Financial Results
Third Quarter 2021

November 2, 2021

NOTES TO READERS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS, 39-WEEKS AND 52-WEEKS ENDED SEPTEMBER 26, 2021

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. ("NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's unaudited interim condensed consolidated financial statements (including notes) (the "Financial Statements") for the 13-week and 39-week periods ended September 26, 2021.

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

QUARTERLY AND ANNUAL REPORTING PERIODS

The quarterly and annual reporting periods for the current and prior year are as follows:

Period from December 28, 2020 to January 2, 2022 ("Fiscal 2021")				**Period from December 30, 2019 to December 27, 2020 ("Fiscal 2020")**			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	March 28, 2021	("2021 Q1")	13	Quarter 1	March 29, 2020	("2020 Q1")	13
Quarter 2	June 27, 2021	("2021 Q2")	13	Quarter 2	June 28, 2020	("2020 Q2")	13
Quarter 3	September 26, 2021	("2021 Q3")	13	Quarter 3	September 27, 2020	("2020 Q3")	13
Quarter 4	January 2, 2022	("2021 Q4")	14	Quarter 4	December 27, 2020	("2020 Q4")	13
Fiscal year	January 2, 2022		53	Fiscal year	December 27, 2020		52

Specific references and definitions are used throughout this MD&A, please see "Meaning of Certain References" and "Definitions of Adjusted EBITDA, Return-on-Invested-Capital ("ROIC"), Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share, Working Capital Days and Regions including: North America, UK and Europe, Asia Pacific, and Other" in Appendix A. References to LTM mean last-twelve months ("LTM"). Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share and Working Capital Days are non-IFRS measures and should not be considered substitutes or alternatives for IFRS measures. These are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies. See the heading entitled: "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) Per Share, Working Capital Days, regions including: North America, UK and Europe, Asia Pacific, and Other" in Appendix A for information about these measures, including how they are calculated and the way in which they are used.

Leading the ZEvolution.™

NOTES TO READERS

Specific references and definitions are used throughout this MD&A, please see "Meaning of Certain References" and "Definitions of Adjusted EBITDA, Return-on-Invested-Capital ("ROIC"), Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share, Working Capital Days and Regions including: North America, UK and Europe, Asia Pacific, and Other" in Appendix A. References to LTM mean last-twelve months ("LTM"). Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share and Working Capital Days are non-IFRS measures and should not be considered substitutes or alternatives for IFRS measures. These are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies. See the heading entitled: “Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) Per Share, Working Capital Days, regions including: North America, UK and Europe, Asia Pacific, and Other" in Appendix A for information about these measures, including how they are calculated and the way in which they are used.

Zero-emission buses ("ZEBs") consist of trolley-electric, hydrogen fuel cell-electric, and battery-electric buses. All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motor coaches in service and delivered, is measured in, or based on, “equivalent units”. One equivalent unit (or “EU”) represents one production “slot”, being one 30-foot, 35-foot, 40-foot, 45-foot heavy-duty transit bus, one double deck bus, one medium-duty bus, one cutaway bus or one motor coach, whereas one articulated transit bus represents two equivalent units. An articulated transit bus is an extra-long transit bus (approximately 60-feet in length), composed of two passenger compartments connected by a joint mechanism. The joint mechanism allows the vehicle to bend when the bus turns a corner, yet have a continuous interior.

A summary of the Company’s order, delivery and backlog information can be found in Appendix B.

NFI

is leading the evolution to global zero-emission mobility

NEW FLYER

North American Market Leader in Heavy-Duty Transit Buses and Infrastructure Solutions

MCI

North American Market Leader in Motor Coaches

ALEXANDER DENNIS

PLAXTON

World Leader in Double Deck Buses; UK Market Leader in Bus and Coach

ARBOC SPECIALTY VEHICLES

North American Market Leader in Low-Floor Cutaway and Medium-Duty Shuttle Buses

nfi.parts

North American Market Leader for Bus and Motor Coach Parts Distribution

NFI is leading zero-emission electric mobility

50+ million
Electric service miles driven

1,701
Zero-Emission Buses (“ZEBs”) delivered since 2015

153
ZEBs delivered in 2021 Q3 (20% of total deliveries);
330 YTD 2021

80+
Cities have NFI ZEBs in service or on order

5
Countries have NFI ZEBs in service or on order

1,696
ZEBs in backlog (21% of total backlog)

200+
EV chargers installed via Infrastructure Solutions™

~20%
of 2021 production is expected to be ZEBs

8,000
Annual ZEB production capacity

38%
of the Total Bid Universe is ZEBs

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2021 Q3 Highlights (US$)

$492.0M
Revenue

$31.3M
Adjusted EBITDA(1)

752
EUs delivered

$11.7M
Free Cash Flow (1)

785
EUs in New Orders

$16.0M
NFI Forward Adjusted EBITDA (1) savings

$0.22
Net Loss per Share

$0.16
Adjusted Loss per Share (1)

$320.1M
Liquidity

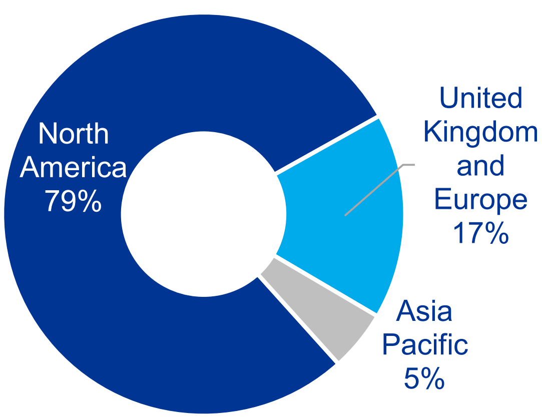
6,901 EUs
Active Bids

8,103 EUs
In Backlog

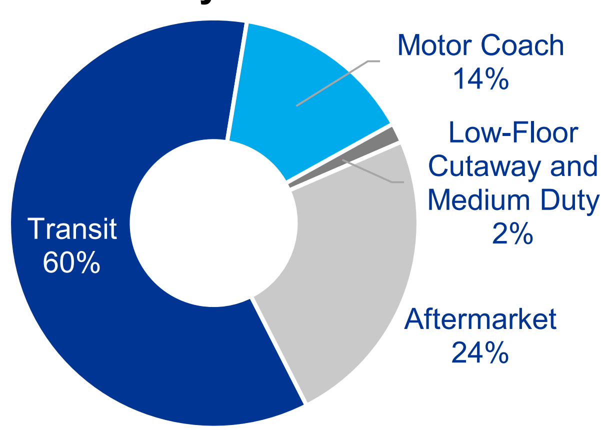
$4.2B
Value of Backlog

(1) Non-IFRS Measure – See Appendix A

Revenue by Geography



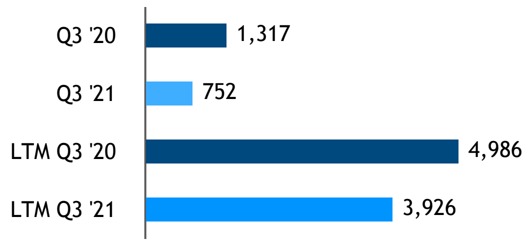
Revenue by Product



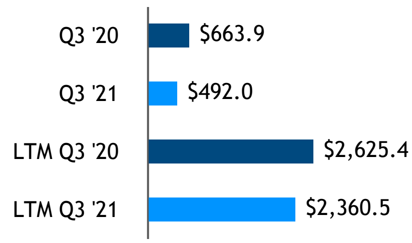
Leading the ZEvolution.™

KEY PERFORMANCE INDICATORS

Deliveries (EUs)



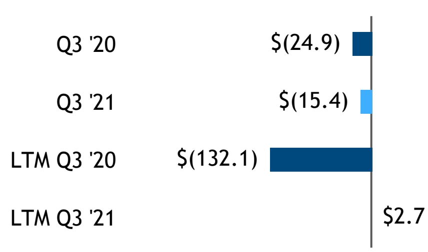
Revenue ($ millions)



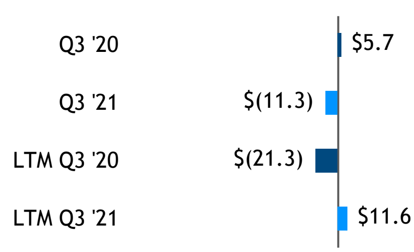
The Company experienced a reduction in deliveries of 565 units, or 42.9%, from 2020 Q3 to 2021 Q3. The decrease was primarily due to reduced production rates as the Company worked to manage through the ongoing COVID-19 pandemic and the impact it continues to have on the Company's end customer. Also contributing to the reduction in deliveries were global supply chain challenges, mostly attributable to the COVID-19 pandemic, that created numerous bottlenecks and disruptions to parts availability. Pre-owned coach deliveries remained low as the Company previously completed a 2020 Q4 contract to sell the majority of its North American pre-owned coach fleet. 2021 Q3 deliveries included 153 ZEBs, or 20.3% of total deliveries. LTM 2021 Q3 deliveries decreased from LTM 2020 Q3 due to reduced production rates in response to the COVID-19 pandemic and supply chain shortages primarily caused by the pandemic.

Total revenue decreased by 25.9% from 2020 Q3 to 2021 Q3 as a result of lower new vehicle deliveries as the Company reduced production rates to manage global supply chain challenges and the impacts of the ongoing COVID-19 pandemic. This decline was partially offset by a greater number of ZEB deliveries, which have a higher selling price compared to units with traditional propulsion systems, and a greater number of higher priced motor coaches. Quarterly Aftermarket revenue was $118.1 million, for 20.9% year-over-year growth, despite operations being impacted by supply chain disruptions and the COVID-19 pandemic. The increase was driven by increased volumes in all geographic regions, with significant benefit from a multi-year retrofit program in the Asia-Pacific region. Quarterly Infrastructure Solutions™ revenue grew by 10.0% on a year-over-year basis. The Company has completed ZEB charging Infrastructure Solutions™ projects in nine cities in fiscal 2021 and currently has projects in-progress in a further 19 cities.

Net earnings (loss) ($ millions)



Adjusted Net Earnings (Loss)[1] ($ millions)



Footnotes

1. Non-IFRS Measure - See Appendix A

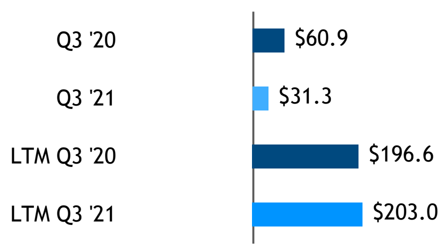
2021 Q3 net loss of $15.4 million decreased by $9.5 million from 2020 Q3. Although the Company experienced lower new vehicle deliveries, as well as continuing supply chain challenges and associated costs, this was offset by lower restructuring and COVID-19 related costs. In addition, the third quarter saw record Adjusted EBITDA in the Aftermarket business segment, increased sales from the Company's Infrastructure Solutions™ division, $16.0 million in savings generated by NFI Forward, the receipt of $14.2 million in government grants, and higher income tax recoveries. These 2021 Q3 positive impacts were somewhat offset by an unrealized foreign exchange loss.

The Company reported net earnings of $2.7 million for LTM 2021 Q3, as compared to a net loss of $132.1 million for LTM 2020 Q3. The year-over-year improvement was driven by an impairment loss on goodwill in LTM 2020 Q3, lower non-recurring restructuring charges associated with the NFI Forward initiative and lower COVID-19 related costs.

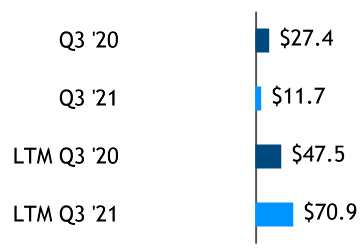
2021 Q3 Adjusted Net Loss of $11.3 million increased by $17.0 million compared to 2020 Q3. The increase in Adjusted Net Loss was driven by lower new vehicle deliveries as a result of the ongoing pandemic and its impact on the Company's end customers, as well as supply chain challenges, mostly attributable to the pandemic.

LTM 2021 Q3 Adjusted Net Earnings of $11.6 million increased by $32.9 million from LTM 2020 Q3, as LTM 2020 Q3 included the idling of nearly all production facilities in 2020 Q2 which resulted in 2020 Q2 Adjusted Net Losses of $56.9 million.

