earnings (loss) per Share ^{NG}	0.50	0.12	N.M.	0.72	(0.03)	N.M.

Adjusted EBITDA ^{NG} (\$ millions)	2025 Q4	2024 Q4	% Change	Fiscal 2025	Fiscal 2024	% Change
Manufacturing	94.1	35.2	167.2 %	233.2	84.2	177.0 %
Aftermarket	32.4	32.8	(1.1 %)	124.3	139.5	(10.9 %)
Corporate	(5.2)	(0.1)	N.M.	(21.8)	(9.3)	(134.6 %)
Total Adjusted EBITDA^{NG}	121.3	67.9	78.7 %	335.7	214.4	56.5 %
Adjusted EBITDA^{NG} as a percentage of revenue						
Manufacturing	10.8 %	5.2 %	107.7 %	7.8 %	3.4 %	129.4 %
Aftermarket	21.1 %	20.9 %	1.0 %	20.1 %	22.1 %	(9.0 %)
Total	11.8 %	8.1 %	45.7 %	9.3 %	6.9 %	34.8 %

In 2025 Q4, Manufacturing operations experienced net earnings of \$177.2 million compared to net earnings of \$15.8 million in 2024 Q4. The increase in net earnings reflects the higher deliveries and improved margin profiles in Transit, Motorcoach, Medium-Duty and Cutaway. The increase for the quarter also reflects the \$114.5 million, net of tax, in recoveries associated with the Battery Settlement. These recoveries largely offset the \$158.6 million, net of tax, of the Battery Recall provision recorded in 2025 Q3. The 2025 Q4 Manufacturing operations achieved Adjusted EBITDA^{NG} of \$94.1 million, an increase of \$58.9 million, from 2024 Q4 Adjusted EBITDA^{NG}. The increase in Manufacturing Adjusted EBITDA^{NG} was primarily due to favourable sales mix, and the impact of the adjustments for non-recurring events as stated above.

The decrease in Fiscal 2025 net earnings is mainly due to the provision recorded for the Battery Recall in 2025 Q3, net of the Battery Settlement recorded in 2025 Q4. The earnings also reflect the impact of the lower deliveries from the UK over the period. Fiscal 2025 Manufacturing operations had a net loss of \$36.4 million compared to net earnings of \$4.0 million in Fiscal 2024, a decrease in earnings of \$40.4 million. Fiscal 2025 Manufacturing operations achieved Adjusted EBITDA^{NG} of \$233.2 million, an increase of \$149.0 million, from Fiscal 2024 Adjusted EBITDA^{NG}. The increase in Manufacturing Adjusted EBITDA^{NG} is primarily attributable to the higher Manufacturing revenue, improved mix and higher gross margin per unit in Fiscal 2025 compared to Fiscal 2024.

2025 Q4 Aftermarket segment net earnings increased by \$0.1 million, or 0.5 %, compared to 2024 Q4. In 2025 Q4, the Aftermarket segment had an Adjusted EBITDA^{NG} of \$32.4 million (a \$0.4 million, or 1.1 %, year-over-year decrease), due to sales mix and the negative impact of tariffs. Fiscal 2025 Aftermarket segment net earnings decreased by \$19.0 million, or 15.9 %, compared to Fiscal 2024. Fiscal 2025 Aftermarket operations achieved Adjusted EBITDA^{NG} of \$124.3 million compared to \$139.5 million in Fiscal 2024, a decrease of \$15.2 million or 10.9 %. The decrease in Aftermarket net earnings and decrease in Adjusted EBITDA^{NG} for Fiscal 2025 are primarily due to lower program revenues and tariff impacts, slightly offset by increased sales to public and private customers.

2025 Q4 Corporate net loss increased by \$14.1 million compared to 2024 Q4 mainly due to unrealized foreign exchange losses on non-current monetary items in 2025 Q4 and an increase of share-based compensation and incentives. 2025 Q4 Corporate Adjusted EBITDA^{NG} decreased by \$5.1 million compared to 2024 Q4. The decrease in Corporate Adjusted EBITDA^{NG} was mainly due to higher incentive pay and increased share-based compensation expense. Fiscal 2025 Corporate net loss increased by \$79.4 million, the increase in losses was mainly due to \$54 million non-recurring impact of the debt refinancing in 2025 Q2 and the \$4.7 million equity method loss from GR Seating. Fiscal 2025 Corporate Adjusted EBITDA^{NG} primarily decreased due to the same items that impacted quarterly results. 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 22.

Net cash generated by operating activities and Free Cash Flow ^{NG}						
(\$ millions, except per share amounts)						
	2025 Q4	2024 Q4	% Change	Fiscal 2025	Fiscal 2024	% Change
Net cash generated by operating activities	118.6	17.5	N.M.	173.7	15.3	N.M.
Free Cash Flow ^{NG}	32.9	0.6	N.M.	67.8	(17.8)	N.M.
Free Cash Flow ^{NG} (CAD dollars)	45.9	0.8	N.M.	94.3	(24.1)	N.M.
Free Cash Flow per Share ^{NG} (CAD dollars)	0.39	0.01	N.M.	0.79	(0.20)	N.M.

Cash generated by operating activities in 2025 Q4 was \$118.6 million, an increase of \$101.1 million, compared to cash generated by operating activities of \$17.5 million in 2024 Q4. The increase in generated cash was primarily due to the cash received from the Battery Settlement. Additionally, decreases in interest and finance costs, as well as advance payments contributed to the increases in cash. The increase was partially offset by increases in income taxes paid over the period. The Fiscal 2025 net cash generated by operating activities increased by \$158.4 million compared to Fiscal 2024, primarily due to the same items that impacted quarterly results.

Free Cash Flow^{NG} in 2025 Q4 increased by \$32.3 million, compared to 2024 Q4, mainly due to higher net cash generated by operating activities, including the Battery Settlement and lower interest costs, offset by increased income tax expense. Free Cash Flow^{NG} increased by \$85.6 million in Fiscal 2025 compared to Fiscal 2024. The increase was due to the Battery Settlement, higher cash generated through operations, lower interest paid, and less acquisitions of intangible assets, offset by the increase in income taxes paid.

	2025 Q4	2025 Q3	2025 Q2	2025 Q1	2024 Q4
Working Capital Days ^{NG}	42	49	53	52	52
Liquidity ^{NG,1} (\$ millions)	\$445.8	\$386.0	\$326.7	\$127.9	\$126.8
Backlog ^{NG} (EUs)	15,325	15,606	16,198	16,527	15,135
ROIC ^{NG}	11.3 %	9.1 %	7.9 %	7.5 %	6.4 %

1. The Company defines Liquidity as cash on-hand plus available capacity under its 2025 First Lien Facility. 2025 Q4 Liquidity includes the full cash portion attributed to NFI's captive insurance company of \$11.7 million. Quarters prior to 2025 Q3 did not include the captive insurance cash in the calculations. 2024 Q4 Liquidity would have been \$146.6 million if it included the captive insurance cash.

At the end of 2025 Q4, Working Capital Days^{NG} were 42, a decrease from 49 days in 2025 Q3 and 52 days in 2024 Q4. The improvement was related to improved operating results driven by higher revenues and margin performance, along with lower bus demand sales in the UK also positively impacting working capital days. The net impact of the Battery Recall in 2025 Q3 and the Battery Settlement in 2025 Q4 also positively impacted the working capital balances. Increases in advance payments and milestone billings structures, plus extended payment terms with certain suppliers, also contributed to the improvement. Offsetting this positive improvement were higher receivables balances from increased deliveries, and higher work-in-progress inventory reflecting the impact of seat supply disruption and Battery Recall on North American Transit deliveries. As the Company continues to ramp up production, NFI is continuing to focus efforts on lowering work-in-process inventory by working to resolve its supplier challenges and accelerate customer acceptance programs to lower working capital balances and improve Working Capital Days^{NG}.

The Company's Liquidity^{NG} position, which combines cash on-hand, plus available capacity under its 2025 First Lien Facility, was \$445.8 million at the end of 2025 Q4, an increase of \$59.8 million, or 15.5 % from 2025 Q3. The increase in the Liquidity^{NG} position was primarily due to the Battery Settlement, increased Free Cash Flow, and improvements in working capital balances, including increased milestone billings and advance payments reflected in the Company's deferred revenue balances.

At the end of 2025 Q4, the Company's total backlog^{NG} (firm orders and options) was 15,325 EUs, a decrease of 1.8 % compared to 15,606 EUs at the end of 2025 Q3. Backlog^{NG} at the end of 2025 Q4 had a total dollar value of \$13.0 billion.

The 2025 Q4 ROIC^{NG} increased by 4.9 % to 11.3 % from 6.4% in 2024 Q4, due to the increase in Adjusted EBITDA^{NG} offset by a decrease in the invested capital^{NG}. Average invested capital^{NG} has decreased primarily driven by lower shareholders equity combined with a greater cash balance.

Outlook

Management anticipates continuing operational and financial growth, with expectations for improvements in revenue, gross profit, Adjusted EBITDA^{NG}, Free Cash Flow^{NG}, and ROIC^{NG} in 2026. This expectation for improvement comes from the execution of NFI's backlog^{NG}, increases in manufacturing production, deliveries of higher-margin North American units, and from growth in NFI's aftermarket business. Many of these same factors support management's longer-term expectations for financial growth. While there are numerous positive expectations, the Company continues to navigate and adjust to current and expected future macroeconomic conditions including tariffs, competition and government funding dynamics.

Management believes market demand for NFI's products is evident through the Company's new order activity, a strong public transit funding environment, increasing fleet age in North America and a focus on fleet renewal in UK and APAC markets. The funding environment and expected replacement of transit buses and public motor coaches drives the Company's North American Public Bid Universe which currently has active bids of 7,120 EUs. These active bids typically drive delivery activity in the near to medium-term. The Public Bid Universe' five-year forecasted customer demand of 25,004 EUs provides longer-term visibility as these will typically drive new incoming firm and option orders. The Company also continues to see increases in market demand within coach and low-floor cutaway markets, and UK transit markets.

NFI's strategy to provide the broadest range of buses and coaches, built on common production lines wherever possible, has positioned the Company well to realize upon this growing demand as it can support customers' diverse fleet plans. NFI's offering includes low and no-emission buses and coaches, alongside its broader solutions offering of aftermarket parts, training, Infrastructure Solutions™ and facilitation of motorcoach financing.

Government Investments in Public Transportation

There are federal funding programs within the U.S., Canada and the UK that support the purchase of public transit buses and commuter coaches. 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, amounted to approximately \$21.1 billion, an increase of over \$160 million from the previous year. 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.

Ridership levels in the U.S. continue to steadily increase, with the latest available APTA Ridership Trends Dashboard report (as of 2025 Q4) showing full-year bus ridership growth of 0.7% from 2024, with 22% growth from 2022. APTA's 2025 Fact Book reported that U.S. average fleet age was down slightly year-over-year going from 8.3 years to 8.0 years, reflecting increased deliveries and the U.S. focus on investing in public transit system improvements.

Canadian government support for public transit remains strong with a focus on funding critical infrastructure projects, including buses through the Canadian Public Transit Fund and the Strong Communities Fund. 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 had reported an increase in average fleet age of heavy-duty transit buses from 8.6 years in 2021 to 9.5 years in 2023.

To support growing Canadian demand, NFI completed Project "True North", the all-Canadian build of its New Flyer subsidiary, which began production late in 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 its 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. While UK market demand has been supported by government funding, NFI has continued to see foreign competitors gain market share and a higher proportion of government funded procurements. NFI was encouraged to see discussions within the government centered around the importance of domestic manufacturing and the broader economic impact it provides in Fiscal Year 2025 and expects that recent changes to increase local government purchasing power will help drive increased demand for domestic buses in the future. The timing of new procurements with increased focus on domestic markets will be dependent upon the rollout of government funding and fleet replacement plans. NFI will continue to monitor demand and incoming orders and adjust its production capacity accordingly.

Other Markets

ARBOC continues to experience strong demand with volumes increasing and pricing reflecting appropriate input costs. In 2026, ARBOC is planning to relaunch the ‘Equest’, 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 expected to be strong, driven by existing fleet replacement and expanding transportation requirements.

Private coach markets continued to show strength in 2025 driven by increasing tour and charter travel, conventions, sports and leisure travel and employee shuttle programs. Recent tariff developments may have a negative impact on overall North American private coach market demand in 2026. Management expects that selling prices for the industry will need to increase to reflect the addition of tariff costs on coaches entering the United States, which may drive some operators to maintain vehicles for a longer period.

NFI anticipates that its Aftermarket segment will continue to generate strong revenue and margin contribution, with expectations for a low single digit growth rate. There is potential for the aftermarket segment to see expanded program revenues in 2026 and 2027 which would support additional revenue and margin expansion, although the timing and performance of programs is dependent on customer procurement activity.

The Company also continues to focus on growing its NFI Infrastructure Solutions™ business to assist customers in assessing their charging infrastructure requirements and to manage infrastructure procurement and project installation. Since its inception in 2018, Infrastructure Solutions™ has been responsible for the delivery of 553 plug-in and 137 overhead charger projects, for a total of 115+ megawatts charging capacity, for 74 different customers. Recent reductions in ZEB demand may lower overall opportunities for NFI Infrastructure Solutions as certain transit agencies delay electrification projects.

Financial Guidance

NFI provides the following financial guidance for Fiscal 2026.

\$ millions	2026 Guidance
Revenue	\$3,900 to \$4,200
Adjusted EBITDA ^{NG}	\$370 to \$410
Cash Capital Expenditures	\$50 to \$60

Note that the guidance numbers above include the impact of all current and known U.S. and Canadian tariffs as of March 11, 2026, but do not reflect the potential impact of tariffs that are imposed in the future. The above guidance is based on the following assumptions:

Revenue: Revenue ranges are based on NFI’s firm order backlog^{NG}, its 2026 production schedule, expected option order conversion, anticipated new in year vehicle sales, and Aftermarket parts sales. Revenue guidance reflects expectations for higher margin North American units converting from backlog into financial results, expected increases in UK production, tariff related cost increases, and lower deliveries of ZEBs as a percentage of total deliveries.

Adjusted EBITDA^{NG}: Adjusted EBITDA^{NG} range is driven by anticipated new vehicle deliveries, Aftermarket segment contributions, and anticipated improvements in operating margins from product mix and production efficiency. The guidance range also reflects geographic product mix, lower ZEB deliveries, and expected sales, general and administrative expenses.

Cash Capital Expenditures: Cash capital expenditures are based on planned investments in maintenance and growth projects. The guidance reflects the expected acquisition and disposal of property, plant and equipment and the acquisition of intangible assets relating to such projects but does not include expected lease payments.

Tariff Impacts

During 2025, NFI was subject to tariffs on imports of steel and aluminum in the U.S. and Canada, and tariffs on imports of goods from various international jurisdictions. In addition, NFI also began to receive updated pricing from its suppliers reflecting the impacts of tariffs on input components its suppliers source and import into the U.S. On November 1, 2025, a new 10% tariff on all imports of buses and coaches into the United States from any jurisdiction went into effect. In February 2026, changes were made to existing International Emergency Economic Powers Act (IEEPA) tariffs and a new global 10% tariff rate was put into place. NFI has continued to actively engage with its customers to discuss the pricing impacts of all known tariffs on buses and coaches 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 coach 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. 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.

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
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)
2023						
	Q4	796,712	25,555	(2,329)	38,455	(0.02)
	Q3	710,343	(13,760)	(39,926)	11,167	(0.42)
	Q2	660,292	(11,297)	(48,101)	12,178	(0.62)
	Q1	525,134	(21,749)	(45,964)	7,409	(0.60)
	Total	2,692,481	(21,251)	(136,164)	69,209	(1.48)

Comparison of Fourth Quarter 2025 Results

(\$ thousands)				
	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Statement of Earnings (Loss) Data				
Revenue				
North America	777,866	499,810	2,588,218	1,948,005
United Kingdom and Europe	88,676	168,836	395,103	527,399
Asia Pacific	5,153	11,234	12,487	15,510
Manufacturing operations	871,695	679,880	2,995,808	2,490,914
North America	121,402	125,345	489,259	504,658
United Kingdom and Europe	25,072	25,079	101,247	99,528
Asia Pacific	6,949	6,685	28,250	27,215
Aftermarket operations	153,423	157,109	618,756	631,401
Total revenue	\$ 1,025,118	\$ 836,989	\$ 3,614,564	\$ 3,122,315
Earnings from operations	\$ 101,457	\$ 36,034	\$ (6,324)	\$ 108,563
Earnings before interest and income taxes	\$ 255,712	\$ 46,646	\$ 3,527	\$ 124,476
Net earnings (loss)	\$ 166,019	\$ 18,564	\$ (142,120)	\$ (3,296)
Adjusted EBITDA^{NG}	\$ 121,308	\$ 67,886	\$ 335,762	\$ 214,438
Cash capital expenditures	\$ 7,500	\$ 8,522	\$ 33,876	\$ 30,314

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)

	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Manufacturing Revenue	871,695	679,880	2,995,808	2,490,914
Aftermarket Revenue	153,423	157,109	618,756	631,401
Total Revenue	1,025,118	836,989	3,614,564	3,122,315
Earnings (Loss) from Operations	101,457	36,034	(6,324)	108,563
Earnings before interest and income taxes	255,712	46,646	3,527	124,476
Earnings (Loss) before income tax expense	225,609	18,848	(122,617)	(6,464)
Net earnings (loss)	166,019	18,564	(142,120)	(3,296)

Manufacturing revenue for 2025 Q4 increased by \$191.8 million, or 28.2%, compared to 2024 Q4. Manufacturing revenue for Fiscal 2025 increased by \$504.9 million or 20.3%, compared to Fiscal 2024. Aftermarket revenue decreased for 2025 Q4 by \$3.7 million, or 2.3% compared to 2024 Q4. Aftermarket revenue for Fiscal 2025 decreased by \$12.6 million, or 2.0% compared to Fiscal 2024. See the discussion in the Highlights section on page 12 for further details on Revenue.