Adjusted EBITDA[1] ($ millions)



Free Cash Flow[1] ($ millions)



Footnotes

1. Non-IFRS Measure - See Appendix A

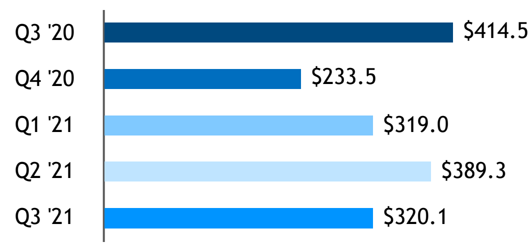
2021 Q3 Adjusted EBITDA of $31.3 million decreased by $29.6 million from 2020 Q3, or 48.6%. The decrease was primarily a result of lower vehicle production and sales mostly attributable to the COVID-19 pandemic which impacted end customers and created global supply chain challenges. In addition, the period also saw variable production cost inflation (primarily driven by higher freight costs), and lower receipt of government grants. The decrease in Adjusted EBITDA was partially offset by record Adjusted EBITDA in the Aftermarket business segment for the second consecutive quarter, increased sales from the Company's Infrastructure Solutions™ division, and $16.0 million in savings generated by NFI Forward.

On an LTM basis, Adjusted EBITDA increased by $6.4 million, or 3.3%, as a result of higher margin Aftermarket sales combined with increased sales from the Company's Infrastructure Solutions™ division, and lower Corporate expenses primarily as a result of foreign exchange revaluation gains on current monetary balances. LTM Adjusted EBITDA was also positively impacted by $50.2 million in savings generated by NFI Forward.

Free Cash Flow in 2021 Q3 was $11.7 million, a decrease of $15.7 million, or 57.3%, compared to 2020 Q3, mainly due to lower Adjusted EBITDA and also due to of higher lease obligation payments, as the Company made payments related to lease deferrals granted by lessors in 2020 Q3. The decline in Free Cash Flow was partially offset by lower cash interest expenses, lower income taxes paid, and NFI Forward savings of approximately $21.7 million. On an LTM basis, Free Cash Flow increased by 49.3%, primarily driven by the idling of production facilities in the second quarter of 2020, which resulted in 2020 Q2 Free Cash Flow losses of $43.1 million.

Working Capital Days[1]

Total Liquidity ($ millions)

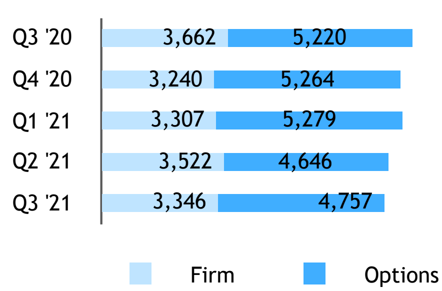


As part of the Company's increased focus on cash conversion and leverage reduction, in 2021 Q1 NFI added a new external performance metric, "Working Capital Days" (see definition in Appendix A), which is now included in key performance metrics for senior management. The Company is actively focused on continuing to reduce Working Capital Days. In 2021 Q3, Working Capital Days were 68 compared to 62 at the end of 2021 Q2 and 60 for 2020 Q3. The increase in Working Capital Days in 2021 Q3 is attributable to supply chain challenges, which escalated in the quarter, leading to higher period end inventory balances.

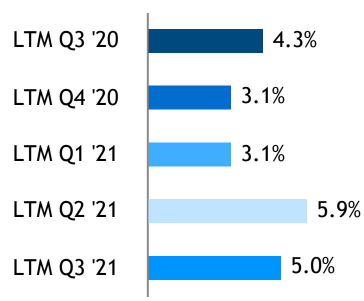
The Company's liquidity position, which combines cash on-hand plus available capacity under its credit facilities, was $320.1 million, as at the end of 2021 Q3, down $69.2 million from the end of 2021 Q2, primarily due to higher period end inventory balances due to delays in shipping and certain parts shortages. A reduced financial covenant under the Company's amended credit facilities in respect of the Total Leverage Ratio ("TLR") (which measures total leverage against Adjusted EBITDA on a trailing four quarter basis) is in effect until January 2, 2022, with financial covenants resuming at more relaxed levels compared to historical requirements.

Management is currently in ongoing discussions with its banking partners regarding additional financial and covenant flexibility for 2022, as the Company works through these most recent supply chain disruptions and other impacts of the COVID-10 pandemic. Management believes the Company's cash position and credit capacity combined with anticipated future cash flows, and access to capital markets are sufficient to fund its operations and meet financial obligations as they come due, and to provide the funds necessary for capital expenditures, dividend payments and other operational needs.

Backlog (EUs)



ROIC[1]



Footnotes

1. Non-IFRS Measure - See Appendix A

At the end of 2021 Q3, the Company's total backlog (firm and options) of 8,103 EUs (valued at $4.2 billion) decreased slightly compared to 8,168 EUs (valued at $4.3 billion) at the end of 2021 Q2. The decrease was primarily driven by deliveries in the quarter, and delays in new awards within North American and UK transit operations. Backlog was also impacted by the expiry of 75 option EUs related to one North American customer.

LTM 2021 Q3 ROIC decreased by 0.9% from LTM 2020 Q3, due to the decrease in Adjusted EBITDA and a higher invested capital base.

2021 Q3 HIGHLIGHTS

The third quarter of 2021 saw quickly escalating supply chain and logistics challenges that combined with the ongoing COVID-19 pandemic to create bottlenecks and significant disruptions to our operations. In response to these issues, NFI made the prudent, albeit difficult decision, to reduce new vehicle input rates that resulted in temporary idling of certain facilities, and by adjusting production rates in others. These actions will assist us in controlling our costs, improving working capital and preserving cash flows until part supply availability and reliability improves. Our customers have continued to be very accommodating to both the realities of the pandemic and supply chain issues that have adjusted our production and delivery plans.

Although the Company anticipates global supply chain challenges to be transitory, they are far reaching and difficult to predict, impacting the automotive and transportation industry broadly. The Company does not yet have visibility as to when these supply chain challenges will end, but it is taking various measures to lower costs and manage working capital.

In addition to ongoing supply chain challenges, the ongoing COVID-19 pandemic continued to impact NFI's operations in the quarter through delays in lead times on customers issuing and awarding new orders, as they continue to recover to normal operations, and from COVID-19 related employee absenteeism.

Focus on Balance Sheet and Financial Flexibility

During the quarter, NFI continued to focus on strengthening its balance sheet. As of September 26, 2021, NFI's liquidity was $320.1 million and its leverage ratio was 5.51. The Company generated Free Cash Flow of $11.7 million. The Company's increased focus on working capital management was challenged during the quarter due to aforementioned supply chain challenges, with Working Capital Days increasing from 62 in 2021 Q2 to 68 in 2021 Q3.

Given management's expectation that these supply and logistics disruptions are temporary, the Board of Directors declared the Company's quarterly dividend for the period of July 1, 2021 to September 30, 2021, on the common shares of the Company (the "Shares") at the current rate of $0.2125 per Share to holders of record at the close of business on September 30, 2021. The dividend was paid on October 15, 2021. The Board expects to maintain dividends on a quarterly basis, although such dividends are not assured.

In response to the supply chain challenges and resulting decrease in deliveries, NFI announced on September 17, 2021 that it had lowered its guidance for 2021. *Guidance is discussed in the Outlook section of this MD&A.*

Strong Market Demand and Increasing Procurements

During the third quarter, there was a significant increase in several metrics that the Company uses to measure future demand and activity. In 2021 Q3, NFI recorded 785 EUs in new orders, and saw active bids within North America increase by 1.4% from 2021 Q2. In addition, the Company's book-to-bill metric for 2021 Q3 was 79.8%, and 95.7% for LTM 2021 Q3. The Total Bid Universe was 26,855 EUs, up 7.4% from 25,016 EUs in 2021 Q2. There were 1,696 ZEB EUs in the backlog as at the end of 2021 Q3, representing approximately 20.9% of the total backlog. As at 2021 Q3, 10,223 EUs, or 38.1%, of the Total Bid Universe is ZEBs.

Zero-Emission Mobility—The *ZE*volution™

In 2021 Q3, NFI received orders for 96 EUs of battery-electric, zero-emission vehicles, from major customers in California, Virginia, New York, and Nevada. NFI also received its first order for ADL's H2.0 second-generation hydrogen bus, with an order for 20 double-deck buses from Liverpool City Region in the UK, as well as its first order for MCI's J4500 CHARGE™, with an order for 4 coaches from a major California-based customer in the San Francisco Bay Area. These 96 EUs of ZEBs equates to 12.2% of all new firm and option orders for the quarter.

NFI also expanded its international presence in zero-emission electric mobility, announcing entry into two new markets for its battery-electric products:

- **Ireland:** NFI, via the BYD ADL electric vehicle partnership, signed a framework agreement with the National Transport Authority of Ireland ("NTA") for the potential purchase of up to 200 battery-electric single deck buses, Ireland's largest ever zero-emission bus order. The agreement has started with an initial firm order for 45 buses, with delivery commencing in 2022.
- **Australia:** NFI entered the Australian market through a supply agreement between ADL and Nexport, an Australian owned supplier and producer of transit buses. Nexport will assemble bodies from the ADL Enviro family on BYD chassis for the local Australian transit market, and Nexport will also lead the customer sales and service relationship.

In total, NFI's electric vehicle products are now on order or in service in five countries.

In November 2021, dignitaries from around the world, including Presidents and Prime Ministers, were transported in ADL Enviro400EV electric buses during the 26th United Nations ("UN") Climate Change Conference of the Parties ("COP26") in Glasgow, Scotland, occurring October 31 through November 12, 2021. COP26 exists to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change. In addition, an ADL zero-emission double-deck bus is on display in the COP26 Blue Zone, where negotiations to mitigate climate change will take place. Further, the BYD UK and ADL electric vehicle partnership's customer First Bus will operate the COP26 delegate shuttle service with a fleet of 22 BYD ADL Enviro200EV zero-emission buses.

In November 2021, for the first time in the Company's history, NFI will be presenting a line-up of 100% zero-emission vehicles at the American Public Transportation Association ("APTA") EXPO in Orlando, Florida, public transit's premier showcase of technology, products, and services in North America.

Leading in Innovation

NFI continues to lead not just in electric and zero-emission innovation, but also in other transit innovation such as advanced driver-assistance systems ("ADAS") and workforce development.

In August 2021, NFI announced an agreement with Robotic Research, LLC ("Robotic Research"), a U.S.-based, global leader in technology specializing in autonomy and platooning solutions for commercial and defense customers, to increase the deployment of ADAS in transit agency fleets across North America, and to expand AV capabilities across NFI's full suite of public transit vehicles in North America--building on its initial agreement to automated heavy-duty transit buses.

In October 2021, the Vehicle Innovation Center ("VIC") celebrated its fourth anniversary. Opened in October 2017, the VIC provides education and critically needed workforce development through interactive experiences and collaboration. Since it was opened, the VIC has welcomed over 4,000 industry professionals for EV and infrastructure training, including online learning launched during the COVID-19 pandemic, spanning NFI's extensive line up of EVs, connected technology, and more.

Also in October 2021, NFI announced the launch of its Electrical Technician Training Program ("ETTP") through subsidiary New Flyer. The program, initially launched in NFI's Minnesota facilities, was developed in direct response to high demands for electrical skills as industry EV adoption surges, and will provide critically needed classroom and on-the-job training to reskill and upskill employees, and to continue leading and supporting zero-emission adoption across North America. The intensive program is intended for expansion across NFI's other major manufacturing facilities in future.

NFI Forward Update

On July 20, 2021, the Company provided an update on the first full year of "NFI Forward", the Company's transformational cost reduction initiative, which is expected to lower NFI's overhead and selling general and administrative ("SG&A") expenses by 8% to 10%, respectively, from 2019 levels.

Launched in July 2020 in response to the impacts of the global COVID-19 pandemic, NFI Forward included a number of major initiatives targeted to drive savings of approximately $65 million in annual overhead and SG&A expenses by the end of 2023 from 2019 levels, plus an additional estimated $10 million in annualized Free Cash Flow generation. In January 2021, NFI increased the total expected SG&A and overhead savings to approximately $67 million in annual Adjusted EBITDA savings by the end of 2023, and management continues to expect NFI Forward will deliver these anticipated results.

During 2021 Q3, the ADL North American facility in Vaughan, Ontario, began preparations for its planned closure. The facility is expected to close in November 2021 and, as such, NFI accrued non-recurring restructuring and facility closing costs of $2.6 million in 2021 Q3. NFI is closing both of ADL's North American production facilities and moving double-deck production to existing New Flyer facilities.

During the quarter, NFI also launched an acetone recycling program within the Company's fiberglass reinforced polymer components business to reduce waste and emissions. The Company also saw its first MCI motor coaches enter production at its existing Crookston, MN facility on a common production line with New Flyer heavy-duty transit buses.