Cost of sales

(\$ thousands)

	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Manufacturing				
Direct cost of sales	644,190	541,578	2,537,155	1,985,459
Depreciation and amortization	16,722	16,496	64,941	67,922
Other overhead	81,911	74,151	294,676	272,126
Manufacturing cost of sales	742,823	632,224	2,896,771	2,325,507
As percent of Manufacturing sales	85.2 %	93.0 %	96.7 %	93.4 %
Aftermarket				
Direct cost of sales	104,660	109,426	434,884	435,156
Depreciation and amortization	3,215	3,078	12,615	12,209
Aftermarket cost of sales	107,875	112,504	447,499	447,365
As percent of Aftermarket sales	70.3 %	71.6 %	72.3 %	70.9 %
Total Cost of sales	850,698	744,728	3,344,270	2,772,872
As percent of sales	83.0 %	89.0 %	92.5 %	88.8 %

Cost of sales from Manufacturing operations in 2025 Q4 was \$742.8 million (85.2 % of Manufacturing operations revenue) compared to \$632.2 million (93.0 % of Manufacturing operations revenue) in 2024 Q4, an increase of \$110.6 million, or 17.5 %. Cost of sales from Manufacturing operations in Fiscal 2025 was \$2,896.8 million (96.7 % of Manufacturing operations revenue) compared to \$2,325.5 million (93.4 % of Manufacturing operations revenue) in Fiscal 2024, an increase of \$571.3 million, or 24.6 %. The increase in the quarter was driven by higher overall deliveries and an increase in ZEB deliveries, while the full year increase was driven by higher ZEB deliveries, higher input costs and the impacts of the Battery Recall. Manufacturing cost of sales as a percent of revenue decreased in 2025 Q4 as NFI converted on its improved backlog driving improved margin performance. Manufacturing cost of sales as a percent of revenue increased in Fiscal 2025 mainly due to the Battery Recall. Without the \$229.9 million impact of the Battery Recall, Manufacturing cost of sales would have been \$2,666.9 million for Fiscal 2025 (89.0 % of Manufacturing operations revenue).

Cost of sales from Aftermarket operations in 2025 Q4 was \$107.9 million (70.3 % of Aftermarket revenue) compared to \$112.5 million (71.6 % of Aftermarket revenue) in 2024 Q4, a decrease of \$4.6 million, or 4.1%. Cost of sales from Aftermarket operations in Fiscal 2025 was \$447.5

million (72.3 % of Aftermarket revenue) compared to \$447.4 million (70.9 % of Aftermarket revenue) in Fiscal 2024, an increase of \$0.1 million. The increase in cost of sales as a percentage of revenue in Fiscal 2025, was mainly due to sales mix and the impact of tariffs.

The consolidated cost of sales for 2025 Q4 increased by \$106.0 million, or 14.2 %, compared to 2024 Q4. The consolidated cost of sales for Fiscal 2025 increased by \$571.4 million, or 20.6 % compared to Fiscal 2024. This increase in cost of sales was largely driven by the impacts of sales mix, higher ZEB deliveries and the impact of the Battery Recall in the third quarter of 2025.

Gross Margins

(\$ thousands)

	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Manufacturing	128,872	47,656	99,037	165,407
Aftermarket	45,548	44,605	171,257	184,036
Total Gross Margins	174,420	92,261	270,294	349,443
As a percentage of sales revenue				
Manufacturing	14.8 %	7.0 %	3.3 %	6.6 %
Aftermarket	29.7 %	28.4 %	27.7 %	29.1 %
	17.0 %	11.0 %	7.5 %	11.2 %

Manufacturing gross margin for 2025 Q4 of \$128.9 million (14.8 % of Manufacturing revenue), increased by \$81.2 million compared to a gross margin of \$47.7 million (7.0 % of Manufacturing revenue) for 2024 Q4. Manufacturing gross margin for Fiscal 2025 of \$99.0 million (3.3 % of Manufacturing revenue) decreased by \$66.4 million compared to a gross margin of \$165.4 million (6.6 % of Manufacturing revenue) for Fiscal 2024. The increase in 2025 Q4 Manufacturing gross margins was driven by higher deliveries, and improved product mix, including ZEBs, as NFI converted its strong backlog. The decrease in Fiscal 2025 gross margin reflects the impact of the Battery Recall, the efficiency impact from seat supply disruption and increased overhead costs. The increase in Manufacturing gross margin as a percentage of revenue in 2025 Q4, and the decline for Fiscal 2025, are driven by the same underlying factors that impacted the dollar-based results. Without the impact of the Battery Recall in 2025 Q3, Fiscal 2025 Manufacturing gross margin would have been 11.0 % of revenue.

Aftermarket gross margins for 2025 Q4 of \$45.5 million (29.7 % of Aftermarket revenue) increased by \$0.9 million, or 2.1 %, compared to 2024 Q4 gross margins of \$44.6 million (28.4 % of Aftermarket revenue). Aftermarket gross margins for Fiscal 2025 of \$171.3 million (27.7 % of Aftermarket revenue) decreased by \$12.8 million, or 6.9 %, compared to Fiscal 2024 gross margins of \$184.0 million (29.1 % of Aftermarket revenue). 2025 Q4 gross margins increased due to improved product mix and tariff management, while gross margins for Fiscal 2025 decreased due to lower program revenues and the impact of tariffs. Aftermarket gross margin as a percentage of revenue decreased by 1.4% in Fiscal 2025 reflecting the same items that impacted the dollar-based results.

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

(\$ thousands)

	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Selling expenses	8,781	9,007	33,363	33,315
General and administrative expenses	64,531	48,010	239,097	205,802
Total SG&A	73,312	57,017	272,460	239,117

The consolidated SG&A for 2025 Q4 of \$73.3 million (7.2 % of consolidated revenue) increased by \$16.3 million, or 28.6 %, compared to \$57.0 million (6.8 % of consolidated revenue) in 2024 Q4. The increase in consolidated SG&A for 2025 Q4 and Fiscal 2025 reflects some of the expenses related to the Battery Settlement. The increase in General and administrative expenses in 2025 Q4 and Fiscal 2025 is primarily due to increased production, higher incentive compensation and restructuring costs.

Realized foreign exchange (gain) loss

In 2025 Q4, the Company recorded a realized foreign exchange gain of \$0.3 million compared to a gain of \$0.8 million in 2024 Q4. In Fiscal 2025, the Company recorded a realized foreign exchange loss of \$4.2 million compared to a loss of \$1.8 million in Fiscal 2024.

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 favourable forward rates compared to the spot rates at settlement were the primary reason for the gains in 2025 Q4.

Earnings (Loss) from operations

Consolidated earnings from operations in 2025 Q4 was \$101.5 million (9.9 % of consolidated revenue) compared to earnings of \$36.0 million (4.3 % of consolidated revenue) in 2024 Q4, an increase of \$65.4 million. Consolidated losses from operations in Fiscal 2025 was \$6.3 million ((0.2 %) of consolidated revenue) compared to earnings of \$108.6 million (3.5 % of consolidated revenue) in Fiscal 2024, a decrease of \$114.9 million.

Earnings from operations attributable to the Manufacturing segment was \$73.2 million for 2025 Q4 (8.4 % of Manufacturing revenue) compared to earnings of \$17.3 million (2.5 % of Manufacturing revenue) in 2024 Q4. Loss from Manufacturing operations in Fiscal 2025 was \$32.1 million ((1.1 %) of Manufacturing revenue) compared to earnings of \$2.1 million (0.1 % of Manufacturing revenue) in Fiscal 2024, a decrease of \$34.2 million. The increase in earnings as a percentage of revenue for 2025 Q4 is mainly due to higher deliveries and improved revenues and sales mix. Fiscal 2025 loss from operations was mainly attributable to the Battery Recall, offset by the same operating improvements that impacted the 2025 Q4 results.

Earnings from operations related to Aftermarket operations in 2025 Q4 was \$27.4 million (17.8 % of Aftermarket revenue) compared to \$27.2 million (17.3 % of Aftermarket revenue) in 2024 Q4. Earnings from Aftermarket operations in Fiscal 2025 was \$100.6 million (16.3 % of Aftermarket revenue) compared to \$119.5 million (18.9 % of Aftermarket revenue) in Fiscal 2024. Earnings from Aftermarket operations decreased in Fiscal 2025 due to less favourable product mix and lower sales volume.

Unrealized foreign exchange (loss) gain

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

(\$ thousands)	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Unrealized (loss) gain on forward foreign exchange contracts	(1,570)	(4,232)	5,461	(443)
Unrealized (loss) gain on other long-term monetary assets/liabilities	(2,651)	16,318	(7,287)	19,060
	(4,221)	12,086	(1,826)	18,617

At December 28, 2025, the Company had \$194.5 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from January 2026 to December 2026. The related asset of \$1.2 million (December 29, 2024: liability of \$1.3 million) is recorded on the consolidated statements of financial position as a current derivative financial instruments liability and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the consolidated statements of net loss and total comprehensive (loss) earnings.

Earnings before interest and income taxes ("EBIT")

In 2025 Q4, the Company recorded EBIT of \$255.7 million compared to an EBIT of \$46.6 million in 2024 Q4. In Fiscal 2025, the Company recorded EBIT of \$3.5 million compared to an EBIT of \$124.5 million in Fiscal 2024. The increase in EBIT for 2025 Q4 was driven primarily by the Battery Settlement, as well as sales of product with an improved margin profile. The decrease in Fiscal 2025 was primarily related to the non-recurring costs related to refinancing, as well as an unrealized FX loss on non-current monetary items compared to unrealized FX gains in Fiscal 2024.

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 2025 Q4, the Company recorded a loss after tax of \$3.8 million related to its investment in the joint venture. Further details regarding the joint venture can be found in the Highlights on page 13.

Interest and finance costs

The interest and finance costs for 2025 Q4 of \$30.1 million increased by \$2.3 million compared to \$27.8 million in 2024 Q4. This increase for the quarter is primarily due to lower fair market value gains on the Company's financial instruments, offset by the reduced interest costs from long-term debt balances. Fiscal 2025 interest and finance costs decreased by \$4.8 million compared to Fiscal 2024. The Company's refinancing and deleveraging efforts in 2025 Q2 reduced Fiscal 2025 interest and financing costs, which was slightly offset by an increase in accretion expenses related to long-term debt and lower gains on the Company's financial instruments and embedded derivatives.

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

EBT in 2025 Q4 was \$225.6 million, an increase of \$206.8 million compared to the EBT of \$18.8 million in 2024 Q4. LBT for Fiscal 2025 of \$122.6 million increased by \$116.2 million compared to LBT of \$6.5 million in Fiscal 2024. The primary drivers of the changes of LBT are addressed in the Earnings from operations, SG&A, and Interest and finance costs sections above.

Income tax expense (recovery)

The income tax expense for 2025 Q4 was \$59.6 million compared to income tax expense of \$0.3 million in 2024 Q4. The increase in income tax expense is primarily due to increased profitability due to operating improvements including higher revenue and gross margins, and the impact of the Battery Settlement.

The income tax expense for Fiscal 2025 is \$19.5 million, compared to a recovery of \$3.2 million in Fiscal 2024. NFI reported a LBT of \$122.6 million, however its overall tax expense increased primarily due to the detrimental deferred tax impact related to the derecognition of deferred tax assets associated with loss carry-forwards and restricted interest in the UK that no longer meet the criteria for recognition offset by lower earnings before tax.

The Effective Tax Rate ("ETR") for 2025 Q4 was 26.4% and the ETR for 2024 Q4 was 1.5%. The ETR for Fiscal 2025 was (15.9%) and the ETR for Fiscal 2024 was 49.0%. The Fiscal 2025 ETR was detrimentally impacted by a non-recurring derecognition of deferred tax assets associated with loss carry-forwards and restricted interest in the UK.

Income tax expense recognized in the consolidated statement of net earnings in 2025 includes \$0.2 million (Fiscal 2024: \$1.1 million) related to Pillar Two income taxes.

Net earnings (loss)

The Company reported net earnings of \$166.0 million in 2025 Q4, an increase of \$147.6 million, compared to net earnings of \$18.6 million in 2024 Q4. The Company reported net losses of \$142.1 million in Fiscal 2025 compared to a net loss of \$3.3 million in Fiscal 2024, an increase in losses of \$138.8 million. The increase in net earnings for 2025 Q4 is primarily due to operational performance improvements and the Battery Settlement, offset by the increase in income tax expense. The Fiscal 2025 net losses increased primarily from non-recurring events, including the impairment loss on intangible assets and goodwill, loss on debt extinguishment, and the pre-payment fee associated with the 2023 Second Lien Debt.

Net earnings (loss) (\$ millions, except per Share figures)	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Earnings (loss) from operations	101,457	36,034	(6,324)	108,563
(Loss) gain on disposition of property, plant and equipment and right-of-use assets	(103)	(224)	93	(192)
Impairment loss on goodwill and intangible assets	(2,655)	(1,250)	(95,136)	(2,278)
Impairment loss on property, plant and equipment	-	-	(504)	-
Loss on debt extinguishment	-	-	(43,185)	(234)
Fee for early repayment of 2023 second lien debt	-	-	(10,825)	-
Equity method loss	(4,766)	-	(4,766)	-
Unrealized foreign exchange (loss) gain on monetary items	(4,221)	12,086	(1,826)	18,617
Interest and finance costs	(30,102)	(27,798)	(126,144)	(130,940)
Battery Settlement	166,000	-	166,000	-
Income tax (expense) recovery	(59,591)	(285)	(19,503)	3,168
Net earnings (loss)	166,019	18,563	(142,120)	(3,296)
Net earnings (loss) per Share (basic)	1.39	0.16	(1.19)	(0.03)
Net earnings (loss) per Share (fully diluted)	1.38	0.13	(1.19)	(0.03)

The Company recorded net earnings per Share for 2025 Q4 of \$1.39 compared to net earnings per Share of \$0.16 in 2024 Q4. The Company reported diluted net earnings per Share of \$1.38 in 2025 Q4 compared to \$0.13 per share in 2024 Q4. The Company's net loss per Share for Fiscal 2025 of \$1.19 compared to net loss per Share of \$0.03 in Fiscal 2024. The per Share net earnings in 2025 Q4, and the per Share net loss in Fiscal 2025 increased primarily due to the same non-recurring items that impacted net earnings and net loss, respectively.

Cash Flow

The cash flows of the Company are summarized as follows:

(\$ thousands)				
	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	288,109	56,365	229,902	193,384
Interest paid	(11,324)	(30,183)	(91,158)	(121,107)
Income taxes paid	(6)	(1,796)	(36,966)	(2,060)
Cash flow (invested in) provided by working capital	(158,171)	(6,894)	71,890	(54,877)
Net cash generated by operating activities	118,608	17,492	173,668	15,340
Net cash (used in) generated by financing activities	(36,372)	(24,093)	(28,313)	20,751
Net cash used in investing activities	(36,648)	(3,435)	(76,657)	(34,632)

Cash flow from operating activities

The 2025 Q4 net cash generated by operating activities of \$118.6 million increased by \$101.1 million, compared to \$17.5 million in 2024 Q4, mainly due to the increase of cash generated by operating activities to \$288.1 million, lower cash interest paid, and the impacts of the Battery Settlement. This increase was offset by an increase of cash invested in working capital to \$158.2 million from \$6.9 million in 2024 Q4. The Fiscal 2025 net cash generated by operating activities of \$173.7 million increased by \$158.4 million compared to Fiscal 2024, mainly due to the increase of cash generated by operating activities to \$229.9 million, lower cash interest paid during the year due to refinancing, and \$62.9 million of cash provided by working capital, offset by an increase in income taxes paid.

Cash flow from financing activities

The \$12.3 million increase in cash used in financing activities to \$36.4 million during 2025 Q4 from \$24.1 million cash used in 2024 Q4, is due to increased repayments of the Company's 2025 First Lien Facility, totaling \$30.1 million, and by repayments made to obligations under leases of \$6.3 million. Cash used in financing activities of \$28.3 million during Fiscal 2025 compared to cash generated by financing activities of \$20.7 million in Fiscal 2024. The increase in cash used in financing activities in Fiscal 2025 is due to the increase in cash repayments of senior unsecured debt, and decreased cash proceeds from the long-term and second-lien debt compared to Fiscal 2024.