In 2021 Q3, NFI Forward realized Adjusted EBITDA savings of approximately $16.0 million and $5.7 million of additional Free Cash Flow savings. Since inception to the end of 2021 Q3, NFI Forward has cumulatively generated approximately $58.5 million in Adjusted EBITDA savings and an additional approximately $8.1 million of Free Cash Flow savings. Since inception, the Company has invested $6.0 million of the total proposed lifetime investment of $15 million to $20 million (anticipated to be incurred during 2020 to 2023) into NFI Forward projects.

FINANCIAL RESULTS

NFI's 2021 Q3 financial results were significantly impacted by the COVID-19 pandemic. The Company reduced production rates to manage supply chain shortages that combined with the ongoing COVID-19 pandemic, resulting in lower new vehicle deliveries and negatively impacting financial performance metrics at the Company's Manufacturing business segment. The Company's end markets are slowly recovering from the pandemic, which was demonstrated by the Company achieving record Adjusted EBITDA in its Aftermarket business segment for the second consecutive quarter. The Aftermarket business segment also achieved year-over-year revenue growth in all geographic regions. The Company continues to generate significant savings from NFI Forward restructuring programs.

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

Deliveries (unaudited, EUs)	2021 Q3	2020 Q3	% Change	2021 Q3 LTM	2020 Q3 LTM	% Change
Transit buses	522	1,027	(49.2)%	2,823	3,752	(24.8)%
Motor coaches	144	181	(20.4)%	707	801	(11.7)%
Medium-duty and cutaway	86	109	(21.1)%	396	433	(8.5)%
New Vehicle Deliveries	752	1,317	(42.9)%	3,926	4,986	(21.3)%
Pre-owned coach	36	84	(57.1)%	484	372	30.1 %

Revenue (unaudited, dollars in millions)	2021 Q3	2020 Q3	% Change	2021 Q3 LTM	2020 Q3 LTM	% Change
Transit buses	$ 290.2	$ 454.8	(36.2)%	$ 1,445.4	$ 1,706.8	(15.3)%
Motor coaches	69.0	92.7	(25.6)%	360.9	404.6	(10.8)%
Medium-duty and cutaway	7.6	10.9	(30.3)%	38.7	51.2	(24.4)%
Total new transit bus, coach and cutaway revenue	**$ 366.8**	**$ 558.4**	**(34.3)%**	**$ 1,845.0**	**$ 2,162.6**	**(14.7)%**
Pre-owned coach revenue	1.6	2.6	(38.5)%	27.4	23.1	18.6 %
Infrastructure Solutions™	4.4	4.0	10.0 %	22.6	19.5	15.9 %
Fiberglass reinforced polymer components	1.1	1.2	(8.3)%	5.3	5.3	— %
Manufacturing Revenue	**$ 373.9**	**$ 566.2**	**(34.0)%**	**$ 1,900.3**	**$ 2,210.5**	**(14.0)%**
Aftermarket	118.1	97.7	20.9 %	460.2	414.9	10.9 %
Total Revenue	**$ 492.0**	**$ 663.9**	**(25.9)%**	**$ 2,360.5**	**$ 2,625.4**	**(10.1)%**
North America	386.5	513.3	(24.7)%	1,870.8	2,119.8	(11.7)%
United Kingdom and Europe	81.5	93.5	(12.8)%	365.9	400.3	(8.6)%
Asia Pacific	24.0	57.1	(58.0)%	123.7	105.2	17.6 %
Other	—	—	— %	—	—	— %

Manufacturing revenue for 2021 Q3 decreased by $192.3 million, or 34.0%, compared to 2020 Q3. The decrease was primarily due to reduced production rates as the Company worked to manage through the ongoing COVID-19 pandemic and the impact it continues to have on the Company's end customer. Also contributing to the reduction in deliveries were global supply chain challenges, mostly attributable to the COVID-19 pandemic, that created numerous bottlenecks and disruptions to parts availability. Pre-owned coach sales remained low as the Company previously completed a 2020 Q4 contract to sell the majority of its North American pre-owned coach fleet. Quarterly revenue of the Company's Infrastructure Solutions™ division grew by 10.0%, on a year-over-year basis. The Company has completed ZEB charging Infrastructure Solutions™ projects in nine different cities in fiscal 2021 and currently has projects in-progress in a further 19 different cities.

With quarterly Aftermarket revenue of $118.1 million, the Company achieved 20.9% year-over-year growth. The increase was driven by increased volumes in all geographic regions. The Company also continues to benefit from significant, multi-year retrofit programs in the Asia-Pacific region.

Adjusted EBITDA[1] (unaudited, dollars in millions)	2021 Q3	2020 Q3	% Change	2021 Q3 LTM	2020 Q3 LTM	% Change
Manufacturing	2.2	44.6	*(95.1)%*	113.6	133.4	*(14.8)%*
Aftermarket	26.2	16.7	*56.9 %*	90.7	68.1	*33.2 %*
Corporate	2.9	(0.4)	*825.0 %*	(1.3)	(4.9)	*73.5 %*
Total Adjusted EBITDA	**$31.3**	**$60.9**	***(48.6)%***	**$203.0**	**$196.6**	***3.3 %***
Adjusted EBITDA as a percentage of revenue						
Manufacturing	0.6 %	7.9 %	*(92.4)%*	6.0 %	6.0 %	*— %*
Aftermarket	22.2 %	17.0 %	*30.6 %*	19.7 %	16.4 %	*20.1 %*
Total	**6.4 %**	**9.2 %**	***(30.4)%***	**8.6 %**	**7.5 %**	***14.7 %***

Net Earnings (Loss) [2] (unaudited, dollars in millions, except per share amounts)	2021 Q3	2020 Q3	% Change	2021 Q3 LTM	2020 Q3 LTM	% Change
Manufacturing	(22.2)	(22.7)	*2.2 %*	(9.9)	(96.6)	*89.8 %*
Aftermarket	22.2	13.7	*62.0 %*	73.3	55.4	*32.3 %*
Corporate	(15.5)	(15.9)	*2.5 %*	(60.8)	(90.8)	*33.0 %*
Net (loss) earnings	**$ (15.4)**	**$ (24.9)**	***38.2 %***	**$ 2.7**	**$ (132.1)**	***102.0 %***
Goodwill impairment	—	—	*— %*	—	50.8	*(100.0)%*
Extraordinary COVID-19 costs (tax effected)	0.1	16.8	*(99.4)%*	4.2	28.9	*(85.5)%*
Non-recurring restructuring costs (tax effected)	4.3	17.5	*(75.4)%*	6.2	18.5	*(66.5)%*
Adjusted Net Earnings (Loss)[1]	(11.3)	5.7	*(298.2)%*	11.6	(21.3)	*154.5 %*
Net (loss) earnings per Share	$ (0.22)	(0.40)	*45.0 %*	0.05	(2.11)	*102.4 %*
Adjusted Earnings (Loss) per Share[1]	$ (0.16)	$ 0.09	*(277.8)%*	$ 0.17	$ (0.34)	*150.0 %*

[1] Non-IFRS Measure - See Appendix A for details.
[2] Comparative segment allocations have been restated to conform with current period presentation.

2021 Q3 Manufacturing Adjusted EBITDA decreased by $42.4 million, or 95.1%, compared to 2020 Q3. The decrease was driven by lower new vehicle deliveries and variable production cost inflation, primarily driven by higher freight costs. The decrease in Adjusted EBITDA was partially offset by savings generated by NFI Forward and government grants received to assist with the retention of skilled personnel. NFI Forward generated Manufacturing Adjusted EBITDA savings of approximately $15.2 million in the quarter. The company included government grants of $14.2 million in Manufacturing Adjusted EBITDA in the quarter. Manufacturing 2021 Q3 net loss decreased by $0.5 million, primarily due to the Company incurring lower restructuring and COVID-19 related costs. The Company incurred restructuring costs of $9.5 million in 2021 Q3. The 2021 Q3 restructuring costs were primarily related to severance costs and other expenses associated with integrating ADL's North American manufacturing facilities into NFI's existing operations. Restructuring costs incurred in 2020 Q3 were primarily related to the closure of ADL's Guildford manufacturing facility in the UK and COVID-19 costs incurred in 2020 Q3 were primarily related to previously-owned coach inventory impairments.

NFI achieved record Adjusted EBITDA in the Aftermarket business segment for the second consecutive quarter. 2021 Q3 Aftermarket Adjusted EBITDA reached $26.2 million, a $9.5 million, or 56.9%, year-over-year increase. The record results were due to increased sales volumes, a favourable product mix and NFI Forward cost reductions. NFI Forward generated Aftermarket Adjusted EBITDA savings of approximately $0.8 million in the quarter. 2021 Q3 Aftermarket net earnings increased by $8.5 million, or 62.0%, primarily due to the same items that impacted Adjusted EBITDA, in addition to restructuring costs incurred in 2020 Q3 to combine the North American Aftermarket operations of ADL and NFI Parts.

2021 Q3 Corporate Adjusted EBITDA increased by $3.3 million compared to 2020 Q3, primarily as a result of foreign exchange revaluation adjustments to current monetary balances and favourable adjustments to long-term incentive plan compensation. Corporate expenses included in the calculation of net earnings (loss) decreased by $0.4 million, or 2.5%, primarily due to the same items that impacted Adjusted EBITDA. The decrease in corporate expenses was partially offset by lower mark-to-market adjustments to the Company's interest rate swaps.

Free Cash Flow[1] (unaudited, dollars in millions, except per share amounts)	2021 Q3	2020 Q3	*% Change*	2021 Q3 LTM	2020 Q3 LTM	*% Change*
Free Cash Flow	$ 11.7	$ 27.4	*(57.3)%*	$ 70.9	$ 47.5	*49.3 %*
Free Cash Flow (CAD dollars)	14.8	36.7	*(59.7)%*	89.7	59.3	*51.3 %*
Declared Dividends (CAD dollars)	15.1	13.3	*13.5 %*	58.5	66.4	*(11.9)%*
Free Cash Flow per Share (CAD dollars)	$ 0.21	$ 0.59	*(64.4)%*	$ 1.33	$ 0.95	*40.0 %*
Dividends per Share (CAD dollars)	$ 0.21	$ 0.21	*— %*	$ 0.85	$ 1.06	*(19.8)%*
Payout Ratio (Declared Dividends divided by Free Cash Flow)	102.0 %	36.2 %	*181.8 %*	65.2 %	112.0 %	*(41.8)%*

[1]Non-IFRS Measure - See Appendix A for details.

Free Cash Flow in 2021 Q3 decreased by $15.7 million, or 57.3%, compared to 2020 Q3, mainly due to lower Adjusted EBITDA. The Free Cash Flow decline was also partly the result of higher lease obligation payments, as the Company was granted some lease deferrals by lessors in 2020. The reduction in Free Cash Flow was partially offset by lower cash interest expenses and lower income taxes paid. The decline was also partially offset by NFI Forward savings. NFI Forward generated Free Cash Flow savings of approximately $21.7 million in the quarter. The payout ratio in 2020 Q3 LTM is mainly the result of the Company idling production for nearly two months in 2020 Q2, which resulted in 2020 Q2 Free Cash Flow losses of $43.1 million.

OUTLOOK

Market Recovery

The Company's vehicle product lines (New Flyer, ARBOC, MCI public motor coach, and ADL) are primarily used for public transit, which remains a critical method of transportation for millions of people in the Company's markets and also remains an economic enabler in cities. Within North American and UK heavy-duty transit and public coach businesses, near- and longer-term demand is expected to return based on transit agency and operators long-term fleet plans, the critical nature of public transportation systems for municipal operations and dedicated government funding (*discussed below*). While ridership remains below pre-pandemic levels, multiple sources (including APTA, Apple Mobility and Google Community Mobility) have shown encouraging increases to ridership tied to the lifting of travel restrictions and vaccine distribution.

As the market leader in all of our core markets, management anticipates that it will benefit from the expected increases in demand. The pace of the recovery from COVID-19 and the global supply chain challenges that it primarily created may affect vehicle awards and delivery timing in the near-term.

The Company's North American and International sales teams continued to see an increase in the volume of Active Bids during the third quarter of 2021. The Company's Active Bids increased by 48.4% from 2021 Q1 to 2021 Q2, and increased another 1.4% from 2021 Q2 to 2021 Q3. Year-over-year, Active Bids are up 10.9% and are now approaching record highs. In 2021 Q3, the Company submitted its highest number of bids since 2017 Q2, for 6,307 EUs which is expected to drive backlog and revenue growth. Management expects Active Bids will continue to remain high throughout 2021 and into 2022 as markets recover from the COVID-19 pandemic and new government funding begins to reach transit agencies.

The Company's North American Bid Universe increased by 7.4% from 2021 Q2.

NFI is also seeing increasing numbers of bids for zero-emission buses and coaches in numerous markets, with individual order sizes for those vehicle types starting to increase. In addition, private coach operators in the U.S. and Canada have begun to express positive sentiments as travel restrictions are being lifted and tourism and travel activity is recovering. While NFI limited production of private motor coaches in North America during the pandemic, the Company anticipates restarting private coach production in early 2022 based on increased demand as these operators recover.

NFI's overall end market recovery will be dependent upon several factors, including availability and reliability of component parts, government funding and green fleet investments, COVID-19 case rates, vaccine distribution and uptake, the length of the pandemic, mutations of the virus, travel restrictions, and economic reopening activity. These factors will differ by product and geography.

Strong Government Support for Recovery and Zero-Emission Transition

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

The Company continues to see long-term, milestone, multi-year funding commitments in the U.S., Canada and the UK, as governments recognize the importance of equitable, accessible, and sustainable transit—namely, zero-emission mobility.

United States

In the United States, the Fixing America's Surface Transportation Act ("FAST Act"), the primary federal funding mechanism for transportation programs, was extended for one year on October 1, 2020, extended again through October 31, 2021, and then extended a third time through December 3, 2021, as legislators review a new proposed funding act. On August 10, 2021, the Senate passed the Infrastructure Investment and Jobs Act ("IIJA"), the proposed successor to the FAST Act. The IIJA is a $1.2 trillion bipartisan infrastructure bill that provides reauthorization of the surface transportation bill in addition to increased funding for transit, specifically the purchase of low-or zero-emission vehicles. The IIJA provides $106.9 billion for transit over five years, with a 172% increase to federal bus funding programs. The IIJA also provides an increase of $5.25 billion to the Low or No Emission Vehicle Grant Program. As of the date of the release of this MD&A, the IIJA had been endorsed by the White House and passed by the Senate; it is now with the House for consideration.

The U.S. Coronavirus Economic Relief for Transportation Services ("CERTS") program, established by the Consolidated Appropriations Act of 2021, was created to support transportation service providers affected by the COVID-19 pandemic, including private sector motor coach operators. The CERTS application program opened late June 2021. Under the program, the U.S. Treasury provided $2 billion in grants to eligible companies that certify they have experienced an annual revenue loss of 25 percent or more as a direct or indirect result of COVID-19. Although the CERTS program is not applicable to capital purchases of new coaches or transit buses, the funds are eligible for certain payroll, operations, equipment maintenance, and interest on regularly scheduled debt service by coach operators. CERTS is an important program to provide needed support to private motor coach operators across America as they continue to recover from the COVID-19 pandemic. As of the end of September 2021, it was estimated that most recipients had received their CERTS payments.

Canada

In October 2020, the Canadian federal government announced C$1.5 billion in financing through the Canada Infrastructure Bank ("CIB") to support the adoption of ZEBs and charging infrastructure; the financing is expected to be delivered over a 24- to 36-month period. The CIB financing has started to be used to fund procurements in Canada, with large announcements made in Ottawa, Ontario; Edmonton, Alberta; and Brampton, Ontario.

The Canadian government followed this with a landmark announcement in February 2021 that will result in C$14.9 billion being invested in Canadian public transit, C$2.75 billion of which is to be dedicated to zero-emission transit. The program includes $5.9 billion in dedicated project funds starting in 2021, and ongoing permanent funding of C$3 billion per year beginning in 2026-2027.

United Kingdom

The UK, despite numerous headwinds faced in 2020, saw an increase in government support and more subsidies available to bus operators than ever before. The UK government's Ten Point Plan for a Green Industrial Revolution, announced November 18, 2020, is a follow-up to the government's original plan to invest £5 billion for buses, cycling and walking, and continued to highlight the government's commitment to introduce 4,000 more British-built zero-emission buses into service. In October 2021, an additional £150m was added to the money available this financial year as part of the UK's Zero Emission Bus Regional Areas ("ZEBRA") scheme, for a new total of £270m available under the ZEBRA scheme.

In March 2021, the Scottish Government awarded £40.5 million in funding to bus operators through a second round of the Scottish Ultra-Low Emission Bus Scheme ("SULEBS"). Successful SULEBS proposals for 172 zero-emission buses were made with ADL as the intended supplier. This is in addition to successful proposals for 35 zero-emission buses as part of the first round of funding in September 2020. As a follow-up and to replace previous funding streams, in July 2021 the Scottish Government announced the first £50 million phase of a new Scottish Zero Emission Bus Challenge Fund ("ScotZEB"). The ScotZEB fund is designed to encourage the market to implement new and innovative ways to finance and deploy zero-emission buses.

In September 2021, the Mayor of London announced that all new Transport for London ("TfL") buses would be zero-emission by 2034, bringing forward the previous commitment to deliver a 100 percent zero-emission bus fleet in London by three years. It is estimated that ten percent of London's bus network will be zero-emission by the end of 2022.

Other Markets

The New Zealand government provided an election pledge that only zero-emission buses will be purchased by 2025, and that they will target decarbonizing their entire public transit fleet by 2035. ADL's partnership with BYD has a solid position in the New Zealand market and management expects it will be a beneficiary of this transition.

The Hong Kong government continues to advance trials and applications for electric commercial vehicles which may provide opportunities for ADL given its strong relationships with the largest commercial operators in the market.

As previously mentioned, subsequent to the end of the second quarter, NFI announced that it had entered two new markets for its battery-electric vehicles. NFI's electric vehicle products are now on order or in service in five countries.

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

NFI is Leading the *ZE*volution™

As the market leader in North American transit and coach operations and the UK's leading provider of zero-emission buses through the ADL BYD partnership, management believes NFI is extremely well-positioned for both the near- and long-term based on the multi-year commitments being made by governments in all of the Company's core markets. NFI is the market leader in North America and the UK for ZEBs and is expected to be a significant beneficiary from the increased adoption of ZEBs. Currently, ZEBs make up approximately 21% of NFI's backlog, and 38.1% of the Company's total North American Bid Universe.

NFI has the largest transit vehicle and motor coach production capacity in North America and the UK, and can manufacture ZEBs at all of its vehicle facilities. NFI has electric vehicles in service with 15 of the top 25 transit agencies in North America and with 10 of the top 15 transit operators in the UK, and the Company's battery-electric and fuel cell-electric vehicles have completed over 50 million electric miles. The Company also continues to grow its Infrastructure Solutions™ business, and, in April 2021, NFI announced a milestone of over 200 electric vehicle chargers installed to date. Management anticipates that, based on the Company's leadership position, product offering, experience and customer relationships, NFI is well positioned to capitalize on the long-term transition to ZEBs in both core and new markets.

NFI Forward Outlook

Management continues to expect that the aggregate programs of NFI Forward will generate at least $67.0 million in annual Adjusted EBITDA savings by the end of 2023 from 2019 levels, plus an additional approximately $10.0 million in annualized Free Cash Flow generation, driven by interest savings and lower lease payments. NFI Forward is expected to deliver an 8% to 10% reduction in both manufacturing overhead and SG&A expenses, based on 2019 production rates, with investments of approximately $15 million to $20 million required to deliver these savings.

In addition to the focus on cost savings and additional Free Cash Flow generation, management is also prioritizing working capital improvements through the NFI Forward initiative and other strategic projects aimed at improving supplier payment terms, accounts payable turns and inventory turnover, with specific focus on private vehicle inventory.

Financial Guidance

On September 17, 2021, the Company announced that, due to the impact of escalating supply chain disruptions and logistics delays on NFI's production, NFI had lowered its guidance for 2021 to the following:

2021 Financial Guidance ($USD)	Revised Guidance	Previous Guidance
Revenue	$2.3 billion – $2.5 billion	$2.8 billion - $2.9 billion
ZEB (electric) as a percentage of manufacturing sales	Approximately 20%	20% - 25%
Adjusted EBITDA[1]	$165 million - $195 million	$220 million - $240 million
Cash Capital Expenditures - including NFI Forward	$35 million	$50 million
Seasonality	Significant year-over-year decline in Adjusted EBITDA in Q3 and Q4	Year-over-year decline in Adjusted EBITDA in Q3 and improvement in Q4
Adjusted Effective Tax Rate[1]	Minimum tax of $8 million - $14 million plus variable tax based on a range of 21% to 23% of adjusted pre-tax earnings	Minimum tax of $18 million - $22 million plus variable tax based on a range of 21% to 23% of adjusted pre-tax earnings

[1]Non-IFRS Measure - See Appendix A for details.

The guidance provided above is driven by NFI's year-to-date financial results combined with numerous expectations and assumptions including, but not limited to, the following:

a. **Revenue:** Based on expected vehicle deliveries and parts sales during the remainder of 2021. Vehicle deliveries are based on the Company's existing backlog across all markets, combined with anticipated sales to private coach operators. Availability of parts, components and chassis will impact anticipated revenue levels, with the lower end of the range reflecting the potential for further negative impacts of supply chain disruptions.

b. **Zero-Emission Bus ("ZEB") sales:** The percentages of ZEB sales are based on the Company's expected deliveries using the Company's existing backlog and anticipated future sales.

c. **Adjusted EBITDA:** Based on expected vehicle deliveries and anticipated margins from vehicles in the Company's current backlog, anticipated new orders, and aftermarket parts sales combined with cost reductions generated from the NFI Forward initiative. The Company expects to generate approximately $29 million of savings from NFI Forward in 2021. The lower end of the Adjusted EBITDA range is calculated using scenarios where production continues to be negatively impacted by supply chain disruptions and increased impacts from COVID-19.

d. **Cash Capital Expenditures:** Based on remaining anticipated cash capital expenditures allocated between maintenance and NFI Forward projects.

e. **Adjusted Effective Tax Rate:** Based on current tax rates in the jurisdictions in which NFI operates, anticipated financial results, the Company's corporate structure and the assumption that there will not be significant changes in applicable tax rates for the remainder of 2021.

f. **COVID-19 and Supply Chain Disruptions**: The guidance ranges provided above are based on current expectations the impacts COVID-19 and supply chain disruptions may have on NFI's financial results for the remainder of 2021.

Management notes that the tax impact of currency and non-monetary foreign exchange gains and losses can fluctuate and may have a material impact on quarterly and annual tax rates. As these financial metrics are forward looking statements, management suggests readers should review Appendix A.

Management cautions readers that NFI's quarterly and annual results have an element of seasonality due to the nature of each unique market segment and the varied annual production and vacation schedule of each production facility. With the acquisition of ADL, this has become even more pronounced, with the third and fourth quarters generally expected to be periods with higher delivery volumes, although 2021 activity has been negatively impacted by the COVID-19 pandemic and supply chain disruptions. Management expects higher revenue and lower Adjusted EBITDA in 2021 Q4 on a year-over-year basis, as compared to the same period in 2020. Management also reminds readers that, for 2021, NFI's first, second and third quarters are 13-week periods, while the fourth quarter is a 14-week period, making a 53-week fiscal year.

Based on the seasonality of NFI's business and mitigation efforts, taken in response to supply chain challenges, management anticipates significant cash flow generation in the fourth quarter, with projected year-ending liquidity of more than $400 million.

Management continues to believe the Company's cash position and credit capacity combined with anticipated future cash flows, and access to capital markets are sufficient to fund its operations and meet financial obligations as they come due plus provide the funds necessary for capital expenditures, dividend payments and other operational needs. Management is currently in ongoing discussions with its banking partners regarding additional financial and covenant flexibility for 2022, as the Company works through these most recent supply chain disruptions and other impacts of the COVID-10 pandemic.