Cash flow from investing activities

(\$ thousands)				
	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Acquisition of intangible assets	(2,752)	(7,269)	(11,460)	(17,597)
Proceeds from disposition of property, plant and equipment	18	40	102	963
(Investments in) proceeds from long-term restricted deposits	(10,135)	5,379	(15,144)	5,379
Acquisition of property, plant and equipment	(7,500)	(8,522)	(33,876)	(30,314)
Proceeds from government grants	-	6,937	-	6,937
Equity method investment	(16,279)	-	(16,279)	-
Cash used in investing activities	(36,648)	(3,435)	(76,657)	(34,632)

Cash used in investing activities increased in 2025 Q4, primarily due to equity investment in GR Seating, and the investments in long-term restricted deposits in 2025 Q4 compared to proceeds from long-term restricted deposits and government grants in 2024 Q4. Long-term restricted deposits are collateral for a certain amount of the Company's letters of credit and the Company increased its investments in long-term restricted deposits during Fiscal 2025. Fiscal 2025 cash used in investing activities increased due to the same items that impacted quarterly results and increased acquisition of property, plant and equipment, offset by lower acquisitions in intangible assets.

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 80% of the capital cost of new transit buses, coaches or cutaways - while the remaining 20% comes from state and municipal sources. There are a few U.S. public sector customers that obtain 100% of their funding from state and municipal sources. Canadian customers have similar funding sources in Canada. The maximum exposure to the risk of credit for accounts receivables corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the customer base being principally comprised of municipal and other local transit authorities.

The purchase of new coaches, transit buses or cutaways by private fleet operators is paid from the operators' own capital budgets and funded by their own cash flow or third-party financing. A significant portion of private fleet operators choose to finance new coach purchases with lending organizations. In some cases, MCI assists in arranging this financing, 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 audited consolidated statements of net loss and total comprehensive (loss) earnings.

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

(\$ thousands)	December 28, 2025	December 29, 2024
Current, including holdbacks	\$ 681,937	\$ 444,869
<u>Past due amounts but not impaired</u>		
1 - 60 days	28,087	28,531
Greater than 60 days	15,088	17,366
Less: Allowance for doubtful accounts	(3,314)	(1,035)
Total accounts receivables, net	\$ 721,798	\$ 489,731

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

Commitments and Contractual Obligations

The following table describes the Company's maturity analysis of the undiscounted cash flows of leases and accrued benefit liabilities as at December 28, 2025:

(\$ thousands)	Total	2026	2027	2028	2029	2030	Post 2030
Leases	\$ 219,472	\$ 28,389	\$ 27,494	\$ 19,850	\$ 15,244	\$ 12,958	\$ 115,537
Accrued benefit liability	2,807	2,807	-	-	-	-	-
	\$ 222,279	\$ 31,196	\$ 27,494	\$ 19,850	\$ 15,244	\$ 12,958	\$ 115,537

As at December 28, 2025, outstanding surety bonds guaranteed by the Company totaled \$315.1 million (December 29, 2024: \$307.4 million). The estimated maturity dates of the surety bonds outstanding at December 28, 2025 range from January 2026 to May 2035. Management believes that adequate facilities currently exist to meet projected surety requirements.

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

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 December 28, 2025, there was \$132.1 million (December 29, 2024: \$134.7 million) outstanding under the guarantee facility and \$105.5 million of outstanding letters of credit (December 29, 2024: \$80.5 million).

Management believes that the Company was in compliance in all material respects with all applicable contractual obligations as at December 28, 2025. The Company has not provided for any costs associated with these letters of credit.

The Company does not have any off-balance sheet arrangements or any material capital asset commitments at December 28, 2025.

Through the normal course of operations, the Company has guaranteed payments and residual values to third-party lenders on behalf of customers. As at December 28, 2025, the Company's residual value guarantees relating to leased equipment expired upon the termination of the relevant lease contracts. As a result, the Company had no (December 29, 2024: \$2.1 million) residual value guarantee exposure as at December 28, 2025. The Company has not provided for any of these costs, as it does not believe it will have to pay out on any of these arrangements.

Share Option Plan

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

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

The following reconciles the Share options outstanding:

	Fiscal 2025		Fiscal 2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,973,558	C\$24.25	2,018,117	C\$26.00
Granted during the period	320,059	C\$13.82	325,925	C\$13.57
Expired during the period	(219,274)	C\$31.72	(369,115)	C\$24.64
Exercised during the period	(18,737)	C\$11.09	(1,369)	C\$10.46
Balance at end of period	2,055,606	C\$21.95	1,973,558	C\$24.25

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company's Restricted Share Unit Plan for Non-Employee Directors, a maximum of one million Shares are reserved for issuance to non-employee directors. The Company issued 20,887 director restricted share units ("Director RSUs") under the 2014 Director RSU plan, with a total value of \$0.2 million, in 2025 Q4. Approximately \$0.1 million of the issued Director RSUs were exercised and exchanged for 7,276 Shares.

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2.24 of the audited consolidated financial statements.

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. While much of IAS 1 is carried forward to the new standard with only limited wording changes, IFRS 18 introduces several new requirements:

- Classification of all income and expense in the consolidated statements of net loss and total comprehensive (loss) earnings
- Presentation of two new mandatory subtotals
- Mandatory disclosures about a sub-set of alternative performance measures ('management-defined performance measures' or 'MPMs') in a single note to the financial statements
- Enhanced guidance on the aggregation, location and labelling of information in the primary financial statements and the notes
- Some requirements currently included within IAS 1 have been moved (mostly unchanged) to IAS 8 and, to a much lesser extent, to IFRS 7. IFRS 18, once effective, also makes narrow scope amendments to other IFRS accounting standards including:
 - IAS 7 Statement of cash flows
 - IAS 33 Earnings per share
 - IAS 34 Interim financial reporting

Initial adoption of the requirements under IFRS 18 will be obligatory for annual reporting periods on or after January 1, 2027. Management is currently assessing the impact of these standards on the Statements.

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

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

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

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

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

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.

Initial adoption of the amendments under IFRS 10 will be obligatory for annual reporting periods on or after January 1, 2026. Initial adoption of the amendments under IAS 28 will be obligatory for annual periods beginning on or after a date to be determined by the International Accounting Standards Board. Management is currently assessing the impact of these standards on the Statements.

Non-IFRS and Other Financial Measures

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

Adjusted EBITDA^{NG} and Net Operating Profit After Taxes^{NG}

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

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

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

(\$ thousands)				
	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Net earnings (loss)	166,019	18,564	(142,120)	(3,296)
Addback				
Income tax expense (recovery)	59,591	284	19,503	(3,167)
Interest expense ⁸	30,102	27,798	126,144	130,940
Amortization	19,935	19,574	77,556	80,130
Loss (gain) on disposition of property, plant and equipment and right of use assets	102	224	(93)	192
Unrealized foreign exchange loss (gain) on non-current monetary items and forward foreign exchange contracts	4,221	(12,086)	1,826	(18,617)
Equity settled stock-based compensation	596	42	2,819	2,233
Expenses incurred outside of normal operations ⁹	3,006	11,057	27,810	11,057
Loss on debt extinguishment ¹¹	-	-	43,185	234
Impairment loss on goodwill and intangible assets ¹⁰	2,655	1,250	93,517	2,278
Fee for early repayment of 2023 second lien debt ¹³	-	-	10,825	-
Impairment loss on property, plant, and equipment ¹²	-	-	504	-
Equity-method loss ¹⁶	4,766	-	4,766	-
Battery Recall and Battery Settlement ¹⁵	(172,447)	-	57,412	-
Restructuring costs ⁶	3,395	1,179	12,741	12,339
Prior year sales tax provision ¹⁶	(631)	-	(631)	-
Unrecoverable insurance costs and other ⁷	-	-	-	116
Adjusted EBITDA	121,310	67,886	335,764	214,438
Depreciation of property, plant and equipment and right of use assets	(13,181)	(11,505)	(48,371)	(47,781)
Tax at 31%	(33,520)	(17,478)	(89,092)	(51,664)
NOPAT	74,609	38,903	198,301	114,993
Adjusted EBITDA is comprised of:				
Manufacturing	94,086	35,206	233,241	84,189
Aftermarket	32,408	32,770	124,327	139,541
Corporate	(5,184)	(90)	(21,804)	(9,292)

See footnotes on page 32

Free Cash Flow^{NG} and Free Cash Flow per Share^{NG}

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

The Company generates its Free Cash Flow^{NG} from operations and management expects this will continue to be the case for the foreseeable future. Net cash flows generated from operating activities are significantly impacted by changes in non-cash working capital. The Company uses its 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)				
	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Net cash generated by operating activities	118,608	17,492	173,668	15,340
Changes in non-cash working capital items ²	158,171	6,894	(71,890)	54,877
Interest paid ²	11,324	30,183	91,158	121,107
Interest expense ²	(28,903)	(30,633)	(120,797)	(124,631)
Income taxes paid ²	6	1,796	36,966	2,060
Current income tax expense ²	(42,990)	(12,950)	(79,958)	(36,311)
Repayment of obligations under lease	(6,295)	(7,982)	(21,998)	(24,360)
Cash capital expenditures	(7,500)	(8,522)	(33,876)	(30,314)
Acquisition of intangible assets	(2,752)	(7,269)	(11,460)	(17,597)
Proceeds from disposition of property, plant and equipment	18	40	102	963
Defined benefit funding ³	488	355	2,660	2,830
Defined benefit expense ³	(920)	(942)	(3,629)	(3,771)
Expenses incurred outside of normal operations ⁹	3,006	11,057	27,810	11,057
Foreign exchange gain (loss) on cash held in foreign currency ⁴	311	(128)	293	(1,517)
Fee for early repayment of 2023 second lien debt ¹³	-	-	10,825	-
Asset impairment ¹⁴	-	-	(1,619)	-
Battery Recall and Battery Settlement ¹⁵	(172,447)	-	57,412	-
Restructuring costs ⁶	3,395	1,179	12,741	12,339
Prior year sales tax provision ¹⁶	(631)	-	(631)	-
Unrecoverable insurance costs and other ⁷	-	-	-	116
Free Cash Flow^{NG}	32,889	570	67,777	(17,812)
U.S. exchange rate ¹	1.3959	1.4416	1.3915	1.3507
Free Cash Flow (C\$)^{NG}	45,910	822	94,313	(24,058)
Free Cash Flow per Share (C\$)^{NG, 5}	0.3855	0.0069	0.7921	(0.2022)

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 are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the consolidated statements of cash flows net of interest and income taxes paid.
3. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow^{NG} as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.
4. Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS Accounting Standards; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow^{NG}.
5. Per Share calculations for Free Cash Flow^{NG} (C\$) are determined by dividing Free Cash Flow^{NG} by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2025 Q4 was 119,092,120 and 119,034,893 for 2024 Q4. The weighted average number of Shares outstanding for Fiscal 2025 and Fiscal 2024 was 119,071,087 and 119,008,308, 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 recoveries of \$12.6 million related to previously expected employee reductions. Free Cash Flow^{NG} reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
7. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
8. Includes fair market value adjustments to interest rate swaps, cash conversion option on the Debentures, and to the prepayment option on the Company's second lien debt. 2025 Q4 includes a loss of \$0.3 million compared to a gain of \$0.6 million in 2024 Q4 for the interest rate swaps. 2025 Q4 includes a gain of \$0.8 million and 2024 Q4 includes a gain of \$7.7 million on the cash conversion option. The prepayment option related to the 2023 Second Lien Debt had a gain of \$1.1 million in 2024 Q4. Following the high-yield debt issuance in 2025 Q2, the option expired, and therefore no additional unrealized gains or losses have been recognized.
9. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. In 2025 Q4, \$2.6 million in labour and overhead costs were incurred as a result of the seat supply disruption, in addition to \$0.4 million in transaction costs related to the formation of GR Seating. Fiscal 2025 labour and overhead costs from the seat supply disruption were \$27.4 million compared to \$11.1 million in Fiscal 2024.
10. In 2024 Q1, the Company recognized an impairment loss on a New Product Development ("NPD") project for \$1.0 million, as well as an impairment loss on an internally developed intangible asset that was discontinued for \$1.3 million in 2024 Q4. In 2025 Q2, the Company recorded a \$80.9 million intangible asset impairment, and a \$10 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 an NPD project.
11. In 2024 Q2, the Company recognized an accounting loss of \$0.2 million for the debt extinguishment related to the amendments made to the MDC senior unsecured facility. 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.
12. 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 \$4.3 million property, plant and equipment impairment 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.
13. The Company was assessed an early repayment fee of \$10.8 million associated with the 2023 Second Lien Debt.
14. In 2025 Q2, NFI recorded an impairment on the previously recorded California Air Resources Board (CARB) credit of \$1.6 million.
15. 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 and signed the MSA 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.

16. During 2025 Q4, NFI in partnership with GILLIG, formed a 50/50 joint venture to acquire the assets of American Seating Corporation. In 2025 Q4, NFI recorded a \$4.8 million equity method loss before taxes from GR Seating, which includes \$2.6 million in transaction costs.
17. Release of prior years sales tax provision.

Adjusted Net Earnings (Loss)^{NG} and Adjusted Net Earnings (Loss) per Share^{NG}

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

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

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

(\$ thousands, except per Share figures)				
	2025 Q4	2024 Q4	Fiscal 2025	Fiscal 2024
Net earnings (loss)	166,019	18,564	(142,120)	(3,296)
Adjustments, net of tax ^{1,2}				
Unrealized foreign exchange loss (gain)	2,912	(8,339)	1,260	(12,845)
Unrealized loss (gain) on interest rate swap	178	(443)	(68)	351
Unrealized gain on Cash Conversion Option	(549)	(5,344)	(1,252)	(4,565)
Unrealized gain on prepayment option of second lien debt	-	(740)	(9,420)	(6,611)
Unrealized (gain) loss on second lien optional redemption ³	(1,891)	-	310	-
Accretion associated to gain on debt modification	-	(690)	(1,013)	(1,698)
Loss on debt extinguishment ⁴	-	-	29,798	161
Other tax adjustments	-	-	(6,311)	-
Equity settled stock-based compensation	411	29	1,945	1,540
Loss (gain) on disposition of property, plant and equipment	70	155	(65)	133
Expenses incurred outside of normal operations ⁶	2,074	7,629	19,189	7,629
Accretion in carrying value of convertible debt and cash conversion option	1,524	1,440	5,938	5,614
Deferred tax assets not recognized ¹¹	-	-	34,443	-
Impairment loss on property, plant, and equipment	-	-	504	-
Impairment loss on goodwill ⁹	-	-	9,965	-
Impairment loss on intangible assets ⁷	2,655	863	83,552	1,572
Fee for early repayment of 2023 second lien debt ¹⁰	-	-	7,469	-
Equity-method loss ¹³	3,289	-	3,289	-
Battery Recall and Battery Settlement ¹²	(118,988)	-	39,615	-
Restructuring costs ⁸	2,343	814	8,792	8,514
Prior year sales provision ¹³	(435)	-	(435)	-
Unrecoverable insurance costs and other ⁵	-	-	-	80
Adjusted Net Earnings (Loss) ^{NG}	59,612	13,938	85,385	(3,421)
Earnings (Loss) per Share (basic)	1.39	0.16	(1.19)	(0.03)
Earnings (Loss) per Share (fully diluted)	1.39	0.13	(1.19)	(0.03)
Adjusted Net Earnings (Loss) per Share (basic) ^{NG}	0.50	0.12	0.72	(0.03)
Adjusted Net Earnings (Loss) per Share (fully diluted) ^{NG}	0.50	0.11	0.72	(0.03)

1. Addback items are derived from the historical financial statements of the Company.
2. The Company has utilized a rate of 31.0% to tax effect the adjustments for the periods above.
3. The unrealized gain on the prepayment option is related to the Company's second lien debt instrument. The debt instrument had an unrealized loss in Fiscal 2025.
4. In 2024 Q2, the Company recognized an accounting loss of \$0.2 million after tax for the debt extinguishment related to the amendments made to the MDC senior unsecured facility. In 2025 Q2, the Company recognized an accounting loss of \$29.8 million after tax for the debt extinguishment as a result of the Company's comprehensive refinancing with the 2025 First Lien Facility.
5. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
6. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. In 2025 Q4, \$1.8 million in labour and overhead costs were incurred as a result of the seat supply disruption, in addition to \$0.3 million in transaction costs related to the formation of GR Seating. Fiscal 2025 labour and overhead costs from the seat supply disruption were \$19.2 million compared to \$7.6 million in Fiscal 2024.
7. In 2024 Q1, the Company recognized an impairment loss on a New Product Development ("NPD") project for \$1.0 million, as well as an impairment loss on an internally developed intangible asset that was discontinued for \$1.3 million in 2024 Q4. In 2025 Q2, the Company recorded a \$80.9 million intangible asset impairment, and a \$10 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 an NPD project.
8. 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 \$8.8 million related to previously expected employee reductions. Free Cash Flow^{NG} reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
9. 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 \$4.3 million property, plant and equipment impairment 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.
10. The Company was assessed an early repayment fee of \$7.5 million, net of tax, associated with the 2023 Second Lien Debt.
11. 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.
12. 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 and signed the MSA with XALT Energy, LLC and its parent company. As part of this settlement, NFI received cash and assets totaling \$114.5 million after taxes. This also includes other miscellaneous amounts related to the Battery Settlement.
13. During 2025 Q4, NFI in partnership with GILLIG, formed a 50/50 joint venture to acquire the assets of American Seating Corporation. In 2025 Q4, NFI recorded \$3.3 million equity method loss from GR Seating, which includes \$1.8 million in transaction costs, both net of taxes.
14. Release of prior years sales tax provision.