SELECTED QUARTERLY AND ANNUAL FINANCIAL AND OPERATING INFORMATION

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

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

Fiscal Period	Quarter	Revenue	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[1]	Earnings (loss) per Share
2021						
	Q3	$ 492,038	$ (2,797)	$ (15,415)	$ 31,330	$ (0.22)
	Q2	582,794	26,675	2,588	51,856	0.04
	Q1	574,119	26,918	7,033	54,840	0.10
	Total	**$ 1,648,951**	**$ 50,796**	**$ (5,794)**	**$ 138,026**	**$ (0.08)**
2020						
	Q4	$ 711,523	$ 32,531	$ 8,465	$ 64,956	$ 0.14
	Q3	663,934	(16,453)	(24,912)	60,885	(0.40)
	Q2	333,334	(72,001)	(74,050)	(24,229)	(1.18)
	Q1	710,384	(25,406)	(67,239)	56,071	(1.08)
	Total	**$ 2,419,175**	**$ (81,329)**	**$ (157,736)**	**$ 157,683**	**$ (2.52)**
2019						
	Q4	$ 917,741	$ 69,958	$ 34,127	$ 103,875	$ 0.55
	Q3	725,347	25,200	(1,085)	76,868	(0.02)
	Q2	683,353	37,000	8,507	81,122	0.14
	Q1	566,995	40,906	16,149	60,302	0.26
	Total	**$ 2,893,436**	**$ 173,064**	**$ 57,698**	**$ 322,167**	**$ 0.93**

COMPARISON OF THIRD QUARTER 2021 RESULTS

(U.S. dollars in thousands)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020	52-Weeks Ended September 26, 2021	52-Weeks Ended September 27, 2020
Statement of Earnings Data						
Revenue						
North America	$ 298,707	$ 436,974	$ 1,048,499	$ 1,168,133	$ 1,531,511	$ 1,785,686
United Kingdom and Europe	62,515	75,918	200,186	180,016	289,086	334,836
Asia Pacific	12,721	53,342	43,743	61,739	79,673	89,941
Other	—	—	—	—	—	—
Manufacturing operations	373,943	566,234	1,292,428	1,409,888	1,900,270	2,210,463
North America	87,885	76,292	262,006	240,413	339,366	334,254
United Kingdom and Europe	18,945	17,609	59,136	45,900	76,832	65,449
Asia Pacific	11,265	3,799	35,381	11,451	44,006	15,226
Other	—	—	—	—	—	—
Aftermarket operations	118,095	97,700	356,523	297,764	460,204	414,929
Total revenue	$ 492,038	$ 663,934	$ 1,648,951	$ 1,707,652	$ 2,360,474	$ 2,625,392
(Loss) earnings from operations	$ (2,797)	$ (16,453)	$ 50,796	$ (113,860)	$ 83,324	$ (43,902)
(Loss) earnings before interest and income taxes	$ (4,795)	$ (12,653)	$ 44,506	$ (108,246)	$ 80,528	$ (36,700)
Net (loss) earnings	$ (15,415)	$ (24,912)	$ (5,793)	$ (166,201)	$ 2,672	$ (132,074)
Adjusted EBITDA[1]	$ 31,330	$ 60,885	$ 138,027	$ 92,727	$ 202,983	$ 196,602
Cash capital expenditures	$ 5,309	$ 4,627	$ 20,566	$ 16,256	$ 30,013	$ 23,224

[1]Non-IFRS Measure - See Appendix A for details.

RECONCILIATION OF NET EARNINGS (LOSS) TO ADJUSTED EBITDA

Management believes that Adjusted EBITDA is an important measure in evaluating the historical operating performance of the Company. However, Adjusted EBITDA is not a recognized earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS. Accordingly, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with IFRS as an indicator of the Company's performance, or cash flows from operating activities determined in accordance with IFRS as a measure of liquidity and cash flow. The Company defines and has computed Adjusted EBITDA as described under "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share and Working Capital Days" in Appendix A. The following tables reconcile net earnings or losses to Adjusted EBITDA based on the historical Financial Statements of the Company for the periods indicated.
2

(U.S. dollars in thousands)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020	52-Weeks Ended September 26, 2021	52-Weeks Ended September 27, 2020
Net (loss) earnings	$ (15,415)	$ (24,912)	$ (5,793)	$ (166,201)	$ 2,672	$ (132,072)
Addback[1]						
Income taxes	(5,004)	(3,014)	10,621	(11,343)	23,609	14,775
Interest expense[18]	15,624	15,273	39,678	69,298	54,248	80,598
Amortization	23,970	26,374	72,037	84,660	98,163	115,793
Loss (gain) on disposition of property, plant and equipment	642	(191)	298	201	41	253
Fair value adjustment for total return swap[11]	736	7	34	1,702	(1,550)	1,975
Unrealized foreign exchange loss (gain) on non-current monetary items and forward foreign exchange contracts	1,356	(3,609)	5,992	(5,815)	2,755	(7,455)
Costs associated with assessing strategic and corporate initiatives[8]	—	—	—	1,231	165	615
Past service costs and other pension costs (recovery)[13]	—	—	—	(415)	7	(345)
Non-recurring costs (recoveries) relating to business acquisition	—	—	—	—	—	360
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue[10]	—	—	—	—	—	2,156
Proportion of the total return swap realized[12]	(653)	303	(115)	(1,166)	526	(1,369)
Equity settled stock-based compensation	293	597	1,445	1,162	2,053	1,599
Unrecoverable insurance costs [14]	—	—	718	—	718	—
Prior year sales tax provision [15]	—	233	40	147	77	447
Extraordinary COVID-19 costs[16]	279	24,392	1,033	41,949	6,446	41,949
Impairment loss on goodwill[17]	—	—	—	50,790	—	50,790
Non-recurring restructuring costs[9]	9,502	25,432	12,039	26,529	13,053	26,529
Adjusted EBITDA[1]	$ 31,330	$ 60,885	$ 138,027	$ 92,729	$ 202,983	$ 196,598
Adjusted EBITDA is comprised of:						
Manufacturing	$ 2,197	$ 44,615	$ 59,365	$ 47,702	$ 113,628	$ 133,413
Aftermarket	$ 26,169	$ 16,650	$ 73,586	$ 49,645	$ 90,689	$ 68,058
Corporate	$ 2,964	$ (380)	$ 5,076	$ (4,618)	$ (1,334)	$ (4,873)

(Footnotes on page 22 and 23)

SUMMARY OF FREE CASH FLOW

Management uses Free Cash Flow as a non-IFRS measure to evaluate the Company's operating performance and liquidity and to assess the Company's ability to pay dividends on the Shares, service debt, and meet other payment obligations. However, Free Cash Flow is not a recognized earnings measure under IFRS and does not have a standardized meaning prescribed by IFRS. Accordingly, Free Cash Flow may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Free Cash Flow should not be construed as an alternative to cash flows from operating activities determined in accordance with IFRS as a measure of liquidity and cash flow. The Company defines and has computed Free Cash Flow as described under "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share and Working Capital Days" in Appendix A.

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

The following is a reconciliation of net cash generated by operating activities (an IFRS measure) to Free Cash Flow (a non-IFRS measure) based on the Company's historical Financial Statements. See "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share and Working Capital Days" in Appendix A.

(U.S. dollars in thousands, except per Share figures)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020	52-Weeks Ended September 26, 2021	52-Weeks Ended September 27, 2020
Net cash generated by operating activities	$ (38,487)	$ (3,908)	$ (35,012)	$ (23,774)	$ 53,092	$ 139,988
Changes in non-cash working capital items(4)	41,429	(9,136)	93,813	(18,562)	43,620	(103,953)
Interest paid(4)	13,619	16,683	46,970	47,394	62,883	62,841
Interest expense(4)	(17,127)	(17,339)	(50,324)	(46,604)	(65,555)	(62,235)
Income taxes paid(4)	6,987	10,121	22,548	22,569	26,672	29,797
Current income tax expense(4)	8,185	(8,406)	(11,913)	(20,847)	(17,646)	(51,689)
Repayment of obligations under lease	(5,645)	(3,503)	(15,986)	(11,058)	(23,815)	(12,458)
Cash capital expenditures	(5,309)	(4,627)	(20,566)	(16,256)	(30,013)	(23,224)
Acquisition of intangible assets	(256)	—	(860)	—	(889)	—
Proceeds from disposition of property, plant and equipment	515	356	3,533	506	5,792	506
Costs associated with assessing strategic and corporate initiatives(8)	—	—	—	1,231	165	615
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue (10)	—	—	—	—	—	2,156
Defined benefit funding(5)	625	1,347	2,062	4,389	3,180	6,358
Defined benefit expense(5)	(1,111)	(1,538)	(3,350)	(4,551)	(4,106)	(5,873)
Past service costs and other pension costs (recovery)(13)	—	—	—	(415)	7	(345)
Proportion of the total return swap realized(12)	(653)	303	(115)	(1,166)	526	(1,369)
Unrecoverable insurance costs (14)	—	—	718	—	718	—
Prior year sales tax provision (15)	—	233	40	147	77	447
Non-recurring restructuring costs(9)	8,598	22,401	9,345	23,498	9,791	23,862
Extraordinary COVID-19 costs(16)	279	24,392	1,033	41,949	$ 6,446	41,949
Foreign exchange (loss) gain on cash held in foreign currency(6)	43	(16)	(24)	17	(52)	119
Free Cash Flow(2)	$ 11,692	$ 27,363	$ 41,912	$ (1,533)	$ 70,893	$ 47,492
U.S. exchange rate(3)	1.2652	1.3393	1.2497	1.6334	1.2650	1.2485
Free Cash Flow (C$)(2)	14,793	36,653	52,377	(2,504)	89,680	59,295
Free Cash Flow per Share (C$)(7)	0.2084	0.5863	0.7591	(0.0401)	1.3308	0.9489
Declared dividends on Shares (C$)	15,086	13,287	45,255	39,853	58,542	66,414
Declared dividends per Share (C$)(7)	$ 0.2125	$ 0.2125	$ 0.6375	$ 0.6375	$ 0.8500	$ 1.0625

(1) Adjusted EBITDA is not a recognized earnings measure and does not have standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share" in Appendix A. Management believes that Adjusted EBITDA is a useful supplemental measure in evaluating performance of the Company.

(2) Free Cash Flow is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, Free Cash Flow may not be comparable to similar measures presented by other issuers. See Appendix A for "Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings and Adjusted Earnings per Share".

(3) U.S. exchange rate (C$ per US$) is the weighted average exchange rate applicable to dividends declared for the period.

(4) Changes in non-cash working capital are excluded from the calculation of Free Cash Flow as these temporary fluctuations are managed through the credit facilities which are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the consolidated statements of cash flows net of interest and income taxes paid.

(5) The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.

(6) Foreign exchange loss on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow.

(7) Per Share calculations for Free Cash Flow (C$) are determined by dividing Free Cash Flow by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2021 Q3 was 70,988,234 and 62,511,734 for 2020 Q3. The weighted average number of Shares outstanding for the 39-weeks ended September 26, 2021 and September 27, 2020 are 69,003,098 and 62,505,778, respectively. The weighted average number of Shares outstanding for the 52-weeks ended September 26, 2021 and September 27, 2020 are 67,383,535 and 62,487,963, respectively. Per Share calculations for declared dividends (C$) are determined by dividing the amount of declared dividends by the number of outstanding Shares at the respective period end date.

(8) Normalized to exclude non-recurring expenses and recoveries related to the costs of assessing strategic and corporate initiatives.

(9) Normalized to exclude non-recurring restructuring costs. Costs primarily relate to severance costs, right-of-use asset impairments and inventory impairments associated with NFI Forward restructuring initiatives. Free Cash Flow reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.

(10) The revaluation of ADL's inventory included an adjustment of $2.2 million in 2020 Q3 LTM. These revaluation adjustments relate to purchase accounting as a result of the related acquisition.

(11) The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted EBITDA.

(12) A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA and Free Cash Flow to match the equivalent portion of the related deferred compensation expense recognized.

(13) Costs and recoveries associated with amendments to, and closures of, the Company's pension plans.

(14) Normalized to exclude non-recurring costs related to an insurance event that are not recoverable.

(15) Provision for sales taxes as a result of an ongoing state sales tax review.

(16) Normalized to exclude non-recurring COVID-19 related costs. Costs primarily relate to asset impairments and miscellaneous operating costs associated with COVID-19. Asset impairments are primarily attributable to pre-owned coach inventory. Management will continue to assess the costs for COVID-19 and will make an assessment of whether they are deemed in fact to be one time and non-recurring. As more information becomes available, management may change its assessment.

(17) Impairment charge with respect to MCI's goodwill.

(18) Includes fair market value adjustments to interest rate swaps. 2021 Q3 includes a gain of $1.8 million and 2020 Q3 includes a gain of $2.8 million. 2021 Q3 YTD includes a gain of $13.3 million and 2020 Q3 YTD includes a loss of $21.0 million.

RECONCILIATION OF NET EARNINGS (LOSS) TO ADJUSTED NET EARNINGS (LOSS)

Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Accordingly, Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share should not be construed as an alternative to Net Earnings (Loss), or Net Earnings (Loss) per Share, determined in accordance with IFRS as indicators of the Company's performance. The Company defines and has computed Adjusted Net Earnings (Loss) and Adjusted Earnings (Loss) per Share under “Definitions of Adjusted EBITDA, ROIC, Free Cash Flow, Adjusted Net Earnings (Loss), Adjusted Earnings (Loss) per Share and Working Capital Days” in Appendix A. The following tables reconcile net earnings (loss) to Adjusted Net Earnings (Loss) based on the historical Financial Statements of the Company for the periods indicated.