Reconciliation of Shareholders' Equity to Invested Capital^{NG}

(\$ thousands)	2025 Q4	2025 Q3	2025 Q2	2025 Q1
Shareholders' Equity	586,448	417,925	557,787	703,529
Addback				
Long term debt	269,881	273,334	324,660	643,872
Second lien debt	606,919	607,887	611,056	174,202
Obligation under lease	140,438	134,973	129,738	129,629
Convertible debentures	238,468	231,841	233,567	221,540
Senior unsecured debt	35,226	33,659	33,322	51,051
Derivatives	(16,772)	(15,644)	(13,852)	(6,874)
Cash	(118,548)	(72,649)	(78,912)	(107,985)
Invested Capital ^{NG}	1,742,060	1,611,326	1,797,366	1,808,964
Average of invested capital ^{NG} over the quarter	1,676,693	1,704,346	1,803,165	1,819,107

	2024 Q4	2024 Q3	2024 Q2	2024 Q1
Shareholders' Equity	707,754	699,717	704,031	697,580
Addback				
Long term debt	610,237	610,624	576,145	562,324
Second lien debt	173,741	173,309	172,910	172,568
Obligation under lease	129,511	130,020	131,382	135,959
Convertible debentures	218,020	230,453	225,628	225,972
Senior unsecured debt	50,040	56,210	54,997	61,081
Derivatives	(10,497)	2,327	(2,740)	(1,783)
Cash	(49,557)	(59,720)	(77,445)	(68,491)
Invested Capital ^{NG}	1,829,249	1,842,940	1,784,908	1,785,210
Average of invested capital ^{NG} over the quarter	1,836,095	1,813,922	1,785,059	1,791,868

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 (Fiscal 2025 - 364 days) divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

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

Book-to-Bill Ratio^{NG}

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

Backlog^{NG}

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

Total Leverage Ratio (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 or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of \$50 million, divided by Adjusted EBITDA^{NG} (calculated on a trailing twelve-month basis).

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 Fiscal 2025 was calculated as the same trailing twelve month Adjusted EBITDA^{NG} as the Total Leverage Ratio^{NG} divided by the 2025 Q3 and 2025 Q4 interest expense on the Secured Facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges, and adjusted to a yearly equivalent by applying a multiplier of two.

ICR^{NG} for Fiscal 2024 was calculated as the same trailing twelve month Adjusted EBITDA^{NG} as the Total Leverage Ratio^{NG} divided by the trailing twelve-month interest expense on the prior secured facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

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, 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, and 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 December 28, 2025, the Company had convertible debentures outstanding of C\$338 million ("Debentures"). The Debentures may be converted in whole or in part from time to time at the holder's option into 30.1659 Shares for each C\$1,000 principal amount of Debentures, representing a conversion price of approximately C\$33.15 per Share and total potential conversion of 10,196,074 shares.

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

	December 28, 2025	December 29, 2024
Total Leverage Ratio (Bank) ^{NG} (must be less than 4.75 [2024: must be less than 4.75])	2.79	4.37
Senior Secured Leverage Ratio ^{NG} (must be less than or equal to 3.00 [2024: must be less than 3.50])	0.72	3.09
Interest Coverage Ratio ^{NG} (must be greater than 2.00 [2024: must be greater than 1.25])	2.66	1.51

As of December 28, 2025, NFI's Liquidity^{NG} was \$445.8 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, which is calculated as total debt less cash, divided by Adjusted EBITDA^{NG} on an LTM basis. Total debt includes senior 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, coaches, parts and services provided by Infrastructure SolutionsTM 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.

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.

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 a 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 20 of the 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. This new

facility refinanced and replaced the Company's previous North American Facility and UK Facility, and the transaction has been accounted for as a debt extinguishment in accordance with IFRS 9.

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, coach, low-floor cutaways and medium-duty 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, and internal combustion engines and ZEBs.

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 will invest on 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 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, securing 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.

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

Return of Capital to Shareholders

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

The Company's 2025 Q4 Free Cash Flow^{NG} was C\$45.9 million compared to Free Cash Flow^{NG} was C\$0.8 million in 2024 Q4. 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 December 28, 2025 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 December 28, 2025 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

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

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The Company’s CEO and CFO have concluded that disclosure controls and procedures as at December 28, 2025 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 December 28, 2025, 119,092,658 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 repeat costs and remedies relating to 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 global and regional 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 contracts. 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 an increasing percentage of the Company’s orders are ZEBs that have a higher manufacturing cost, the Company’s working capital requirements have increased compared to prior years. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period or have access to additional capital when required in such circumstances and the Company’s financial performance and condition, 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 finalized 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 recent 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 - 2025 Fourth Quarter Bid Universe and Order Activity

Demand for Transit Buses and Motor Coaches

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

In 2025 Q4, active bids of 7,120 EUs were up 0.4% year-over-year, with a decrease of 5.1% from 2025 Q3. The year-over-year increase was mainly driven by stronger bidding activity in 2025 Q4, during which NFI submitted 4,119 EUs, up from 3,657 EUs in 2024 Q4. The quarter-over-quarter decrease was primarily driven by certain bids converting to awards and the timing of other bids.

The forecasted five-year North American industry procurement remains strong at 25,004 EUs. The Company expects that the forecasted five-year North American industry procurement will remain high in 2026 as transit agencies continue to formalize their short- and long-term procurement plans linked to the multi-billion funding programs announced and/or launched by governments in Canada and the U.S. As of 2025 Q4, the Total Bid Universe was 32,124 EUs, up 5.5% quarter-over-quarter and 11.2% year-over-year.

As at 2025 Q4, 12,478 EUs, or 38.8%, of the Total Bid Universe are ZEBs. The Company has seen some slow down in ZEB demand in recent periods with certain transit agency customers issuing procurements for diesel, CNG and Hybrid 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)
2024 Q4	3,437	3,657	7,094	21,797	28,891
2025 Q1	1,651	3,655	5,306	23,139	28,445
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

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

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

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

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

Order activity

New orders (firm and options) during 2025 Q4 totaled 1,062 EUs, a 44.2% decrease from 2024 Q4. The decrease is primarily driven by the timing of incoming new orders from transit agencies with several large awards received in 2024 Q4. It is also impacted by the timing of U.S. government funding apportionments for fiscal year 2025, which were released later in 2025 than 2024. New firm and option orders for Fiscal 2025 were 5,051 EUs, a decrease of 46.8% from Fiscal 2024. The decrease reflects the record orders received in 2024 Q1 (5,421 EUs of total new orders). The timing of new orders can vary based on transit agency procurement processes.

In 2025 Q4, 977 option EUs converted to firm orders, up by 123.6% from 2024 Q4, which contributed to 1,497 EUs converted in Fiscal 2025, representing a conversion ratio of 83.4%. *Further details on options are provided below under the "Options" section.*

In 2025 Q4, the Company received orders for 136 EUs of battery-electric, zero-emission vehicles, a decrease from the 473 EUs of ZEB orders in 2024 Q4 and an increase from 90 EUs of ZEB orders in 2025 Q3. These 136 EUs of ZEBs equate to 12.8% of all new firm and option orders for the quarter. This reflects some North American transit agencies increased focus on ICE vehicles in 2025.

757 EUs of new firm and option orders were pending from customers at the end of 2025 Q4, where approval of the award to the Company had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog^{NG}.

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2024 Q4	1,904	9,489	437	865
2025 Q1	2,523	6,591	116	850
2025 Q2	822	6,299	167	888
2025 Q3	644	5,893	237	957
2025 Q4	1,062	5,051	977	1,497

Options

In 2025 Q4, 41 options expired, as compared to 122 options that expired in 2025 Q3, and 119 options that expired in 2024 Q4. Option expiries can vary significantly quarter-to-quarter. In 2025 Q4, the LTM option conversion rate increased year-over-year to 83%, reflecting the strength of NFI's option backlog that has seen strong growth since 2021. The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis.

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
A) Options Expired (EUs)	819	1,920	575	268	297						3,879
B) Options Exercised (EUs)	1,110	638	404	865	1,497						4,514
C) Current Options by year of expiry (EUs)						1,734	1,346	1,551	3,522	828	8,981
D) Conversion rate % = B / (A+B)	58%	25%	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 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 3,200 vehicle awards from these schedules since the start of 2018, representing almost 8% of NFI's total firm and option orders over that period.

The Company's 2025 Q4 Book-to-Bill^{NG} ratio (defined as new firm orders and exercised options divided by new deliveries) was 151.8%, an increase from 134.2% in 2024 Q4. This increase was driven primarily by the record number of exercised options in the quarter. Fiscal 2025 Book-to-Bill^{NG} ratio was 113.7%, a decrease from the rate of 121.4% for Fiscal 2024, with several large scale awards received in the first quarter of 2024.

Backlog^{NG}

The Company's total backlog^{NG} consists of buses sold primarily to U.S. and Canadian public transit and coach customers with a smaller number of buses and coaches 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 motor coaches incorporating clean propulsion systems, including compressed natural gas, diesel-electric hybrid, and ZEBs, which consist of trolley-electric, fuel cell-electric, and battery-electric buses, represent approximately 55.7% of the total backlog^{NG} as of the end of 2025 Q4, a decrease of 1.6% from 2025 Q3. As at the end of 2025 Q4, there were 5,228 EUs of ZEBs in the backlog^{NG}, representing 34.1% of the total backlog^{NG}, a decrease of 1.0% as at the end of 2025 Q3 and down from 40.3% as at the end of 2024 Q4, reflecting NFI's ZEB production in 2025 and lower ZEB demand from public and private customers in Canada and the U.S.

	2025 Q4			2025 Q3			2024 Q4		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	5,774	9,832	15,606	6,082	10,116	16,198	5,516	9,074	14,590
New orders	895	167	1,062	569	75	644	1,147	757	1,904
Options exercised	977	(977)	—	237	(237)	—	437	(437)	—
Shipments ¹	(1,233)	—	(1,233)	(1,114)	—	(1,114)	(1,180)	—	(1,180)
Cancelled/expired	(69)	(41)	(110)	-	(122)	(122)	(60)	(119)	(179)
End of period	6,344	8,981	15,325	5,774	9,832	15,606	5,860	9,275	15,135
Consisting of:									
Heavy-duty transit buses	5,549	8,668	14,217	4,821	9,514	14,335	4,816	8,744	13,560
Motor coaches	331	313	644	395	318	713	349	531	880
Cutaway and medium-duty buses	464	—	464	558	—	558	695	—	695
Total Backlog^{NG}	6,344	8,981	15,325	5,774	9,832	15,606	5,860	9,275	15,135

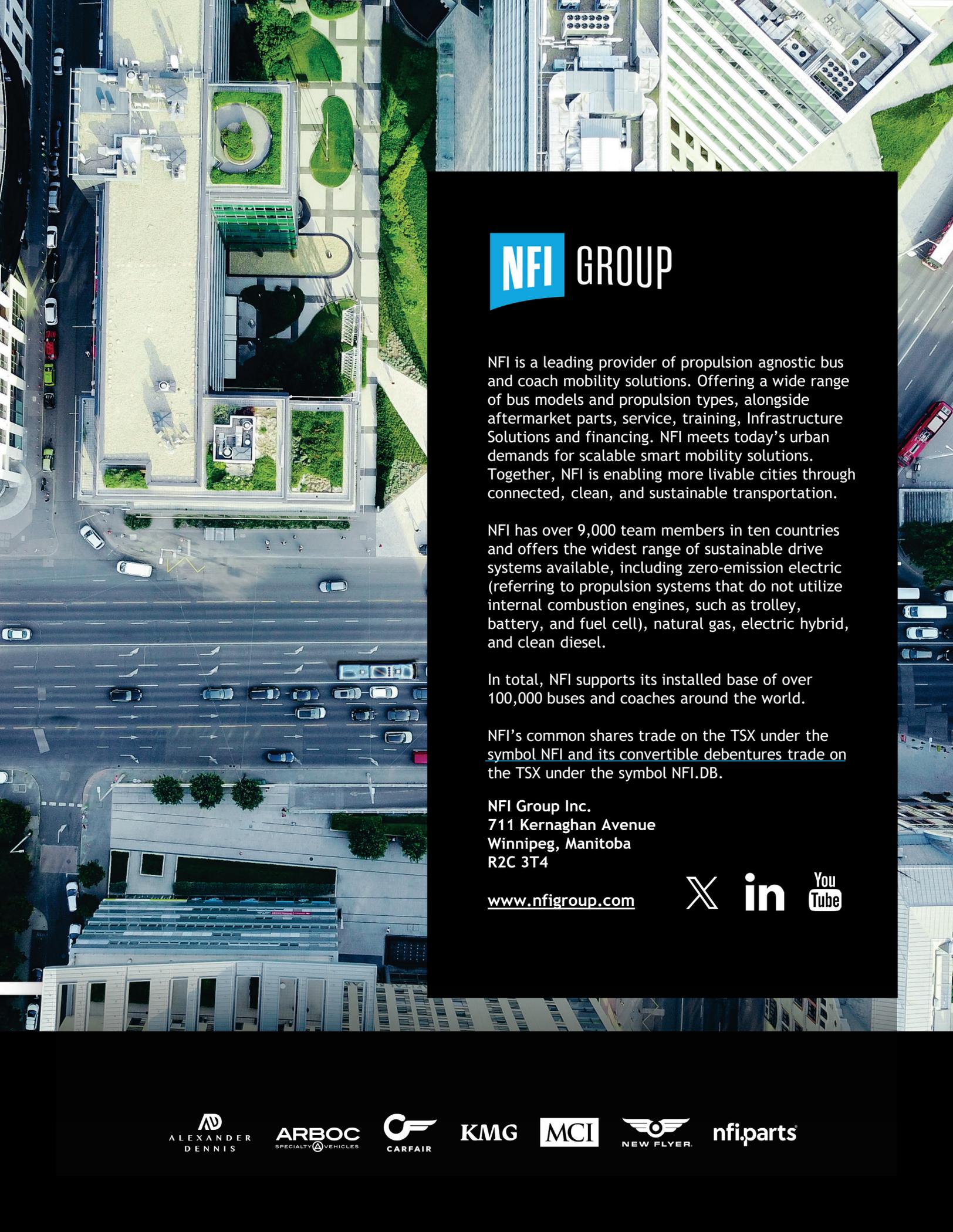
1. Shipments do not include delivery of pre-owned coaches as these coaches are not included in the backlog^{NG}.

At the end of 2025 Q4, the Company's total backlog^{NG} of 15,325 EUs (firm and options) increased by 1.3% from the end of 2024 Q4. Backlog^{NG} for 2025 Q4 has a total dollar value of \$13.0 billion, a 1.7% decrease from 2025 Q3 and a 1.9% increase from 2024 Q4.

The average price of an EU in total backlog^{NG} is now \$0.85 million, a 0.6% increase from 2024 Q4. This increase was driven by the impacts of improved pricing and general improvements in contract margins.

The summary of the values is provided below.

	2025 Q4		2025 Q3		2024 Q4	
		EUs		EUs		EUs
Total firm orders	\$5,155.1	6,344	\$4,780.9	5,774	\$4,713.8	5,860
Total options	\$7,866.3	8,981	\$8,461.3	9,832	\$8,066.4	9,275
Total backlog^{NG}	\$13,021.4	15,325	\$13,242.2	15,606	\$12,780.2	15,135



NFI GROUP

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

NFI has 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.

NFI Group Inc.
711 Kernaghan Avenue
Winnipeg, Manitoba
R2C 3T4

www.nfigroup.com



Consolidated Financial Statements of

NFI GROUP INC.

December 28, 2025

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of NFI Group Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 28, 2025 and December 29, 2024, and the consolidated statements of net loss and total comprehensive earnings (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 28, 2025 and December 29, 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 28, 2025. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill and other assets impairment – AD Manufacturing — Refer to Notes 2 and 11 to the financial statements

Key Audit Matter Description

The Company identified indicators of impairment for the AD Manufacturing cash generating unit ("identified CGU") prior to its annual goodwill impairment assessment. As a result, the Company performed an impairment test to assess whether the carrying amount of the identified CGU exceeded the recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The recoverable amount of the identified CGU was determined using the discounted cash flow model, which represents the Company's estimate of value in use. The application of this methodology involves

significant judgment and estimation uncertainty, including assumptions related to forecast of future revenues, operating margins, and the discount rate. As a result of the impairment test, the Company recognized an impairment loss, resulting in the goodwill associated to the identified CGU being fully written off.

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

How the Key Audit Matter was Addressed in the Audit

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

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

Master Settlement Agreement - Battery Recall — Refer to Notes 2.11, 17 and 30 to the financial statements

Key Audit Matter Description

During 2025, the Company had a battery recall for buses and coaches equipped with certain battery modules from a battery supplier. In connection with the battery recall, the Company entered into a master settlement agreement (“MSA”) with the supplier under which the Company is expected to receive settlement payments from the supplier. As a result, the Company recognized settlement income based on consideration received which included a cash payment, an escrow payment, battery modules inventory and intellectual property. To determine the fair value of the battery modules, management used a valuation methodology which used key assumptions including expected timing and volume of consumption of the battery modules, expected degradation of the modules and warranty-related considerations.

Management was required to make judgments to determine the accounting treatment of the MSA and make estimates and assumptions to determine the fair value of the battery modules, including expected timing and volume of consumption of the battery modules, expected degradation of the modules and warranty-related considerations. Auditing the accounting treatment of the MSA and the fair value of the battery modules required a high degree of subjectivity and auditor judgment which resulted in an increased extent of audit effort, including the involvement of technical accounting specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures to determine the accounting treatment of the MSA and the fair value of the battery modules included the following, among others:

- With the assistance of technical accounting specialists evaluated the accounting treatment for the MSA by:
 - Obtaining and reviewing the MSA to determine whether all key facts and circumstances were incorporated into management’s assessment; and
 - Evaluating management’s assessment by analyzing specific facts and circumstances against relevant accounting guidance.
- Evaluated management’s valuation methodology for the battery modules received under the MSA, including assessing whether the valuation basis used was appropriate given the condition and intended use of the modules.
- Observed management’s inventory counts and performed independent test counts of battery modules received, agreeing quantities to supporting documentation.
- Compared the battery module unit values to historical costs, where applicable.
- Evaluated expected timing and volume of consumption of the battery modules assumption by assessing forecasted electric vehicle production volumes, scenario-based ramp-up assumptions, and probability weightings, and assessing consistency with historical production data.
- Evaluated assumptions related to expected degradation of the modules and usable life of the battery modules by assessing whether projected consumption timelines and customer warranty periods appropriately limited to the period over which modules were assumed to be usable.
- Evaluated warranty-related considerations that are incorporated into the valuation by assessing the reasonableness of customer warranty duration and self-insured warranty loss rate assumptions, including comparison to historical warranty arrangements for similar battery systems.

Warranty Provision - Refer to Notes 2.18, 13 and 17 to the financial statements

Key Audit Matter Description

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. As discussed in the Key Audit Matter “Master Settlement Agreement - Battery Recall” the Company had a battery recall for buses and coaches equipped with certain battery modules from a battery supplier which resulted in a significant increase in the warranty provision 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.

Given the significance of the balance and importance to the financial statements, auditing the warranty provision related to the battery recall required an increased extent of audit effort.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the warranty provision related to the battery recall, included the following, among others:

- Tested the reasonableness of the warranty provision related to the battery recall by:
 - Reading the press release and recall filings;
 - Assessing the population of vehicles that are under warranty;
 - Testing key cost inputs, including parts and labour; and
 - Evaluating the reasonableness of management's assumptions regarding the scope and timing of recall-related activities.

Other Information

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
March 11, 2026
Winnipeg, Manitoba

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF NET LOSS AND TOTAL COMPREHENSIVE (LOSS) EARNINGS

52-weeks ended December 28, 2025 ("Fiscal 2025") and 52-weeks ended December 29, 2024 ("Fiscal 2024")

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

	Fiscal 2025	Fiscal 2024
Revenue (note 28)	\$ 3,614,564	\$ 3,122,315
Cost of sales (note 4)	3,344,270	2,772,872
Gross profit	270,294	349,443
Sales, general and administration costs and other operating expenses	272,460	239,117
Foreign exchange loss	4,158	1,763
(Loss) earnings from operations	(6,324)	108,563
Gain (loss) on disposition of property, plant and equipment and right-of-use asset	93	(192)
Fee for early repayment of 2023 second lien debt (note 20)	(10,825)	-
Loss on debt extinguishment (note 18, 19, 20)	(43,185)	(234)
Impairment loss on property, plant and equipment (note 9)	(504)	-
Impairment loss on goodwill and intangible assets (note 11)	(95,136)	(2,278)
Unrealized foreign exchange (loss) gain on monetary items	(1,826)	18,617
Equity method loss (note 6)	(4,766)	-
Settlement income (note 17)	166,000	-
Earnings before interest and income taxes	3,527	124,476
Interest and finance costs (note 26)	126,144	130,940
Loss before income tax expense	(122,617)	(6,464)
Income tax expense (recovery) (note 17)		
Current income tax expense	79,958	36,311
Deferred income tax recovery	(60,455)	(39,479)
	19,503	(3,168)
Net loss for the period	\$ (142,120)	\$ (3,296)
Other comprehensive (loss) earnings		
Actuarial gain on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	5,032	6,261
Unrealized foreign exchange gain on translation of foreign operations - this item will not be reclassified subsequently to profit or loss	12,745	66
Total comprehensive (loss) earnings for the period	\$ (124,343)	\$ 3,031
Net loss per share (basic) (note 23)	\$ (1.19)	\$ (0.03)
Net loss per share (diluted) (note 23)	\$ (1.19)	\$ (0.03)

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

NFI GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 28, 2025
(in thousands of U.S. dollars)

	December 28, 2025	December 29, 2024
Assets		
Current		
Cash	\$ 118,548	\$ 49,557
Accounts receivable (note 3, 27e)	721,798	489,731
Income tax receivable	415	1,980
Other current asset (note 5, 27a)	66,000	6,937
Prepaid expenses and deposits	33,724	25,342
Inventories (note 4)	922,192	959,633
	1,862,677	1,533,180
Other long-term assets (note 5, 27a)	55,033	43,670
Investment accounted for using equity method (note 6)	11,513	-
Deferred tax assets (note 7)	132,989	57,920
Accrued benefit asset (note 8)	14,104	9,299
Derivative financial instruments (note 20, 27a, b)	18,630	12,347
Property, plant and equipment (note 9)	206,760	192,670
Right-of-use asset (note 10)	116,726	108,092
Goodwill and intangible assets (note 11)	857,394	956,954
	\$ 3,275,826	\$ 2,914,132
Liabilities		
Current		
Accounts payable and accrued liabilities	687,207	627,536
Income tax payable	43,051	4,640
Current portion of long-term liabilities (note 13)	454,934	290,413
Senior unsecured debt (note 18)	35,226	19,609
Derivative financial instruments (note 27a, b, c)	1,620	1,340
	1,222,038	943,538
Accrued benefit liability (note 8)	2,265	2,511
Obligations under leases	119,720	112,699
Deferred compensation obligation (note 14)	2,801	1,671
Deferred revenue (note 16)	22,599	29,323
Provisions (note 17)	159,186	48,037
Deferred tax liabilities (note 7)	46,314	33,315
Senior unsecured debt (note 18)	-	30,431
Long-term debt (note 19)	268,419	610,237
Second lien debt (note 20)	606,919	173,741
Convertible debentures (note 21)	238,468	218,020
Derivative financial instruments (note 21, 27a, b)	649	2,855
	\$ 2,689,378	\$ 2,206,378
Commitments and contingencies (note 30)		
Shareholders' equity		
Share capital (note 22)	1,242,000	1,241,397
Stock option and restricted share unit reserve (note 15)	16,683	14,249
Accumulated other comprehensive income	28,513	10,736
Deficit	(700,748)	(558,628)
	\$ 586,448	\$ 707,754
	\$ 3,275,826	\$ 2,914,132

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

NFI GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the period ended December 28, 2025
(in thousands of U.S. dollars)

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive Earnings	Deficit	Total Shareholders' Equity
Balance, December 31, 2023	\$ 1,240,163	\$ 13,673	\$ 4,409	\$ (555,332)	\$ 702,913
Net loss	-	-	-	(3,296)	(3,296)
Other comprehensive earnings	-	-	6,327	-	6,327
Equity transaction cost	7	-	-	-	7
Share-based compensation, net of deferred income taxes	-	1,753	-	-	1,753
Shares issued	1,227	(1,177)	-	-	50
Balance, December 29, 2024	\$ 1,241,397	\$ 14,249	\$ 10,736	\$ (558,628)	\$ 707,754
Net loss	-	-	-	(142,120)	(142,120)
Other comprehensive earnings	-	-	17,777	-	17,777
Share-based compensation, net of deferred income taxes	-	2,811	-	-	2,811
Shares issued	603	(377)	-	-	226
Balance, December 28, 2025	\$ 1,242,000	\$ 16,683	\$ 28,513	\$ (700,748)	\$ 586,448

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

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

52-weeks ended December 28, 2025 (“Fiscal 2025”) and 52-weeks ended December 29, 2024 (“Fiscal 2024”)
(in thousands of U.S. dollars)

	Fiscal 2025	Fiscal 2024
Operating activities		
Net loss for the period	(142,120)	(3,296)
Income tax expense (recovery)	19,503	(3,168)
Depreciation of property, plant and equipment and right-of-use assets	48,371	47,782
Amortization of intangible assets	29,185	32,348
Impairment loss on property, plant and equipment (note 9)	504	-
Impairment loss on goodwill and intangible assets (note 11)	95,136	2,278
Equity method loss (note 6)	4,766	-
Share-based compensation	2,819	2,233
Interest and finance costs recognized in profit or loss	141,160	147,137
Unrealized foreign exchange loss (gain) on monetary items	1,826	(18,617)
Foreign exchange (gain) loss on cash held in foreign currency	(293)	1,517
Fair value adjustment on derivative financial instruments	(15,016)	(16,197)
(Gain) loss on disposition of property, plant and equipment	(93)	192
Loss on debt extinguishment (note 18, 19, 20)	43,185	234
Defined benefit expense (note 8)	3,629	3,771
Defined benefit funding	(2,660)	(2,830)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	229,902	193,384
Changes in non-cash working capital items (note 24)	71,890	(54,877)
Cash generated by operating activities before interest and income taxes paid	301,792	138,507
Interest paid	(91,158)	(121,107)
Income taxes paid	(36,966)	(2,060)
Net cash generated by operating activities	173,668	15,340
Financing activities		
Repayment of obligations under lease	(21,998)	(24,360)
Repayment of senior unsecured debt (note 18)	(20,000)	(5,000)
Proceeds from long-term debt and second lien debt (note 19, 20)	13,459	50,054
Proceeds from share issuance and stock options exercise	226	50
Share issuance costs	-	7
Net cash (used in) generated by financing activities	(28,313)	20,751
Investing activities		
Proceeds from disposition of property, plant and equipment (note 9)	100	963
Acquisition of property, plant and equipment and right-of-use asset (note 9, 10)	(33,876)	(30,314)
Acquisition of intangible assets (note 11)	(11,458)	(17,597)
Long-term restricted deposits	(15,144)	5,379
Proceeds from government grants used to acquire assets	-	6,937
Equity method investment (note 6)	(16,279)	-
Net cash used in investing activities	(76,657)	(34,632)
Effect of foreign exchange rate on cash	293	(1,517)
Increase (decrease) in cash	68,991	(58)
Cash – beginning of period	49,557	49,615
Cash – end of period	\$ 118,548	\$ 49,557

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

1. CORPORATE INFORMATION

1.1 Corporate information

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

These audited consolidated financial statements (the "Statements") were approved by NFI's board of directors (the "Board") on March 11, 2026.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

2.2 Principles of consolidation

The Statements include the accounts of the Company's subsidiaries and joint ventures.

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

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

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

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

Inter-company transactions between subsidiaries are eliminated on consolidation.

In addition, a joint operation or a joint venture exists where the Company controls an entity's activities jointly with a third party on the basis of a contractual agreement and decisions about the relevant activities require the unanimous consent of the parties sharing control. The parties jointly controlling a joint venture have rights to the net assets of the arrangement. There is one joint venture that is accounted for using the equity method as described under note 2.16.

2.3 Reportable segments

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Foreign currency

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

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

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

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

2.5 Revenue recognition

Manufacturing Operations

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Revenue recognition (Continued)

Aftermarket Operations

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

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

2.6 Employee benefits

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

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

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

2.7 Share-based compensation plans

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

For the cash-settled plans, the expense is determined based on the fair value of the liability at the end of the reporting period until the awards are settled. Certain share-based compensation plans include non-market performance conditions. The Company's accounting policy is to recognize the impact of non-market performance conditions by adjusting the number of awards that are expected to vest. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions on compensation expense (note 29) in the consolidated statements of net loss and total comprehensive (loss) earnings.

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

2.8 Cash

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Accounts receivables

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

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

2.10 Inventories

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

2.11 Other assets

Other assets include lease receivable, restricted deposits, assets acquired through a battery settlement, and escrow receivable. The restricted deposits are bonds invested with original maturity at the date of purchase of twelve months or less.

On December 15, 2025, the Company entered into the master settlement agreement (“battery settlement”) with XALT Energy, LLC and its subsidiaries (“XALT”), as disclosed in note 5. Under the terms of the battery settlement, the Company is entitled to receive monetary items such as cash and escrow funds, and non-monetary items such as battery modules and intellectual property. The monetary items are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. The non-monetary items are recognized initially at fair value and subsequently carried at fair value through profit and loss, with changes recognized in the consolidated statements of net loss and total comprehensive (loss) earnings.

These assets relate to warranty claim against XALT are expected to be received within the next twelve months, as such classified within other current assets in the consolidated statements of financial position.

2.12 Property, plant and equipment

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

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

Property, plant and equipment are tested for impairment as described under “Impairment of non-financial assets” in note 2.17.

2.13 Right-of-use assets

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

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

Land, building and building improvements	4 - 35 years
Machinery and equipment	15 months - 5 years
Computer hardware and software	14 months - 5 years

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Right-of-use assets (Continued)

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

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

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

2.14 Intangible assets

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

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

Patents and Licenses	5-12 years
Customer relationships	21 years
Internally developed intellectual property	5-7 years

Identifiable intangible assets with finite and indefinite lives are tested for impairment as described under "Impairment of non-financial assets" in note 2.17.

2.15 Goodwill

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

2.16 Investment accounted for using the equity method

Investment accounted for using the equity method is initially accounted for at cost. Any acquisition-related costs are not expensed but are included as part of the cost of the investment. The carrying amount is subsequently increased or reduced by prorated profits or losses and other comprehensive income or loss in joint venture. Dividends received reduce carrying value of the investment. An impairment loss is recognized for investments accounted for using the equity method, if the recoverable amount is less than the carrying amount.

2.17 Impairment of non-financial assets

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.18 Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses, unless the losses relate to an onerous contract. A contingent gain may arise from unplanned or unexpected events that give rise to the possibility of an inflow of economic benefits to the Company. Contingent gains are recognized when it becomes virtually certain that an inflow of economic benefits will arise.

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

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

A provision for product recalls is recognized when management becomes aware of a defect or safety issue that requires action, and the cost of such action can be reliably estimated. The provision is based upon management's best estimate of the expected expenditure required to settle the obligation at the reporting date.

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

2.19 Long-term debt and second lien debt

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

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

2.20 Convertible debentures

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

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

2.21 Financial instruments

Financial assets

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.21 Financial instruments (Continued)

(i) Financial assets at fair value through profit or loss

Classification

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

Recognition and measurement

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

(ii) Financial assets carried at amortized cost

Classification

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

Recognition and measurement

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

(iii) Financial liabilities carried at amortized cost

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

(iv) Hedge accounting and derivative instruments

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

(v) Embedded Derivatives

An embedded derivative is a derivative component attached to a non-derivative contract. The Company has two embedded derivatives, the optional redemption of the Company's second lien debt and cash conversion option of the Company's convertible debentures. These embedded derivatives meet separation criteria outlined in IFRS 9.4.3.3, and are recognized and measured separately from second lien debt and convertible debentures. These embedded derivatives are measured in accordance with IFRS Accounting Standards, measured initially at fair value, with changes in fair values recognized within the consolidated statements of net loss and total comprehensive (loss) earnings.

2.22 Taxation

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.22 Taxation (Continued)

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

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

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

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

2.23 Investment tax credits

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

2.24 Critical accounting estimates and judgments

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

Critical accounting estimates and assumptions

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

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

Inventories

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Critical accounting estimates and judgments (Continued)

Assets acquired through settlement

The valuation of the battery modules acquired through the battery settlement with XALT, as described in note 2.11, involves the use of significant accounting estimates and assumptions. In the absence of observable market prices for these non-monetary assets, management exercised judgment in determining an appropriate valuation methodology and in estimating key assumptions. These include expected timing and volume of consumption of the battery modules, expected degradation of the modules and warranty-related considerations.

As at December 28, 2025, the fair value of battery modules received through settlement was \$48.0 million.

Property, plant and equipment

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

Intangible assets and goodwill

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

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

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

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

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

Insurance provisions

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

Warranty and recall provisions

Estimated provision around the Company's warranty claims relating to the base warranty on the entire bus or motor coach and a corrosion warranty in the related structure involves significant estimates. Management estimates the related provision based on expected future warranty costs utilizing past claims experience.

Recall provisions are established based on the Company's best estimate of the amounts necessary to settle existing claims which typically consider: the number of units that may be returned; the cost of the product being replaced; labour to remove and replace the defective part; and the customer's administrative costs relating to the recall.

Accrued benefit asset (liability)

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Critical accounting estimates and judgments (Continued)

Deferred compensation obligation

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

Income taxes

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

The Company is subject to taxation in multiple jurisdictions. Significant judgment is required in determining the worldwide provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty.

These provisions for uncertain tax positions are made using management's best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions as at the date of each consolidated statements of financial position.