(U.S. dollars in thousands, except per Share figures)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020	52-Weeks Ended September 26, 2021	52-Weeks Ended September 27, 2020
Net (loss) earnings	(15,415)	(24,912)	(5,793)	(166,201)	2,672	(132,074)
Adjustments, net of tax [1] [8]						
Fair value adjustments of total return swap[5]	334	4	15	1,174	(1,078)	1,319
Unrealized foreign exchange loss (gain)	617	(2,489)	2,726	(4,012)	493	(4,993)
Unrealized (gain) loss on interest rate swap	(815)	(1,902)	(6,042)	14,476	(8,319)	11,361
Impairment loss on goodwill[11]	—	—	—	50,790	—	50,790
Portion of the total return swap realized[6]	(297)	209	(52)	(805)	391	(914)
Costs associated with assessing strategic and corporate initiatives[2]	—	—	—	1,231	165	615
Fair value adjustment to acquired subsidiary company's inventory and deferred revenue[4]	—	—	—	—	—	707
Equity settled stock-based compensation	133	412	657	802	1,076	1,033
(Gain) loss on disposition of property, plant and equipment	293	(131)	136	139	(42)	171
Past service costs and other pension costs (recovery)[7]	—	—	—	(286)	4	(215)
Unrecoverable insurance costs[14]	—	—	327	—	327	—
Recovery on currency transactions[9]	—	—	—	—	—	80
Prior year sales tax provision [10]	—	160	18	101	44	203
Other tax adjustments [13]	(616)	—	5,502	3,695	5,502	3,167
Extraordinary COVID-19 costs [12]	127	16,831	468	28,945	4,205	28,945
Non-recurring restructuring costs [3]	4,323	17,546	5,478	18,303	6,178	18,514
Adjusted Net Earnings (Loss)	$ (11,316)	5,728	$ 3,440	$ (51,648)	$ 11,618	(21,291)
Earnings (Loss) per Share (basic)	$ (0.22)	$ (0.40)	$ (0.09)	$ (2.66)	$ 0.05	$ (2.11)
Earnings (Loss) per Share (fully diluted)	(0.22)	$ (0.40)	$ (0.09)	$ (2.66)	$ 0.05	$ (2.11)
Adjusted Earnings (Loss) per Share (basic)	$ (0.16)	$ 0.09	$ 0.05	$ (0.83)	$ 0.17	$ (0.34)
Adjusted Earnings (Loss) per Share (fully diluted)	$ (0.16)	$ 0.09	$ 0.05	$ (0.83)	$ 0.17	$ (0.34)

1. Addback items are derived from the historical financial statements of the Company.
2. Normalized to exclude non-recurring expenses related to the costs of assessing strategic and corporate initiatives.
3. Normalized to exclude non-recurring restructuring costs. Costs primarily relate to severance costs, right-of-use asset impairments and inventory impairments associated with NFI Forward restructuring initiatives.
4. Revaluation of ADL's inventory. These revaluation adjustments relate to purchase accounting as a result of the related acquisition.
5. The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted Net Earnings (Loss).
6. A portion of the fair value adjustment of the total return swap is excluded from Adjusted Net Earnings (Loss) to match the equivalent portion of the related deferred compensation expense recognized.
7. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans.

8. For 2021, the Company has utilized a rate of 54.5% to tax effect the adjustments. A rate of 31.0% has been used to tax effect the adjustments for all other periods.
9. Recovery of prior period banking fees related to foreign exchange transactions.
10. Provision for sales taxes as a result of a state tax review.
11. Impairment charge with respect to MCI's goodwill.
12. Normalized to exclude non-recurring COVID-19 related costs. Costs primarily relate to asset impairments and miscellaneous operating costs associated with COVID-19. Asset impairments are primarily attributable to pre-owned coach inventory. Management will continue to assess the costs for COVID-19 and will make an assessment of whether they are deemed in fact to be one time and non-recurring. As more information becomes available, management may change its assessment.
13. Includes the impact of changes in deferred tax balances as a result of substantively enacted tax rate changes. The 2021 amounts include the impact of the revaluation of deferred tax balances due to the increase in the UK corporate tax rate from 19% to 25% in 2021 Q2. The 2020 amounts result from the reversal of previously enacted UK tax rate decline in 2020 Q2.
14. Normalized to exclude non-recurring costs related to an insurance event that are not recoverable.

Results of Operations

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

Revenue

(U.S. dollars in thousands)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020
Manufacturing Revenue	373,943	566,234	1,292,428	1,409,888
Aftermarket Revenue	118,095	97,700	356,523	297,764
Total Revenue	$ 492,038	$ 663,934	$ 1,648,951	$ 1,707,652
(Loss) earnings from Operations	$ (2,797)	$ (16,453)	$ 50,796	$ (113,860)
(Loss) earnings before interest and income taxes	(4,795)	(12,653)	44,506	(108,246)
(Loss) earnings before income tax expense	(20,419)	(27,927)	4,828	(177,545)
Net loss	(15,415)	(24,912)	(5,793)	(166,201)

Manufacturing revenue for 2021 Q3 decreased by $192.3 million, or 34.0%, compared to 2020 Q3. Manufacturing revenue for 2021 Q3 YTD decreased by $117.5 million, or 8.3%, compared to 2020 Q3 YTD. The quarter-to-date figures declined primarily as a result of the Company reducing production rates as it worked to manage through the ongoing COVID-19 pandemic and the impact it continues to have on the Company's end customer. Also contributing to the reduction in deliveries were global supply chain challenges, mostly attributable to the COVID-19 pandemic. The year-to-date decline was also partly attributable to the customer and supply chain related production rate decreases in 2021 Q3, and partly a result of the comparative year-to-date figures including the higher production rates maintained in 2020 Q1, prior to the onset of the pandemic in 2020 Q2. The year-to-date decline is partially offset by low deliveries in 2020 Q2, as the Company idled production for nearly two months in 2020 Q2, in response to COVID-19 related safety concerns and public customer order delays and private customer order deferrals, which were also both attributable to the COVID-19 pandemic.

Aftermarket revenue for 2021 Q3 increased by $20.4 million, or 20.9%, compared to 2020 Q3. Aftermarket revenue for 2021 Q3 YTD increased by $58.8 million, or 19.7%, compared to 2020 Q3 YTD. Both the quarter-to-date and year-to-date increases were driven by significant volume increases in all geographic regions, including significant, multi-year retrofit programs in the Asia Pacific region.

Cost of sales

(U.S. dollars in thousands)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020
Manufacturing				
Direct cost of sales	$ 309,644	$ 469,108	$ 1,026,118	$ 1,141,790
Depreciation and amortization	21,168	23,750	64,049	76,832
Other overhead	41,474	55,459	117,153	161,148
Manufacturing cost of sales	$ 372,286	$ 548,317	$ 1,207,320	$ 1,379,770
As percent of Manufacturing Sales	99.6 %	96.8 %	93.4 %	97.9 %
Aftermarket				
Direct cost of sales	$ 77,576	$ 66,210	$ 238,921	$ 206,966
Depreciation and amortization	2,801	2,624	7,987	7,827
Aftermarket cost of sales	$ 80,377	$ 68,834	$ 246,908	$ 214,793
As percent of Aftermarket Sales	68.1 %	70.5 %	69.3 %	72.1 %
Total Cost of Sales	$ 452,663	$ 617,151	$ 1,454,228	$ 1,594,563
As percent of Sales	92.0 %	93.0 %	88.2 %	93.4 %

The consolidated cost of sales for 2021 Q3 decreased by $164.5 million, or 26.7%, compared to 2020 Q3. The consolidated cost of sales for 2021 Q3 YTD decreased by $140.3 million, or 8.8%, compared to 2020 Q3 YTD.

Cost of sales from Manufacturing operations in 2021 Q3 was $372.3 million (99.6% of Manufacturing operations revenue) compared to $548.3 million (96.8% of Manufacturing operations revenue) in 2020 Q3, a decrease of $176.0 million, or 32.1%. Cost of sales from Manufacturing operations in 2021 Q3 YTD was $1.21 billion (93.4% of Manufacturing operations revenue) compared to $1.38 billion (97.9% of Manufacturing operations revenue) in 2020 Q3 YTD. Cost of sales increased as a percentage of revenue in 2021 Q3, mainly due to lower production volumes to cover fixed costs, variable production cost inflation, primarily driven by higher freight costs and restructuring costs related to the integration of ADL's North American manufacturing facilities into NFI's existing operations. The quarter-to-date cost of sales increase as a percentage of revenue was partially offset by NFI Forward cost savings achieved in 2021 Q3 and significant restructuring costs and COVID-19 related inventory impairments incurred in 2020 Q3. NFI Forward generated Manufacturing cost of sales savings of $11.0 million in the quarter. Cost of sales decreased as a percentage of revenue in 2021 Q3 YTD, primarily due to the Company idling production for nearly two months in 2020 Q2. Cost of sales also decreased as a percentage of revenue in 2021 Q3 YTD due to NFI Forward cost savings achieved in 2021 and significant restructuring charges and COVID-19 related costs incurred in 2020. Government grants, which were primarily received to assist with the retention of skilled personnel, increased in 2021 Q3 YTD compared to the same period in 2020, resulting in lower cost of sales as a percentage of revenue.

Cost of sales from Aftermarket operations in 2021 Q3 was $80.4 million (68.1% of Aftermarket revenue) compared to $68.8 million (70.5% of Aftermarket revenue) in 2020 Q3, a decrease of 2.4% as a percentage of revenue. Cost of sales from Aftermarket operations in 2021 Q3 YTD was $246.9 million (69.3% of Aftermarket revenue) compared to $214.8 million (72.1% of Aftermarket revenue) in 2020 Q3 YTD, a decrease of 2.8% as a percent of revenue. Cost of sales decreased as a percentage of revenue in both periods primarily due to a favourable product mix.

Gross Margins

(U.S. dollars in thousands)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020
Manufacturing	$ 1,657	$ 17,917	$ 85,109	$ 30,118
Aftermarket	37,718	28,866	109,614	82,971
Total Gross Margins	$ 39,375	$ 46,783	$ 194,723	$ 113,089
As a percentage of sales				
Manufacturing	0.4 %	3.2 %	6.6 %	2.1 %
Aftermarket	31.9 %	29.5 %	30.7 %	27.9 %
	8.0 %	7.0 %	11.8 %	6.6 %

Manufacturing gross margin for 2021 Q3 of $1.7 million (0.4% of Manufacturing revenue), decreased by $16.3 million, or 90.8%, compared to $17.9 million (3.2% of revenue) for 2020 Q3. Manufacturing gross margin for 2021 Q3 YTD of $85.1 million (6.6% of Manufacturing revenue), increased by $55.0 million, or 182.6%, compared to $30.1 million (2.1% of Manufacturing revenue) in 2020 Q3 YTD.

Manufacturing gross margin decreased as a percentage of revenue in 2021 Q3, mainly due to lower production volumes to cover fixed costs, variable production cost inflation and restructuring costs related to the integration of ADL's North American manufacturing facilities into NFI's existing operations. The quarter-to-date gross margin decrease was partially offset by NFI Forward cost savings achieved in 2021 Q3 and significant restructuring charges and COVID-19 related inventory impairments incurred in 2020 Q3. Gross margin increased as a percentage of revenue in 2021 Q3 YTD, primarily due to the Company idling production for nearly two months in 2020 Q2. Gross margin also increased as a percentage of revenue in 2021 Q3 YTD due to NFI Forward cost savings achieved in 2021 and significant restructuring charges and COVID-19 related costs incurred in 2020.

Aftermarket gross margins for 2021 Q3 of $37.7 million (31.9% of Aftermarket revenue) increased by $8.9 million, or 30.7%, compared to 2020 Q3 gross margins of $28.9 million (29.5% of Aftermarket revenue). Aftermarket gross margins for 2021 Q3 YTD of $109.6 million (30.7% of Aftermarket revenue) increased by $26.6 million, or 32.1%, compared to 2020 Q3 YTD gross margins of $83.0 million (27.9% of Aftermarket revenue). Gross margin percentage increased in both periods primarily due to a favourable product mix.

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

(U.S. dollars in thousands)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020
Selling expenses	$ 6,105	$ 5,826	$ 19,536	$ 16,252
General and administrative expenses	36,580	52,920	130,311	152,077
Other costs	36	5,362	(64)	7,422
Total SG&A	$ 42,721	$ 64,108	$ 149,783	$ 175,751

The consolidated SG&A for 2021 Q3 of $42.7 million (8.7% of consolidated revenue) decreased by $21.4 million, or 33.4%, compared to $64.1 million (9.7% of consolidated revenue) in 2020 Q3. The consolidated SG&A for 2021 Q3 YTD of $149.8 million (9.1% of consolidated revenue) decreased by $26.0 million, or 14.8%, compared to $175.8 million (10.3% of consolidated revenue) in 2021 Q3 YTD.

The decrease in both periods is primarily related to NFI Forward savings achieved in 2021 and significant restructuring and COVID-19 costs incurred in 2020. NFI Forward generated SG&A savings of $5.0 million in the quarter. Government grants, which were primarily received to assist with the retention of skilled personnel, increased in 2021 Q3 YTD compared to the same period in 2020, resulting in lower SG&A as a percentage of revenue.

Realized foreign exchange loss/gain

In 2021 Q3, the Company recorded a realized foreign exchange gain of $0.5 million compared to a gain of $0.9 million in 2020 Q3. In 2021 Q3 YTD, the Company recorded a realized foreign exchange gain of $5.9 million compared to a loss of $0.4 million in 2020 Q3 YTD.

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

Earnings (loss) from operations

Consolidated losses from operations in 2021 Q3 were $2.8 million ((0.6)% of consolidated revenue) compared to losses of $16.5 million ((2.5)% of consolidated revenue) in 2020 Q3, an increase of $13.7 million or 83.0%. Consolidated earnings from operations in 2021 Q3 YTD were $50.8 million (3.1% of consolidated revenue) compared to losses of $113.9 million ((6.7)% of consolidated revenue) in 2020 Q3 YTD.

2021 Q3 losses from operations attributable to the Manufacturing Segment were $26.5 million ((7.1%) of Manufacturing revenue) compared to losses of $26.4 million ((4.7%) of Manufacturing revenue) in 2020 Q3, a decrease of $0.1 million, or 0.4%. Losses from Manufacturing operations in 2021 Q3 YTD were $10.4 million (0.8% of Manufacturing revenue) compared to losses of $148.2 million ((10.5%) of Manufacturing revenue) in 2020 Q3 YTD, an increase of $137.8 million or 93.0%. The decrease as a percentage of revenue in 2021 Q3 was primarily attributable to lower new vehicle deliveries, as the Company lowered production rates to manage through the ongoing COVID-19 pandemic and the impact it continues to have on the Company's end customer. Also contributing to the reduction in earning were supply chain shortages mostly related to COVID-19. The increase as a percentage of revenue in 2021 Q3 YTD was primarily attributable to higher new vehicle deliveries, as the Company had previously idled production for nearly two months in 2020 Q2, in response to the impact of the pandemic on the Company's end-markets and COVID-19 related safety concerns. The increase as a percentage of revenue is also due to NFI Forward savings. The 2020 Q3 YTD figures are also lower as a result of a $50.8 million impairment charge incurred on MCI's goodwill in 2020 Q1. Both comparative periods were also negatively impacted by higher restructuring costs and COVID-19 related expenses.

Earnings from operations related to Aftermarket operations in 2021 Q3 were $22.2 million (18.8% of Aftermarket revenue) compared to $14.0 million (14.3% of Aftermarket revenue) in 2020 Q3. Earnings from operations related to Aftermarket operations in 2021 Q3 YTD were $62.1 million (17.4% of Aftermarket revenue) compared to $41.2 million (13.8% of Aftermarket revenue) in 2020 Q3 YTD. Earnings from Aftermarket operations were higher in both periods due to higher sales volumes, a favourable product mix and NFI Forward savings.

Unrealized foreign exchange gain/loss

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

(U.S. dollars in thousands)		2021 Q3	2020 Q3		39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020
Unrealized gain (loss) on forward foreign exchanges contracts	$	(508) $	2,355	$	(4,642) $	6,895
Unrealized gain (loss) on other long-term monetary assets/liabilities		(848)	1,254		(1,350)	(1,080)
	$	(1,356) $	3,609	$	(5,992) $	5,815

At September 26, 2021, the Company had $107.7 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, and GBP). The related liability of $0.2 million (December 27, 2020: $4.5 million asset) is recorded on the unaudited interim condensed consolidated statement 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 unaudited interim condensed consolidated statements of net loss and total comprehensive income (loss).

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

In 2021 Q3, the Company recorded EBIT of $(4.8) million compared to EBIT of $(12.7) million in 2020 Q3. In 2021 Q3 YTD, the Company recorded EBIT of $44.5 million compared to EBIT of $(108.2) million in 2020 Q3 YTD. EBIT has been impacted by non-cash and non-recurring items as follows:

(U.S. dollars in thousands)	2021 Q3	2020 Q3	39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020
Non-cash and non-recurring charges:				
Costs associated with assessing strategic and corporate initiatives	$ —	$ —	$ —	$ 1,231
Unrealized foreign exchange loss (gain)	1,356	(3,609)	5,992	(5,815)
Equity settled stock-based compensation	293	597	1,445	1,162
Loss (gain) on disposition of property, plant and equipment	642	(191)	298	201
Fair value adjustment of total return swap	736	7	34	1,702
Past service costs recovery	—	—	—	(415)
Extraordinary COVID-19	279	24,392	1,033	41,949
Prior year sales tax provision	—	233	40	147
Unrecoverable insurance costs	—	—	718	—
Impairment loss on goodwill	—	—	—	50,790
Portion of the total return swap realized	(653)	303	(115)	(1,166)
Non-recurring restructuring costs	9,502	25,429	12,039	26,526
Amortization	23,970	26,372	72,037	84,658
Total non-cash and non-recurring charges:	$ 36,125	$ 73,533	$ 93,521	$ 200,970

Interest and finance costs

The interest and finance costs for 2021 Q3 of $15.6 million increased by $0.4 million compared 2020 Q3. The interest and finance costs for 2021 Q3 YTD of $39.7 million decreased by $29.6 million compared to 2020 Q3 YTD. The quarter-to-date increase is due to higher variable interest changes and lower fair market value adjustments to the Company's interest rate swaps. The Company had a fair market value gain of $1.8 million in 2021 Q3 compared to a gain of $2.8 million in 2020 Q3. The year-to-date decrease is primarily due to a fair market value adjustments to the Company's interest rate swaps. The Company had a fair market value gain of $13.3 million in 2021 Q3 YTD compared to a loss of $21.0 million in 2020 Q3 YTD. The decrease was partially offset by higher interest on long-term debt due to higher variable interest charges on the Credit Facility and interest on the UK Facility. The UK Facility was entered in May 2020 to support ADL's operations in the UK.

The fair market value adjustments on the interest rate swaps relate to risk management activities management has undertaken to reduce the uncertainty related to the Company's cost of borrowing. The Company's first interest rate swap fixes the interest rate which the Company will pay on $560.0 million of its long-term debt at 2.27% plus an applicable margin. The fixed portion amortizes $20 million annually and matures in October 2023. The Company has a second interest rate swap on $200 million of its long-term debt on which the Company will pay 0.243% plus an applicable margin and matures in July 2025. The Company's accounting policy is to not designate these types of instruments as accounting hedges. As a result, interest rate increases will result in mark-to-market gains, while interest rate decreases will result in mark-to-market losses.

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

EBT for 2021 Q3 of $(20.4) million improved by $7.5 million compared to EBT of $(27.9) million in 2020 Q3. EBT for 2021 Q3 YTD of $4.8 million improved by $182.4 million compared to EBT of $(177.5) million in 2020 Q3 YTD. The primary drivers of the changes to EBT are addressed in the Earnings (loss) from Operations, EBIT, and Interest and finance costs sections above.

Income tax expense

The income tax recovery for 2021 Q3 is $5.0 million, compared to a $3.0 million recovery in 2020 Q3. The recovery is higher due mostly to a reduction in the U.S. base erosion and anti-abuse tax ("BEAT"), which is effectively a minimum tax not directly linked to earnings, and foreign tax credit write off when compared to 2020, offset by a smaller recovery based on the reduced loss before tax.

The income tax expense for 2021 Q3 YTD is $10.6 million, compared to a $11.3 million recovery in 2020 Q3 YTD. The increase in the overall income tax expense is primarily due to increased earnings before taxes, offset by the absence of non-deductible write-down of goodwill, which negatively impacted the 2020 Q3 YTD.

The ETR for 2021 Q3 was 24.5%, compared to 10.8% in 2020 Q3. The ETR for 2021 Q3 YTD was 220.0% compared to 6.4% in 2020 Q3 YTD. The 2021 Q3 YTD ETR continues to be negatively impacted by the BEAT (+85.0%), a write-off of unapplied foreign tax credits (+44.7%), and the impact of the revaluation of deferred tax balances due to the increase in the UK corporate tax rate from 19% to 25% (+65.5%).

Net loss

The Company reported net losses of $15.4 million in 2021 Q3, an increase of $9.5 million, or 38.1%, compared to net losses of $24.9 million in 2020 Q3. The Company reported net losses of $5.8 million in 2021 Q3 YTD, an increase of $160.4 million, or 96.5%, compared to net losses of $166.2 million in 2020 Q3 YTD. The increase in both periods is primarily related to NFI Forward savings generated in 2021 and higher restructuring costs and COVID-19 related costs incurred in 2020. The comparative year-to-date figures were also negatively impacted by the idling of production for nearly two month in 2020 Q2 and a goodwill impairment charge of $50.8 million recorded in 2020 Q1. The increase in both periods is partially offset by unrealized foreign exchange losses record in 2021 and unrealized foreign exchange gains recorded in 2020.

Net loss (U.S. dollars in millions, except per Share figures)	**2021 Q3**	**2020 Q3**	**39-Weeks Ended September 26, 2021**	**39-Weeks Ended September 27, 2020**
(Loss) earnings from operations	$ (2.8)	$ (16.5)	$ 50.8	$ (113.9)
Non-cash (loss) gain	(2.0)	3.8	(6.3)	5.6
Interest expense	(15.6)	(15.2)	(39.7)	(69.2)
Income tax recovery (expense)	5.0	3.0	(10.6)	11.3
Net loss	$ (15.4)	$ (24.9)	$ (5.8)	$ (166.2)
Net loss per Share (basic)	$ (0.22)	$ (0.40)	$ (0.09)	$ (2.66)
Net loss per Share (fully diluted)	$ (0.22)	$ (0.40)	$ (0.09)	$ (2.66)

The Company's net losses per Share for 2021 Q3 of $0.22 improved from net losses per Share of $0.40 in 2020 Q3. The Company's net losses per Share for 2021 Q3 YTD of $0.09 improved from net losses per Share of $2.66 in 2020 Q3 YTD. Net losses per Share improved in both periods primarily due to lower net losses. Net losses per Share were also lower as a result of dilution from the Company's bought deal equity offering ("Offering") in March 2021, by which NFI issued 8,446,000 common shares at a price of C$29.60 per share for gross proceeds to the Company of C$250 million.

Cash Flow

The cash flows of the Company are summarized as follows:

(U.S. dollars in thousands)	**2021 Q3**	**2020 Q3**	**39-Weeks Ended September 26, 2021**	**39-Weeks Ended September 27, 2020**
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	$ 23,548	$ 13,760	$ 128,319	$ 27,627
Interest paid	(13,619)	(16,683)	(46,970)	(47,394)
Income taxes paid	(6,987)	(10,121)	(22,548)	(22,569)
Net cash earnings (loss)	2,942	(13,044)	58,801	(42,336)
Cash flow (used in) generated by changes in working capital	(41,429)	9,136	(93,813)	18,562
Cash flow used in operating activities	(38,487)	(3,908)	(35,012)	(23,774)
Cash flow from financing activities	60,621	(991)	57,282	27,960
Cash flow used in investing activities	(5,050)	(4,271)	(13,193)	(31,260)

Cash flows from operating activities

The 2021 Q3 net operating cash outflow of $38.5 million is comprised of $2.9 million of net cash earnings and $41.4 million of cash invested in working capital. The 2020 Q3 net operating cash outflow of $3.9 million is comprised of $13.0 million of net cash losses and $9.1 million of cash generated by working capital.

The 2021 Q3 YTD net operating cash outflow of $35.0 million is comprised of $58.8 million of net cash earnings and $93.8 of cash invested in working capital. The 2020 Q3 YTD net operating cash outflow of $23.8 million is comprised of net cash losses of $42.3 million and $18.6 million of cash generated by working capital.

Cash flow from financing activities

The cash inflow of $60.6 million during 2021 Q3 is comprised mainly of proceeds from revolving credit facilities of $78.5 million, partially offset by dividend payments of $12.3 million and lease obligation payments of $5.6 million. The cash inflow of $57.3 million during 2021 Q3 YTD is primarily due to proceeds from the Offering of $198.8 million, offset by long-term debt repayments of $82.4 million, dividend payments of $34.6 million, lease obligation repayments of $16.0 million and $8.6 million of costs associated with the Offering.