However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Provision for warranty and campaign costs

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

Critical judgments in applying accounting policies

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

Assets acquired through settlement

Judgment was required in determining the appropriate accounting treatment and valuation methodology for the battery modules received as non-monetary assets under the settlement with XALT. This included assessing expected timing and volume of consumption of the battery modules, expected degradation of the modules and warranty-related considerations.

Management also exercised judgment in assessing the probability and virtual certainty of reimbursement related to settlement arrangements, which affects the recognition of related reimbursement assets.

Revenue recognition

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Critical accounting estimates and judgments (Continued)

Functional currency

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

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

Goodwill

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

2.25 Standards issued but not yet 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. While much of IAS 1 is carried forward to the new standard with only limited wording changes, IFRS 18 introduces several new requirements:

- Classification of all income and expense in the consolidated statements of net loss and total comprehensive (loss) earnings
- Presentation of two new mandatory subtotals
- Mandatory disclosures about a sub-set of alternative performance measures ('management-defined performance measures' or 'MPMs') in a single note to the financial statements
- Enhanced guidance on the aggregation, location and labelling of information in the primary financial statements and the notes
- Some requirements currently included within IAS 1 have been moved (mostly unchanged) to IAS 8 and, to a much lesser extent, to IFRS 7. IFRS 18, once effective, also makes narrow scope amendments to other IFRS accounting standards including:
 - IAS 7 Statement of cash flows
 - IAS 33 Earnings per share
 - IAS 34 Interim financial reporting

Initial adoption of the requirements under IFRS 18 will be obligatory for annual reporting periods on or after January 1, 2027. Management is currently assessing the impact of these standards on the Statements.

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

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

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

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

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

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2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.25 Standards issued but not yet adopted (Continued)

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.

Initial adoption of the amendments under IFRS 10 will be obligatory for annual reporting periods on or after January 1, 2026. Initial adoption of the amendments under IAS 28 will be obligatory for annual periods beginning on or after a date to be determined by the International Accounting Standards Board. Management is currently assessing the impact of these standards on the Statements.

3. ACCOUNTS RECEIVABLE

	December 28, 2025	December 29, 2024
Trade, net of allowance for doubtful accounts (note 27e)	\$ 676,040	\$ 449,081
Other	45,758	40,650
	<u>\$ 721,798</u>	<u>\$ 489,731</u>

4. INVENTORIES

	December 28, 2025	December 29, 2024
Raw materials	\$ 352,997	\$ 394,521
Work in process	483,113	477,398
Finished goods	86,082	87,714
	<u>\$ 922,192</u>	<u>\$ 959,633</u>

	Fiscal 2025	Fiscal 2024
Cost of inventories recognized as expense and included in cost of sales	\$ 2,957,988	\$ 2,647,729
Write-(up) down of inventory to net realizable value in cost of sales	(593)	4,413

5. OTHER ASSETS

	December 28, 2025	December 29, 2024
Restricted deposit(s) (note 27b)	\$ 53,144	\$ 46,999
Long-term accounts receivable	1,889	3,608
Assets acquired through settlement (note 30e)	56,000	-
Escrow receivable (note 30e)	10,000	-
Less: current portion of other assets	66,000	6,937
Total other long-term assets	<u>\$ 55,033</u>	<u>\$ 43,670</u>

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. The details of the provisions as a result of the voluntary recall are further discussed in note 17. As part of the battery settlement, the Company is 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.

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5. OTHER ASSETS (Continued)

The assets and escrow payments are classified in current as they are expected to receive within the next twelve months. Further details are discussed in note 30.

In fiscal 2024, the Company entered into a contribution agreement with Manitoba Development Corporation (“MDC”), pursuant to which the Company received C\$10.0 million on December 6, 2024, for the purpose of adding to its Canadian production capabilities to allow for all Canadian build of transit buses. As at December 28, 2025, the full amount of MDC previously received was released following the satisfaction of the related contractual conditions of the agreement and became available for general corporate purposes.

6. 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 joint venture prepares its financial statements as at September 30, 2025, which differs from the Company’s reporting date. The Company uses the management financial information provided by the joint venture as December 28, 2025 to reflect the transactions occurred between the joint venture’s and the Company’s reporting date.

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:

	Fiscal 2025	Fiscal 2024
Share of net loss	\$ 4,766	\$ -
Tax recorded through net loss	(1,001)	-
Share of net loss after income taxes	\$ 3,765	\$ -
Net carrying amount	\$ 11,513	\$ -

The share of net loss recognized in the consolidated statements of net loss and total comprehensive (loss) earnings includes the transaction costs of \$2.6 million.

7. DEFERRED TAXES AND INCOME TAX EXPENSE

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

	December 28, 2025	December 29, 2024
As presented on the consolidated statements of financial position:		
Deferred tax assets	\$ 132,989	\$ 57,920
Deferred tax liabilities	(46,314)	(33,315)
	\$ 86,675	\$ 24,605

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

	Fiscal 2025	Fiscal 2024
Beginning of period	\$ 24,605	\$ (13,715)
Exchange rate differences	1,003	(1,382)
Tax recorded through net loss	60,455	39,479
Tax recorded through other comprehensive (loss) earnings	(1,003)	(910)
Investment tax credits	303	1,133
Tax recorded through equity	1,312	-
End of period	\$ 86,675	\$ 24,605

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7. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

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

Deferred tax assets	Property, Plant, and Equipment	Non-deductible reserves and accruals	Provisions	Right-of-Use Assets	Loss carryforward	Pension	Deferred financing costs and interest	Other	Total
December 31, 2023	\$ 3,228	\$ 14,412	\$ 17,973	\$ 27,892	\$ 46,948	\$ 968	\$ 44,798	\$ 11,661	\$ 167,880
Tax recorded through net loss	1,827	(4,666)	14,130	(1,003)	3,011	735	15,757	(1,779)	28,012
Tax recorded through other comprehensive earnings	-	-	-	-	-	(910)	-	-	(910)
Investment tax credits	-	-	-	-	-	-	-	1,133	1,133
Exchange rate differences	(25)	(111)	(141)	(218)	(368)	(8)	(354)	(66)	(1,291)
December 29, 2024	5,030	9,635	31,962	26,671	49,591	785	60,201	10,949	194,824
Tax recorded through net loss	(5,056)	4,281	64,563	3,642	(30,602)	214	3,261	1,637	41,940
Tax recorded through other comprehensive loss	-	-	-	-	-	(1,003)	-	-	(1,003)
Investment tax credits	-	-	-	-	-	-	-	303	303
Exchange rate differences	26	49	167	139	238	33	316	35	1,003
December 28, 2025	\$ -	\$ 13,965	\$ 96,692	\$ 30,452	\$ 19,227	\$ 29	\$ 63,778	\$ 12,924	\$ 237,067

Deferred tax liabilities	Property, Plant, and Equipment	Goodwill and Intangibles	Right-of-Use Assets	Other	Total
December 31, 2023	\$ (9,635)	\$ (137,516)	\$ (24,229)	\$ (10,215)	\$ (181,595)
Tax recorded through net loss	3,294	9,102	1,934	(2,863)	11,467
Cumulative translation adjustment	-	(91)	-	-	(91)
December 29, 2024	(6,341)	(128,505)	(22,295)	(13,078)	(170,219)
Tax recorded through net loss	(1,767)	19,323	(3,233)	4,192	18,515
Cumulative translation adjustment	-	1,312	-	-	1,312
December 28, 2025	\$ (8,108)	\$ (107,870)	\$ (25,528)	\$ (8,886)	\$ (150,392)

Deferred income tax assets are recognized to the extent it is possible that sufficient future taxable income will be available to allow a deferred tax asset to be utilized. At December 28, 2025, the Company has recognized all of its deferred income tax assets with the exception of: loss carry forwards in Canada and the UK in the amount of \$29,547 and \$33,281 respectively, equity issuance costs in Canada of \$2,750 and restricted interest in the UK of \$21,424.

At December 28, 2025, the Company has the following tax credit and loss pools expiring as follows:

	United States		Canada		Other	
	Tax credits	Tax losses	Tax credits	Tax losses	Tax credits	Tax losses
2026-2029	-	385	-	-	-	-
2030	-	68	582	-	-	-
2031	-	-	-	-	-	-
2032	-	-	-	-	-	-
2033-2035	-	-	170	-	-	-
2038	-	-	-	-	-	-
2039	-	-	-	19,845	-	-
2040	-	-	582	28,493	-	-
2041	-	-	85	3,366	-	-
2042	-	-	284	35,745	-	-
2043	-	-	293	58,998	-	-
2044	-	-	323	24,866	-	-
2045	-	-	125	1,122	-	-
No expiry	-	-	-	-	2,945	143,296

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7. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

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

	Fiscal 2025	Fiscal 2024
Loss before income tax expense	\$ (122,617)	\$ (6,464)
Tax calculated using a 21% U.S. tax rate	(25,750)	(1,357)
Tax effect of:		
Withholding and other taxes	772	1,372
Non-deductible expense (non-taxable income)	4,402	782
Derecognition of previously recognized deferred tax assets	39,822	(2,148)
Revision of tax estimates	(1,486)	(597)
Foreign exchange impact	1,196	(410)
State taxes	(4,946)	1,398
Foreign tax credit pools and base erosion and anti-abuse tax	224	851
Rate differential on income taxed at other than U.S. statutory rate	3,495	(2,007)
Other	1,774	(1,052)
Income tax expense (recovery)	\$ 19,503	\$ (3,168)
Current income taxes expense	\$ 79,958	\$ 36,311
Deferred income tax recovery	(60,455)	(39,479)
	\$ 19,503	\$ (3,168)

Income tax recovery recognized in the consolidated statements of net loss and total comprehensive (loss) earnings in Fiscal 2025 includes \$0.2 million current tax expense (Fiscal 2024: \$1.1 million) related to Pillar Two income taxes.

8. ACCRUED BENEFIT ASSET (LIABILITY)

Defined benefit plan

Certain of the Company's subsidiaries have defined benefit plans which cover certain employees in Canada and the United States. Actuarial valuations for the Company's subsidiaries were last performed as at December 31, 2024.

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

	December 28, 2025	December 29, 2024
Change in plan assets		
Plan assets at fair value - beginning of period	\$ 94,126	\$ 92,313
Interest income	4,449	4,108
Remeasurement gains - return on plan assets (excluding amounts in net interest)	2,671	7,815
Administrative expenses	(547)	(393)
Employer's contributions	2,679	2,982
Benefits paid	(7,477)	(4,577)
Foreign exchange gain (loss)	5,115	(8,122)
Plan assets at fair value - end of period	101,016	94,126
Change in defined benefit obligation		
Defined benefit obligation - beginning of period	87,338	91,011
Current service cost	3,748	3,800
Interest cost	4,118	4,036
Benefits paid	(7,477)	(4,577)
Foreign exchange loss (gain)	4,669	(7,654)
Actuarial (gain) loss arising from changes in financial assumptions	(3,219)	722
Defined benefit obligation - end of period	89,177	87,338
Accrued benefit asset - present value of unfunded obligations	\$ 11,839	\$ 6,788

The actual return on the plan assets for Fiscal 2025 was \$7,120 (Fiscal 2024: \$11,923).

8. ACCRUED BENEFIT ASSET (LIABILITY) (Continued)

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

Country	Mortality Table	Fiscal 2025	Fiscal 2024
		Discount Rate	
Canada	CPM2014 Private sector with Scale MI-2017 with size adjustment	4.70 %	4.60 %
Canada	CPM2014 Private combined with the MI-2017 improvement scale	3.70 % - 5.00 %	3.96 % - 4.74 %
US	Private-2012 MP2021	4.50 %	4.75 %

Country	Last valuation date	Next valuation date	Discount rate - sensitivity		Life expectancy - sensitivity	
			1% increase	1% decrease	one year increase	one year decrease
			Then obligation would decrease by:	Then obligation would increase by:	Then obligation would increase by:	Then obligation would decrease by:
Canada	December 31, 2024	December 31, 2027	13.2 %	16.4 %	1.2 %	1.2 %
Canada	December 31, 2024	December 31, 2027	11.7 %	14.8 %	4.5 %	4.5 %

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

Investment risk

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

Interest rate risk

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

Longevity risk

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

The Company's defined benefit plans are a fixed benefit plan and, as a result, the rate of compensation increases does not have any impact on the actuarially determined accrued benefit liability. Future expected contributions to the defined benefit plan for the 52-week period ending December 28, 2025 are \$2,807 (Fiscal 2024: \$2,912).

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

	Fiscal 2025	Fiscal 2024
Current service costs	\$ 3,748	\$ 3,800
Net interest income	(331)	(72)
Administrative expenses	547	393
Foreign exchange gain	(335)	(350)
Components of defined benefit costs recognized in net loss	\$ 3,629	\$ 3,771

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8. ACCRUED BENEFIT ASSET (LIABILITY) (Continued)

	Fiscal 2025	Fiscal 2024
Remeasurement gains - return on plan assets (excluding amounts in net interest)	\$ 2,671	\$ 7,815
Actuarial gain (loss) arising from changes in financial assumptions	3,219	(722)
Foreign exchange (loss) gain	(293)	169
	5,597	7,262
Deferred income taxes recorded through other comprehensive (loss) earnings	(565)	(1,001)
Net actuarial gains recognized in other comprehensive (loss) earnings	\$ 5,032	\$ 6,261

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

	December 28, 2025	December 29, 2024
Asset category		
Cash and cash equivalents	0.7%	0.8%
Canadian equities	9.7%	15.5%
Foreign equities	39.9%	35.9%
Real estate	6.4%	6.4%
Bonds	43.4%	41.4%
	100.0%	100.0%

9. PROPERTY, PLANT AND EQUIPMENT

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Office equipment	Demo buses and coaches	Buses and coaches available for lease	Total
Cost	\$ 128,979	\$ 245,217	\$ 60,700	\$ 8,075	\$ 56,508	\$ 23,213	\$ 522,692
Accumulated depreciation	30,705	171,752	47,990	6,461	48,241	23,069	328,218
December 31, 2023 net book value	98,274	73,465	12,710	1,614	8,267	144	194,474
Additions	6,800	17,923	2,220	(66)	703	2,734	30,314
Transfer (to) from inventory	(3,168)	514	(163)	-	(58)	(1,885)	(4,760)
Disposals	(212)	(293)	(3)	-	(15)	-	(523)
Depreciation charge	(4,027)	(16,524)	(3,625)	(164)	(4,193)	(625)	(29,158)
Cumulative translation adjustment	(208)	2,685	(10)	(5)	(139)	-	2,323
December 29, 2024 net book value	97,459	77,770	11,129	1,379	4,565	368	192,670
Additions	4,826	24,923	1,901	48	1,902	276	33,876
Transfer (to) from inventory	-	-	-	-	(725)	6,283	5,558
Disposals	-	(1,892)	-	-	172	-	(1,720)
Depreciation charge	(5,820)	(14,676)	(3,052)	(179)	(2,550)	(947)	(27,224)
Impairment charge	-	(504)	-	-	-	-	(504)
Cumulative translation adjustment	(966)	3,861	290	(68)	668	319	4,104
December 28, 2025 net book value	\$ 95,499	\$ 89,482	\$ 10,268	\$ 1,180	\$ 4,032	\$ 6,299	\$ 206,760

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9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Office equipment	Demo buses and coaches	Buses and coaches available for lease	Total
Recorded as:							
Cost	\$ 132,191	\$ 266,046	\$ 62,744	\$ 8,004	\$ 56,999	\$ 24,062	\$ 550,046
Accumulated depreciation	34,732	188,276	51,615	6,625	52,434	23,694	357,376
December 29, 2024 net book value	\$ 97,459	\$ 77,770	\$ 11,129	\$ 1,379	\$ 4,565	\$ 368	\$ 192,670
Cost	152,946	295,655	73,759	8,068	38,821	12,153	581,402
Accumulated depreciation	57,447	206,173	63,491	6,888	34,789	5,854	374,642
December 28, 2025 net book value	\$ 95,499	\$ 89,482	\$ 10,268	\$ 1,180	\$ 4,032	\$ 6,299	\$ 206,760

10. RIGHT-OF-USE ASSETS

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Total
Cost	\$ 170,866	\$ 55,205	\$ 16,801	\$ 242,872
Accumulated depreciation	66,506	47,466	14,463	128,435
December 31, 2023 net book value	104,360	7,739	2,338	114,437
Additions	9,069	4,372	1,212	14,653
Modification	(1,742)	-	-	(1,742)
Disposals	(593)	(39)	-	(632)
Depreciation charge	(13,328)	(4,337)	(960)	(18,625)
Cumulative translation adjustment	117	(116)	-	1
December 29, 2024 net book value	97,883	7,619	2,590	108,092
Additions	13,740	10,928	3,807	28,475
Modification	132	-	-	132
Disposals	(12)	(63)	-	(75)
Depreciation charge	(14,191)	(5,105)	(1,851)	(21,147)
Cumulative translation adjustment	955	313	(19)	1,249
December 28, 2025 net book value	\$ 98,507	\$ 13,692	\$ 4,527	\$ 116,726

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Total
Recorded as:				
Cost	\$ 177,717	\$ 59,422	\$ 18,013	\$ 255,152
Accumulated depreciation	79,834	51,803	15,423	147,060
December 29, 2024 net book value	\$ 97,883	\$ 7,619	\$ 2,590	\$ 108,092
Cost	192,532	70,600	21,801	284,933
Accumulated depreciation	94,025	56,908	17,274	168,207
December 28, 2025 net book value	\$ 98,507	\$ 13,692	\$ 4,527	\$ 116,726

Total cash outflows for payments on lease liabilities was \$29.6 million for the period ended December 28, 2025 (Fiscal 2024: \$32.8 million) of which \$22.0 million (Fiscal 2024: \$22.7 million) was for principal repayments.

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

11. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trade names	Patents and Licenses	Customer relationships	Internally developed intellectual property	Total
Cost	\$ 413,171	\$ 267,759	\$ 154,712	\$ 522,214	\$ 21,138	\$ 1,378,994
Accumulated amortization	-	2,613	154,021	244,431	1,552	402,617
December 31, 2023 net book value	413,171	265,146	691	277,783	19,586	976,377
Additions	-	-	37	-	17,560	17,597
Amortization charge	-	(275)	(724)	(28,888)	(2,461)	(32,348)
Impairment loss	-	-	-	-	(2,278)	(2,278)
Cumulative translation adjustment	(656)	(563)	13	(426)	(762)	(2,394)
December 29, 2024 net book value	412,515	264,308	17	248,469	31,645	956,954
Additions	-	-	4,584	-	6,874	11,458
Amortization charge	-	(275)	(1,440)	(23,357)	(4,113)	(29,185)
Impairment loss	(9,965)	(28,886)	(2,655)	(40,985)	(12,645)	(95,136)
Cumulative translation adjustment	3,476	3,170	(485)	5,879	1,263	13,303
December 28, 2025 net book value	\$ 406,026	\$ 238,317	\$ 21	\$ 190,006	\$ 23,024	\$ 857,394

	Goodwill	Trade names	Patents and Licenses	Customer relationships	Internally developed intellectual property	Total
Recorded as:						
Cost	\$ 412,515	\$ 267,196	\$ 154,762	\$ 521,788	\$ 35,658	\$ 1,391,919
Accumulated amortization	-	2,888	154,745	273,319	4,013	434,965
December 29, 2024 net book value	\$ 412,515	\$ 264,308	\$ 17	\$ 248,469	\$ 31,645	\$ 956,954
Cost	406,026	241,480	156,206	486,682	31,150	1,321,544
Accumulated amortization	-	3,163	156,185	296,676	8,126	464,150
December 28, 2025 net book value	\$ 406,026	\$ 238,317	\$ 21	\$ 190,006	\$ 23,024	\$ 857,394

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

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

CGUs	2025	2024
North America Bus and Coach manufacturing	14.0 to 15.0%	14.0 to 15.0%
ARBOC	14.8 to 15.8%	14.8 to 15.8%
AD manufacturing	12.5 to 13.5%	13.8 to 14.8%
AD parts	14.0 to 15.0%	14.0 to 15.0%
NFI Parts	13.3 to 14.3%	13.3 to 14.3%

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

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

11. GOODWILL AND INTANGIBLE ASSETS (Continued)

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

- The discount rate is higher by at least 0.5%
- The long-term growth rate is lower by 0.5%

In June 2025, Alexander Dennis initiated a consultation on a new strategy for its United Kingdom (UK) manufacturing operations. The proposed restructuring aimed to align UK business with evolving market conditions, reduce overall costs, streamline responsibilities, and enhance efficiency by eliminating duplicate functions and activities. As part of the statutory consultation process, up to 400 roles were placed at risk of redundancy, closure of the Falkirk, Scotland manufacturing facility, and the suspension of production lines at the Larbert, Scotland facility upon completion of existing contracts.

In September 2025, Alexander Dennis announced its intention to keep the Larbert, Scotland manufacturing facility open and operational, and to limit the expected role reductions. Alexander Dennis continues to propose further changes to its business structure, with expectations that some roles not directly linked to Sottish manufacturing remain at risk of redundancy in the ongoing statutory consultation.

Based on the above factors, in Q2 2025, the Company recognized an impairment charge of \$4.3 million related to property, plant, and equipment, of which \$3.8 million was recovered, \$85.2 million related to intangible assets, and \$10.0 million related to goodwill reflecting revised expectations for future cash flows in the AD manufacturing CGU.

In Fiscal 2024, the Company recognized an impairment loss on a New Product Development (“NPD”) project for \$1.0 million, as well as an impairment loss on an intangible asset that was discontinued for \$1.3 million.

12. SUPPLIER FINANCING ARRANGEMENTS

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

	December 28, 2025		December 29, 2024	
	Amounts for which suppliers have received payments	Total	Amounts for which suppliers have received payments	Total
Accounts payable and accrued liabilities	\$ 9,977	\$ 12,133	\$ 11,920	\$ 18,814
	\$ 9,977	\$ 12,133	\$ 11,920	\$ 18,814

Range of payment due dates	December 28, 2025
Liabilities that are part of supplier finance arrangements	90 days following the end of month invoice was raised
Comparable trade payables that are not part of a supplier finance arrangement	90 days following the end of month invoice was raised

Non-cash changes

There were no non-cash transfers arising from supplier finance arrangements during either Fiscal 2025 or Fiscal 2024.

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13. CURRENT PORTION OF LONG-TERM LIABILITIES

	December 28, 2025	December 29, 2024
Deferred compensation obligation (note 14)	\$ 6,864	\$ 3,939
Deferred revenue (note 16)	245,753	220,601
Obligations under leases	20,718	16,811
Provisions (note 17)	180,137	49,062
Government of Canada loan (note 19)	1,462	-
	<u>\$ 454,934</u>	<u>\$ 290,413</u>

14. DEFERRED COMPENSATION OBLIGATION

	December 28, 2025	December 29, 2024
Performance share units under the PRSU Plan (officers and senior management)	\$ 4,093	\$ 1,671
Restricted share units under PRSU Plan (officers and executive management)	1,824	1,413
Deferred share units under DSU Plan (non-employee board of directors)	3,748	2,526
	<u>9,665</u>	<u>5,610</u>
Less: current portion (note 13)	<u>6,864</u>	<u>3,939</u>
	<u>\$ 2,801</u>	<u>\$ 1,671</u>

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

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

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

RSUs and PSUs granted in Fiscal 2025 were determined based on the volume weighted average trading price of a Share for the last five trading days of 2024 and the desired compensation value.

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

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

14. DEFERRED COMPENSATION OBLIGATION (Continued)

	PSUs	RSUs	DSUs	Total
Units outstanding at December 31, 2023	307,794	129,185	256,874	693,853
Units granted	286,748	143,374	58,443	488,565
Units expired	(39,045)	(20,964)	-	(60,009)
Units redeemed	-	(98,250)	(37,174)	(135,424)
Vested and reclassified as current liability	-	(20,601)	-	(20,601)
Units outstanding at December 29, 2024	555,497	132,744	278,143	966,384
Units granted	275,328	140,018	51,113	466,459
Units expired	(33,443)	(11,718)	-	(45,161)
Units redeemed	-	(93,896)	-	(93,896)
Vested and reclassified as current liability	(281,362)	(36,450)	-	(317,812)
Units outstanding at December 28, 2025	516,020	130,698	329,256	975,974
Vested units	-	-	329,256	329,256
Unvested units	516,020	130,698	-	646,718

15. SHARE-BASED COMPENSATION - EQUITY SETTLED

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

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

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

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

Option grant dates	Number of Options	Exercised	Expired	Vested	Unvested	Expiry dates	Weighted average exercise price	Fair Value at grant date
January 3, 2017	151,419	(1,610)	(149,809)	-	-	January 3, 2025	C\$40.84	C\$7.74
January 2, 2018	152,883	-	(30,942)	(121,941)	-	January 2, 2026	C\$54.00	C\$9.53
January 2, 2019	284,674	-	(62,446)	(222,228)	-	January 2, 2027	C\$33.43	C\$5.01
July 15, 2019	2,835	-	(2,835)	-	-	July 15, 2027	C\$35.98	C\$4.90
December 31, 2019	519,916	-	(150,424)	(369,492)	-	December 31, 2027	C\$26.81	C\$3.36
December 28, 2020	255,956	-	(61,803)	(194,153)	-	December 28, 2028	C\$24.70	C\$6.28
February 10, 2021	1,894	-	(1,894)	-	-	December 28, 2028	C\$28.74	C\$6.28
August 16, 2021	601	-	-	(451)	150	August 16, 2029	C\$30.79	C\$6.28
January 3, 2022	311,892	-	(59,794)	(189,076)	63,022	January 3, 2030	C\$20.26	C\$6.10
April 1, 2022	1,728	-	(1,728)	-	-	April 3, 2030	C\$16.25	C\$6.51
January 9, 2023	374,448	(16,303)	(50,707)	(152,356)	155,082	January 9, 2031	C\$10.46	C\$5.28
January 2, 2024	314,835	(3,803)	(42,719)	(65,903)	202,410	January 2, 2032	C\$13.54	C\$7.12
March 5, 2024	2,894	-	-	(724)	2,170	March 5, 2032	C\$11.76	C\$6.24
June 3, 2024	8,196	-	-	(2,049)	6,147	January 2, 2032	C\$15.38	C\$8.22
January 2, 2025	317,517	-	(11,807)	-	305,710	January 2, 2033	C\$13.81	C\$7.22
June 9, 2025	1,181	-	-	-	1,181	June 9, 2033	C\$15.36	C\$8.18
June 23, 2025	1,361	-	-	-	1,361	June 23, 2033	C\$15.36	C\$8.18
	2,704,230	(21,716)	(626,908)	(1,318,373)	737,233		C\$21.95	

The following reconciles the share options outstanding:

	Fiscal 2025		Fiscal 2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of period	1,973,558	C\$24.25	2,018,117	C\$26.00
Granted during the period	320,059	C\$13.82	325,925	C\$13.57
Expired during the period	(219,274)	C\$31.72	(369,115)	C\$24.64
Exercised during the period	(18,737)	C\$11.09	(1,369)	C\$10.46
Balance at the end of period	2,055,606	C\$21.95	1,973,558	C\$24.25

Fair values were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in Fiscal 2025 and Fiscal 2024 are the following:

Options grant date	January 2, 2025	January 2, 2024
Fair value at grant date (C\$)	\$7.22	\$7.12
Share price (C\$)	\$13.81	\$13.54
Exercise price (C\$)	\$13.81	\$13.54
Expected volatility	54.89%	54.90%
Option life (expected weighted average life)	5.5 years	5.5 years
Expected dividends	0.00%	0.00%
Risk-free interest rate (based on government bonds)	3.01%	3.18%

On May 8, 2014, shareholders' approved the Company's Restricted Share Unit Plan for Non-Employee Directors (the "Director RSU Plan"). The Director RSU Plan was amended and restated on December 8, 2015, December 31, 2017, March 14, 2019 and September 14, 2020. A maximum of 500,000 Shares are reserved for issuance under the Director RSU Plan. On May 9, 2025, shareholders' approved the Company's new Restricted Share Unit Plan for Non-Employee Directors (the "2025 Director RSU Plan"). A maximum of 500,000 Shares are available for issuance under the 2025 Director RSU Plan.

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

Pursuant to the plans, non-employee directors are permitted to elect, once each calendar year, to receive all or a portion of their annual retainer in the form of restricted share units ("Director RSUs") and/or DSUs instead of cash. A Director RSU is a right to acquire a fully-paid and non-assessable Share credited by means of a bookkeeping entry to an account in the name of the non-employee director.

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

	Number of Director RSUs
Balance - December 31, 2023	165,112
Director RSUs issued	64,769
Director RSUs exercised	(112,158)
Balance - December 29, 2024	117,723
Director RSUs issued	90,674
Director RSUs exercised	(32,924)
Balance - December 28, 2025	175,473

16. DEFERRED REVENUE

	December 28, 2025	December 29, 2024
Extended warranties	\$ 16,493	\$ 13,252
Progress payments	249,250	224,227
Deferred government grants	2,608	12,445
	268,351	249,924
Less: current portion of deferred revenue (note 13)	245,753	220,601
	\$ 22,599	\$ 29,323

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

17. PROVISIONS

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

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

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). As a result, NFI recognized a warranty provision of \$229.9 million, 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.

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17. PROVISIONS (Continued)

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 the restructuring provision consisting of costs associated with the closure and termination of the lease in respect of the Guildford, UK facility operated by AD, which has been terminated in Fiscal 2025. The other category also 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. During the Fiscal 2025, the Company recognized recoveries of \$12.6 million related to previously expected role reductions.

	Insurance Risk Retention	Warranty	Other	Total
December 31, 2023	\$ 30,429	\$ 63,158	\$ 2,432	\$ 96,019
Additions	15,014	69,607	7,757	92,378
Amounts used/realized	(12,956)	(68,949)	(7,344)	(89,249)
Unused provision	80	-	(1,167)	(1,087)
Unwinding of discount and effect of changes in the discount rate	-	(138)	-	(138)
Exchange rate differences	10	(816)	(18)	(824)
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
	32,740	306,159	424	339,323
Less: current portion (note 13)	1,746	177,967	424	180,137
December 28, 2025	\$ 30,994	\$ 128,192	-	\$ 159,186

18. SENIOR UNSECURED DEBT

	Face Value	Unamortized Transaction Costs	Net Book Value December 28, 2025	Net Book Value December 29, 2024
MDC	\$ 36,560	\$ 146	\$ 36,414	\$ 34,683
Unamortized interest benefit	(1,188)	-	(1,188)	(4,252)
EDC	-	-	-	19,609
Less: current portion of senior unsecured debt	35,372	146	35,226	19,609
	\$ -	\$ -	\$ -	\$ 30,431

In 2023, the Company finalized agreements with MDC for C\$50 million debt facility, for general corporate purposes, and with Export Development Canada ("EDC") for two credit facilities of up to \$150 million, to support supply chain financing ("supply chain financing facility") for \$50 million and surety and performance bonding requirements for new contracts ("Guarantee Facility") for up to \$100 million. Furthermore, both MDC facility and EDC supply chain financing facility were extended to April 30, 2026.

On January 10, 2024, the Company entered into amended agreements with EDC to increase the size of the Guarantee Facility from \$100 million to \$125 million. The amended Guarantee Facility was made up of an Account Performance Security Guarantee ("PSG") up to \$50 million and Surety Reinsurance Support up to \$75 million. On July 17, 2024, the Company entered into an amended agreement with EDC to increase the size of the Guarantee Facility from \$125 million to \$145 million, an increase on PSG of up to \$90 million and a decrease in Surety Reinsurance Support up to \$55 million.

On November 13, 2025, the Company entered into an amended agreement with EDC to increase the PSG of up to \$135 million, with a total increase in size of the Guarantee Facility from \$145 million to \$190 million.

All amounts outstanding under the EDC supply chain financing facility have been repaid as of June 13, 2025. The Guarantee Facility remains outstanding as of December 28, 2025.

19. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	Net Book Value December 28, 2025	Net Book Value December 29, 2024
2023 First lien North America (“NA”) revolving credit facility, Secured (“NA Revolving Facility”)	\$ -	\$ -	\$ -	\$ 172,392
2023 First lien NA term loan, Secured (“NA Non-Revolving Facility”)	-	-	-	400,000
2023 First lien UK revolving credit facility, Secured (“UK Revolving Facility”)	-	-	-	17,336
2023 First lien UK term loan, Secured (“UK Non-Revolving Facility”)	-	-	-	20,516
Gain on debt modification	-	-	-	(5,795)
2025 First lien revolving credit facility, Secured (“2025 First Lien Facility”)	267,236	4,785	262,451	-
Government of Canada Loans	8,850	1,420	7,430	5,788
	276,086	6,205	269,881	610,237
Less: current portion of long-term debt (note 13)	1,462	-	1,462	-
	\$ 274,624	\$ 6,205	\$ 268,419	\$ 610,237

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. This interest-free funding matures on March 1, 2030.

In addition, the Company received a total of C\$3.6 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. This interest-free funding matures on March 1, 2033.

On May 7, 2025, the Company entered into the 2025 First Lien Facility with a total borrowing capacity of \$845 million, which included \$300 million in letters of credit availability, set for a two-year term. On June 13, 2025, the Company issued 2025 Second Lien Debt, as disclosed in Note 20, 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. This new facility refinanced and replaced the Company’s North American Facility and UK Facility, and the transaction has been accounted for as a debt extinguishment in accordance with IFRS 9.

As at December 28, 2025, \$105.5 million outstanding letters of credit were drawn against the 2025 First Lien Facility. The 2025 First Lien Facility bears interest at a rate equal to SOFR or U.S. base rate for loans denominated in U.S. dollars, CORRA or a Canadian prime rate for loans denominated in Canadian dollars, SONIA for loans denominated in pounds sterling, and EURIBOR for loans denominated in euros, plus an applicable margin in those rates, and matures on May 7, 2029.

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20. SECOND LIEN DEBT

	Face Value	Unamortized Transaction Costs	Net Book Value December 28, 2025	Net Book Value December 29, 2024
2023 Second Lien Debt	\$ -	\$ -	\$ -	\$ 173,741
Prepayment Option (note 27b)	-	-	-	(12,347)
2025 Second Lien Debt	619,080	12,161	606,919	-
Optional Redemption (note 27b)	(18,630)	-	(18,630)	-
	\$ 600,450	\$ 12,161	\$ 588,289	\$ 161,394

The 2023 Second Lien Debt financing was secured against all of the Company's assets, with interest at an annual coupon of 14.5%, payable semi-annually on January 2 and July 2 of every year commencing on January 2, 2024.

The 2023 Second Lien Debt was financed by funds and accounts managed by Coliseum Capital Management LLC, and this arrangement has been terminated when the second lien debt has been extinguished.

On June 13, 2025, the Company issued \$600 million in aggregate principal amount of 9.250% second lien senior secured notes ("2025 Second Lien Debt") due July 1, 2030. The gross proceeds received from the offering of the 2025 Second Lien Debt were used to pay certain related fees and expenses and repay outstanding balances under the Company's senior unsecured (EDC) debt disclosed in Note 18, North American Facility and UK Facility disclosed in Note 19 and 2023 Second Lien Debt. This 2025 Second Lien Debt has resulted in the debt extinguishment of the 2023 Second Lien Debt in accordance with IFRS 9. The Company recognized a loss on debt extinguishment of \$32.5 million on the Company's consolidated statements of net loss and total comprehensive (loss) earnings.

At any time prior to July 1, 2027, the Company can exercise an option to redeem the 2025 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 2025 Second Lien Debt at a redemption equal to 104.625% in 2027, 102.313% in 2028, and 100.000% in 2029 and thereafter.

The optional redemption had a fair value of \$18.6 million at December 28, 2025. A fair market value loss of \$0.5 million was recognized on the Company's consolidated statements of net loss and total comprehensive (loss) earnings.

21. CONVERTIBLE DEBENTURES

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

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

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

	Face Value	Unamortized Transaction Costs	Net Book Value December 28, 2025	Net Book Value December 29, 2024
Convertible Debentures	\$ 240,691	\$ 2,223	\$ 238,468	\$ 218,020
Cash Conversion Option (note 27b)	649	-	649	2,345
	\$ 241,340	\$ 2,223	\$ 239,117	\$ 220,365

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22. SHARE CAPITAL

	December 28, 2025	December 29, 2024
Authorized - Unlimited		
Issued - 119,092,658 Common Shares (December 29, 2024: 119,035,071)	\$ 1,242,000	\$ 1,241,397

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

Shares	Number (000s)	Net Book Value
Balance - December 29, 2024	119,035	\$ 1,241,397
Stock options exercised	19	208
Director Restricted Share Units ("Director RSU") exercised	39	395
Balance - December 28, 2025	119,093	\$ 1,242,000

23. LOSS PER SHARE

	Fiscal 2025	Fiscal 2024
Net loss attributable to equity holders	\$ (142,120)	\$ (3,296)
Weighted average number of Shares in issue	119,071,087	119,008,308
Weighted average number of Shares for diluted earnings per Share	119,071,087	119,008,308
Net loss per Share (basic)	\$ (1.1936)	\$ (0.0277)
Net loss per Share (diluted)	\$ (1.1936)	\$ (0.0277)

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

24. SUPPLEMENTAL CASH FLOW INFORMATION

	Fiscal 2025	Fiscal 2024
Accounts receivable	\$ (232,067)	\$ (23,377)
Other current asset	(58,808)	-
Income tax receivable	(41,427)	(9,917)
Inventories	31,883	(192,301)
Prepaid expenses and deposits	(8,382)	(6,354)
Accounts payable and accrued liabilities	59,671	79,911
Income tax payable	38,411	4,640
Deferred revenue	18,428	84,840
Provisions	242,224	1,079
Other	21,957	6,602
	\$ 71,890	\$ (54,877)

25. DEFINED CONTRIBUTION PENSION PLANS

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

	Fiscal 2025	Fiscal 2024
Defined contribution pension expense	\$ 16,043	\$ 13,820

Cash payments contributed by the Company during Fiscal 2025 for its defined benefit plans and defined contribution pension plans amounted to \$22.0 million (2024: \$16.8 million).

26. INTEREST AND FINANCE COSTS

	Fiscal 2025	Fiscal 2024
Interest on long-term debt and second lien debt	\$ 83,490	\$ 88,168
Interest on convertible debt	12,247	12,382
Interest on senior unsecured debt	989	5,581
Accretion in carrying value of long-term debt and second lien debt	6,451	9,841
Accretion in carrying value of convertible debt	8,604	8,136
Accretion in carrying value of senior unsecured debt	292	321
Interest on lease liability	9,889	9,816
Other interest and bank charges	19,297	12,382
Fair value gain on prepayment option of 2023 second lien debt	(13,653)	(9,580)
Fair market value (gain) loss on interest rate swap	(99)	510
Fair market value loss on optional redemption of 2025 second lien debt	450	-
Fair market value gain on cash conversion option	(1,813)	(6,617)
	\$ 126,144	\$ 130,940

27. 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.

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27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

December 28, 2025			
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	\$ 118,548	\$ 118,548
Restricted deposit(s) (note 5)	Level 1	53,144	53,144
		\$ 171,692	\$ 171,692
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Optional Redemption (note 20)	Level 2	18,630	18,630
Derivative financial instrument assets - long term		\$ 18,630	\$ 18,630
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Financial liabilities recorded at fair value			
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
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Cash Conversion Option (note 21)	Level 2	649	649
Derivative financial instrument liabilities - long term		\$ 649	\$ 649
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December 29, 2024			
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	\$ 49,557	\$ 49,557
Restricted deposit(s) (note 5)	Level 1	46,999	46,999
		\$ 96,556	\$ 96,556
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Prepayment Option (note 20)	Level 2	12,347	12,347
Derivative financial instrument assets - long term		\$ 12,347	\$ 12,347
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Financial liabilities recorded at fair value			
Foreign exchange forward contracts	Level 2	1,340	1,340
Derivative financial instrument liabilities - current		\$ 1,340	\$ 1,340
<hr/>			
Interest Rate Swap	Level 2	510	510
Cash Conversion Option (note 21)	Level 2	2,345	2,345
Derivative financial instrument liabilities - long term		\$ 2,855	\$ 2,855
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(c) Risk Management

Market risk

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

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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

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

Interest rate risk

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

The interest rate swap is subject to interest rate risk. As an illustration, if the interest rates as at the date of the consolidated statements of financial position had been 100 basis points lower, with all other variables held constant, net loss and total comprehensive (loss) earnings for Fiscal 2025 would have been lower by \$1.0 million (Fiscal 2024: higher by \$1.1 million), arising mainly as a result of the related fair value adjustment recorded due to lower interest rate. If interest rates had been 100 basis points higher, with all other variables held constant, net loss and total comprehensive (loss) earnings for Fiscal 2025 would have been higher by \$1.0 million (Fiscal 2024: lower by \$1.1 million), arising mainly as a result of the related fair value adjustment recorded due to higher interest rate. The fair value adjustments have a greater impact than the interest charged, as the Company is over hedged as it relates to the swap position.

The Company entered into an agreement for an interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of \$200 million (Fiscal 2024: \$500 million until October 25, 2024) until December 1, 2025, and thereafter a notional value of \$150 million (Fiscal 2024: \$450 million until its expiry on April 25, 2025) until its expiry on December 1, 2026. The swap carries an interest rate of 3.7% (Fiscal 2024: 4.6%).

Foreign currency risk

The U.S. dollar is the Company's functional and presentation currency. Fluctuations in the exchange rate between the U.S. dollar, Canadian dollar and GBP will affect the Company's reported results. However, the impact of changes in foreign exchange rates on the Company's reported results differ over time depending on whether the Company is generating a net cash inflow or outflow of Canadian dollars and GBP. This is largely dependent on the Company's revenue mix by currency as operating costs denominated in Canadian dollars and GBP have been historically relatively stable.

As a matter of policy, the Company enters into foreign exchange forward contracts to protect the expected net Canadian dollar exposure from exchange fluctuation. The Company recorded a net realized foreign exchange loss of \$4.2 million during Fiscal 2025 (Fiscal 2024: \$1.8 million). This was comprised of a \$4.7 million loss on settlement of foreign exchange contracts and a \$0.5 million foreign currency gain on translation of Canadian dollar denominated working capital.

At December 28, 2025, the Company had \$194.5 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from January 2026 to December 2026. The related liability of \$1.2 million (Fiscal 2024: liability of \$1.3 million) is recorded on the consolidated statements of financial position as a current derivative financial instrument liability and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the consolidated statements of net loss and the total comprehensive (loss) earnings.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily Canadian dollar balances. As an illustration, at December 28, 2025 if the Canadian dollar had weakened 10 percent against the U.S. dollar, with all variables held constant, net loss and total comprehensive (loss) earnings for Fiscal 2025 would have been higher by \$12.5 million (Fiscal 2024: lower by \$10.5 million). Conversely, if the Canadian dollar had strengthened 10 percent against the U.S. dollar, with all other variables held constant, net loss and total comprehensive (loss) earnings for Fiscal 2025 would have been lower by \$15.3 million (Fiscal 2024: higher by \$12.9 million).

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(d) Liquidity Management

The Company's principal sources of funds are cash generated from its operating activities, share and other issuances and borrowing capacity remaining on its 2025 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 December 28, 2025, the Company had a cash balance of \$118.5 million (Fiscal 2024: \$49.6 million), \$271.9 million drawn under the 2025 First Lien Facility (Fiscal 2024: \$581 million drawn under the North American Facility and \$38.2 million drawn under the UK Facility), and \$105.5 million of outstanding letters of credit (December 29, 2024: \$80.5 million). The liquidity position as at December 28, 2025 is \$445.8 million (Fiscal 2024: 126.8 million).

The calculation of the liquidity position under the 2025 First Lien Facility at December 28, 2025 is provided below.

	December 28, 2025	December 29, 2024
Total Leverage Ratio (must be less than 4.75 [2024: must be less than 4.75])	2.79	4.37
Senior Secured Leverage Ratio (must be less than or equal to 3.00 [2024: must be less than 3.50])	0.72	3.09
Interest Coverage Ratio (must be greater than 2.00 [2024: must be greater than 1.25])	2.66	1.51

Compliance with financial covenants under the 2025 First Lien Facility is reported quarterly to the Board. Other than the requirements imposed by letters of credit collateral (note 5) and borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise. As at December 28, 2025, the Company was in compliance with all covenant requirements.

Under the terms of the 2025 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 2025 First Lien Facility covenants.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at December 28, 2025:

	Total	2026	2027	2028	2029	2030	Post 2030
Leases	\$ 219,472	\$ 28,389	\$ 27,494	\$ 19,850	\$ 15,244	\$ 12,958	\$ 115,537
Accrued benefit liability	2,807	2,807	-	-	-	-	-
	\$ 222,279	\$ 31,196	\$ 27,494	\$ 19,850	\$ 15,244	\$ 12,958	\$ 115,537

(e) Credit risk

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

	December 28, 2025	December 29, 2024
Current, including holdbacks	\$ 681,937	\$ 444,869
<u>Past due amounts but not impaired</u>		
1 - 60 days	28,087	28,531
Greater than 60 days	15,088	17,366
Less: Allowance for doubtful accounts	(3,314)	(1,035)
Total accounts receivables, net	\$ 721,798	\$ 489,731

As at December 28, 2025, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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.

28. 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 consolidated earnings 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.

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

28. SEGMENT INFORMATION (Continued)

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

	Fiscal 2025			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	\$ 2,995,808	\$ 618,756	\$ -	\$ 3,614,564
Operating costs and expenses	3,012,697	518,181	206,303	3,737,181
(Loss) earnings before income tax expense	(16,889)	100,575	(206,303)	(122,617)
Total assets	2,333,777	598,659	343,390	3,275,826
Addition of capital expenditures	32,931	945	-	33,876
Addition of intangible assets	11,458	-	-	11,458
Impairment loss on property, plant, and equipment	504	-	-	504
Impairment loss on intangible assets	85,171	-	-	85,171
Impairment loss on goodwill	9,965	-	-	9,965
Indefinite-life intangible assets	224,160	18,943	-	243,103
Goodwill	210,704	195,322	-	406,026

	Fiscal 2024			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	\$ 2,490,914	\$ 631,401	\$ -	\$ 3,122,315
Operating costs and expenses	2,490,079	511,837	126,863	3,128,779
Earnings (loss) before income tax expense	835	119,564	(126,863)	(6,464)
Total assets	2,239,046	407,165	267,921	2,914,132
Addition of capital expenditures	29,743	571	-	30,314
Addition of intangible assets	17,597	-	-	17,597
Impairment loss on intangible assets	2,278	-	-	2,278
Indefinite-life intangible assets	245,379	18,512	-	263,891
Goodwill	223,407	189,108	-	412,515

The Company's revenue by geography is summarized below:

	Fiscal 2025	Fiscal 2024
North America	\$ 3,077,477	\$ 2,452,663
UK and Europe	496,350	626,927
Asia Pacific	40,737	42,725
Total	\$ 3,614,564	\$ 3,122,315

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

	Fiscal 2025	Fiscal 2024
Transit buses	\$ 2,321,812	\$ 1,928,525
Motor coaches	491,603	432,682
Medium-duty and cutaway buses	109,754	77,311
Pre-owned coach	18,986	15,943
Infrastructure solutions™	42,326	26,201
Fiberglass reinforced polymer components	11,327	10,251
Manufacturing revenue	\$ 2,995,808	\$ 2,490,914

29. RELATED PARTY TRANSACTIONS

Compensation of key management

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

	Fiscal 2025	Fiscal 2024
Salaries and short-term employee benefits	\$ 19,720	\$ 15,955
Post-employment benefits	718	683
Share-based payment benefits	7,956	4,888
	<u>\$ 28,394</u>	<u>\$ 21,526</u>

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

See note 20 for details on second lien debt financed by funds and accounts managed by Coliseum Capital Management LLC.

30. COMMITMENTS AND CONTINGENCIES

- (a) In the normal course of business, the Company receives notice of potential legal proceedings or is named as a defendant in legal proceedings, including those that may be related to negligence, product liability, wrongful dismissal and other employment-related matters, contractual disputes or personal injury. Many claims are covered by the Company's insurance policies. Management does not currently expect any of the current claims to have a material adverse effect on the Company's financial position, results of operations or cash flows.
- (b) Through the normal course of operations, the Company has indemnified the surety companies providing surety bonds ("surety bond") required under various contracts with customers. In the event that the Company fails to perform under a contract and the surety companies incur a cost on a surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond.

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at December 28, 2025 range from January 2026 to May 2035.

At December 28, 2025, outstanding surety bonds guaranteed by the Company totaled \$315.1 million (December 29, 2024: \$307.4 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 December 28, 2025, there was \$132.1 million (December 29, 2024: \$134.7 million) outstanding under the Guarantee Facility.

As at December 28, 2025, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

- (d) Through the normal course of operations, the Company has guaranteed payments and residual values to third-party lenders on behalf of customers. As at December 28, 2025, the Company's residual value guarantees relating to leased equipment expired upon the termination of the relevant lease contracts. As a result, the Company had no (December 29, 2024: \$2.1 million) residual value guarantee exposure as at December 28, 2025. The Company has not provided for any of these costs, as it does not believe it will have to pay out on any of these arrangements.

30. COMMITMENTS AND CONTINGENCIES (Continued)

- (e) During Fiscal 2025, the Company announced a battery recall for buses and coaches equipped with certain battery modules from a supplier, XALT.

As a result, NFI has recorded a warranty provision of \$229.9 million disclosed in note 17, 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 amounts accrued 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 the battery settlement with XALT regarding the battery recall costs for buses and coaches equipped with certain battery modules. As a result of the battery settlement, the Company recognized in its consolidated statements of financial position the cash payment of \$100 million, assets acquired at \$56.0 million and escrow payment of \$10.0 million that are disclosed in note 5.

31. GUARANTEES

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

32. SUPPLEMENTARY EXPENSE INFORMATION

	Fiscal 2025	Fiscal 2024
Employee salary and benefit expenses	\$ 516,898	\$ 548,132
Depreciation of plant and equipment	48,371	47,782
Amortization of intangible assets	29,185	32,348

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

33. SUBSEQUENT EVENTS

- (a) On February 20, 2026, the United States Supreme Court issued a ruling striking down certain tariffs previously imposed under International Emergency Economic Powers Act (“IEEPA”). Effective February 23, 2026, all IEEPA based tariffs have ceased. A new 10% “Global Tariff” was enacted for a 150-day period. The United States Administration has announced that other options to replace the IEEPA Tariffs are being explored once the 150-day period has expired. The IEEPA tariffs are one-third of the current tariff impact on the Company. IEEPA refunds will be addressed by the United States Court of International Trade. The availability, timing, and amount of any potential refunds of such tariffs remain highly uncertain.

While the Company expects that a significant portion of the increased costs related to public transit buses and motorcoaches will be recoverable through contractual pass-through provisions and pricing adjustments, the tariffs may result in higher sales prices for private coach operators. This could lead to reduced demand and production volumes. In addition, the timing of tariff payments, vehicle deliveries, and cash proceeds from sales may create short-term cash flow pressures. The Company is assessing the potential financial impact of these tariffs, including the possibility of smaller order sizes and changes in customer purchasing behavior.