Cash flow from investing activities

(U.S. dollars in thousands)		2021 Q3	2020 Q3		39-Weeks Ended September 26, 2021	39-Weeks Ended September 27, 2020
Acquisition of intangible assets	$	(256) $	—	$	(860) $	—
Proceeds from disposition of property, plant and equipment		515	356		3,533	506
Long-term restricted deposits		—	—		4,700	(15,510)
Acquisition of property, plant and equipment		(5,309)	(4,627)		(20,566)	(16,256)
Cash used in investing activities	$	(5,050) $	(4,271)	$	(13,193) $	(31,260)

Cash used in investing activities was higher in 2021 Q3, primarily due to higher investments in property, plant and equipment as the Company limited capital expenditures in 2020 to preserve cash during the pandemic. The 2021 Q3 YTD cash used in investing activities was lower, mainly due to cash from long-term restricted deposits and proceeds from disposition of property, plant and equipment as part of NFI Forward. The decrease in 2021 Q3 YTD was partially offset by higher investment in property, plant and equipment.

On February 13, 2019, the Company entered into a $600 million amortizing notional interest rate swap designed to hedge floating rate exposure on the Credit Facility. The interest rate swap fixes the interest rate at 2.27% plus applicable margin until October 2023 and amortizes at a rate of $20 million per annum.

On July 9, 2020 the Company entered into a $200 million amortizing notional interest rate swap designed to hedge floating rate exposure on its Credit Facility. The interest rate swap fixes the interest rate at 0.243% plus applicable margin until July 2025. The swap begins amortizing on December 9, 2022 at a rate of $20 million per annum.

The fair value of the interest rate swap liability of $19.8 million at September 26, 2021 (December 27, 2020: $33.1 million) was recorded on the unaudited interim condensed consolidated statements of financial position as a derivative financial instruments liability and the change in fair value has been recorded in finance costs for the reported period. The unrealized losses recorded on the instrument are a result of interest rate reductions subsequent to entering into the transaction.

Credit risk

Financial instruments which potentially subject the Company to credit risk and concentrations of credit risk consist principally of cash, accounts receivable and derivatives. Management believes that the credit risk associated with accounts receivable is mitigated by the significant proportion of counterparties that are well established public transit authorities. Additionally, the U.S. federal government funds a substantial portion of U.S. public sector customer payments - up to 80% of the capital cost of new transit buses, coaches or cutaways, while the remaining 20% comes from state and municipal sources. There are a few U.S. public sector customers that obtain 100% of their funding from state and municipal sources. The maximum exposure to the risk of credit for accounts receivables corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the customer base being principally comprised of municipal and other local transit authorities. Management has not observed, and does not anticipate, significant changes to credit risk as a result of the COVID-19 pandemic.

The purchase of new coaches, transit buses or cutaways by private fleet operators is paid from the operators' own capital budgets and funded by their own cash flow. A significant portion of private fleet operators choose to finance new coach purchases with lending organizations. In some cases, MCI assists in arranging this financing, and in some cases, it provides financing through its ultimate net loss program. The Company has experienced a nominal amount of bad debts with its private sales customers as most transactions require payment on delivery. Management has not observed, and does not anticipate, significant changes to credit risk as a result of the COVID-19 pandemic.

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

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

U.S. dollars in thousands	**September 26, 2021**	December 27, 2020
Current, including holdbacks	$ 402,774	$ 380,328
Past due amounts but not impaired		
1 – 60 days	18,684	39,988
Greater than 60 days	2,214	7,081
Less: allowance for doubtful accounts	(581)	(989)
Total accounts receivables, net	$ 423,091	$ 426,408

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 September 26, 2021:

U.S. dollars in thousands	**Total**	**2021**	**2022**	**2023**	**2024**	**2025**	**Post 2025**
Leases	186,478	8,436	23,589	20,176	15,178	11,019	108,080
Accrued benefit liability	3,094	3,094	—	—	—	—	—
	$ 189,572	$ 11,530	$ 23,589	$ 20,176	$ 15,178	$ 11,019	$ 108,080

As at September 26, 2021, outstanding surety bonds guaranteed by the Company amounted to $391.7 million, representing an increase compared to $357.2 million at December 27, 2020. The estimated maturity dates of the surety bonds outstanding at September 26, 2021 range from October 2021 to December 2026. Management believes that adequate facilities exist to meet projected surety requirements.

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

Under the Credit Facility, the Company had established a letter of credit sub-facility of $100.0 million. As at September 26, 2021, letters of credit amounting to $11.8 million (December 27, 2020: $11.8 million) remained outstanding as security for the contractual obligations of the Company under the Credit Facility.

The Company has an additional bi-lateral credit facility of £50.0 million ($68.4 million). As at September 26, 2021, letters of credit totaling $35.6 million were outstanding under the bi-lateral credit facility (December 27, 2020: $22.1 million). Additionally, there are $25.3 million of letters of credit outstanding outside of the Credit Facility and the bi-lateral credit facility.

As at September 26, 2021, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit

The Company does not have any off-balance sheet arrangement or any material capital asset commitments at September 26, 2021.

Share Option Plan

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. Directors who are not employed with NFI are not eligible to participate in the 2013 Option Plan. A maximum of 3,600,000 Shares are reserved for issuance under the 2013 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

Option Grant dates	Number	Exercised	Expired	Vested	Unvested	Expiry date	Exercise price	Fair Value at grant date
March 26, 2013	490,356	(490,356)	—	—	—	March 26, 2021	$10.20	$1.55
December 30, 2013	612,050	(573,668)	(9,631)	(28,751)	—	December 30, 2021	$10.57	$1.44
December 28, 2014	499,984	(252,233)	(11,368)	(236,383)	—	December 28, 2022	$13.45	$1.83
December 28, 2015	221,888	(19,532)	—	(202,356)	—	December 28, 2023	$26.75	$4.21
September 8, 2016	2,171	—	(2,171)	—	—	September 8, 2024	$42.83	$8.06
January 3, 2017	151,419	(1,610)	(11,888)	(137,921)	—	January 3, 2025	$40.84	$7.74
January 2, 2018	152,883	—	(17,072)	(103,919)	31,892	January 2, 2026	$54.00	$9.53
January 2, 2019	284,674	—	(41,649)	(126,640)	116,385	January 2, 2027	$33.43	$5.01
July 15, 2019	2,835	—	—	(1,418)	1,417	July 15, 2027	$35.98	$4.90
December 31, 2019	519,916	—	(59,929)	(120,834)	339,153	December 31, 2027	$26.81	$3.36
December 28, 2020	258,673	—	(16,640)	—	242,033	December 28, 2028	$24.70	$6.28
February 10, 2021	1,894	—	—	—	1,894	December 28, 2028	$28.74	$6.28
August 16, 2021	601	—	—	—	601	August 16, 2029	$30.79	$6.28
	3,199,344	(1,337,399)	(170,348)	(958,222)	733,375		$28.65	

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. Directors who are not employed with NFI are not eligible to participate in the 2020 Option Plan. A maximum of 3,200,000 Shares are reserved for issuance under the 2020 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date. No options have been issued under the 2020 option plan.

The following reconciles the Share options outstanding:

	2021 Q3 YTD		Fiscal 2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,503,117	C$29.32	1,068,906	C$30.77
Granted during the period	261,168	C$24.73	519,916	C$26.81
Expired during the period	(65,362)	C$30.42	(77,059)	C$34.26
Exercised during the period	(7,326)	C$10.20	(8,646)	C$13.45
Balance at end of period	1,691,597	$28.65	1,503,117	C$29.32

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company’s Restricted Share Unit Plan for Non-Employee Directors, a maximum of 500,000 Shares are reserved for issuance to non-employee directors. The Company issued 8,792 director restricted Share units (“Director RSUs”), with a total value of $196 thousand, in 2021 Q3. Approximately $70 thousand of the issued Director RSUs were exercised and exchanged for 3,193 shares.

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2 to the 2020 Annual Financial Statements.

New and amended standards adopted by the Company

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

Capital Allocation Policy

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

Maintaining Financial Flexibility

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

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

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

On December 23, 2020, the Company amended the Credit Facility and the UK Facility (together the "amended facilities"). The amended facilities provide the Company with relaxed covenants as it recovers from the impacts of the COVID-19 pandemic. Through the amendments, NFI has provided the lenders security on certain of its assets, including a general security agreement on NFI's personal property, but excluding security on real property, until April 3, 2023. The general security agreement is in place until the later of April 3, 2023 or the date on which NFI has delivered two consecutive fiscal quarters with a total leverage ratio at less than 3.75 to 1.

The Credit Facility has a total borrowing limit of $1.250 billion, which includes a $100 million letter-of-credit facility and a $250 million accordion feature. $11.8 million of outstanding letters-of-credit were drawn against the Credit Facility at September 26, 2021. The Credit Facility bears interest at a rate equal to LIBOR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates and matures on August 2, 2024.

The £50 million revolving UK Facility has a two-year term with options to extend. Amounts drawn under the UK Facility bear interest at a rate equal to LIBOR plus an applicable margin. The UK Facility matures on May 4, 2022, and as such is treated as a current portion of long-term debt on the balance sheet, but there is a mutual extension option to May 2023, and management fully anticipates to extend the facility.

Under the terms of the amended facilities, the total net leverage and interest coverage ratios for 2021 and 2022 have been relaxed. During 2021, the Company received a waiver from its lenders regarding the total net leverage covenant and will instead need to comply with a total net leverage ratio that is based on a conservative financial projection for the Company's 2021 fiscal year.

Beginning in 2022, the Company will be required to maintain a total net leverage ratio at follows:

January 3, 2022 - April 3, 2022	<5.00
April 4, 2022 - July 3, 2022	<4.50
July 4, 2022 - October 2, 2022	<4.25
October 3, 2022 and thereafter	<3.75

The Company will also have to comply with a $50 million minimum liquidity covenant at all times until the total net leverage covenant is less than 3.75x, a total net debt to capitalization ratio of less than 0.70:1.00 during 2021, and an interest coverage ratio of at least 2.25x during 2021 and 3.00x beginning in the first quarter 2022. The amended facilities require the dividend payment not exceed the current level.

Management believes the Company's cash position, anticipated future revenues, liquidity from credit facilities together with access to equity markets and other borrowings capacity are sufficient to support current operations, dividends and strategic initiatives. Management is currently in ongoing discussions with its banking partners regarding additional financial and covenant flexibility for 2022 and beyond as the Company works through these most recent supply chain disruptions and other impacts of the COVID-10 pandemic.

The calculation of the financial covenants are provided for information purposes below:

	September 26, 2021	December 27, 2020
Total Leverage Ratio (must be less than 6.23 [2020: 6.25])	5.51	4.90
Interest Coverage Ratio (must be greater than 2.25 [2020: 3.00])	3.06	4.11
Total Net Debt to Capitalization Ratio (must be less than 0.70:1.00 [2020: N/A])	0.55	N/A

US dollars in thousands	**September 26, 2021**	December 27, 2020
Liquidity Position (must be greater than $50 million)	$ 320,123	$ 233,459

The Company remains focused on deleveraging its balance sheet and returning to its target leverage of 2.0x to 2.5x total debt to Adjusted EBITDA. Management had originally expected the Company to return to those levels 18 to 24 months following the acquisition of ADL in May 2019, but the impact of COVID-19 has extended the expected timing of deleveraging. Management now expects to reduce the Company's total leverage to its target leverage of 2.0x to 2.5x total debt to Adjusted EBITDA by the end of 2024 as the recovery from COVID-19 continues, the Company achieves the benefits of the NFI Forward strategic cost reduction initiatives and a Company wide focus on reducing working capital.

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

Business Investment

The Company plans to invest in the current business for future growth and will continue to invest in common systems and lean manufacturing operations to improve quality and cost effectiveness, while also investing to expand the Company's expertise in ZEB, Infrastructure Solutions™ and Advanced Driver Assistance Systems ("ADAS") and automated vehicles. The Company has made significant investments in its ZEB production capabilities to be prepared for the expected longer-term transition to a more electrified fleet. New Flyer now has the capability to manufacture ZEBs at all of its North American facilities. ADL is the market leader in ZEBs with production capabilities at all of its UK facilities, MCI has invested in model upgrades to generate its first electric coach offering, which has been well received by the market and ARBOC has commenced production of its medium-duty Equess CHARGE™ electric bus in the second half of 2021, subject to completion of Altoona testing. To support customers making the transition to zero-emission fleets, NFI launched its Infrastructure Solutions™ business in 2018. Infrastructure Solutions™ has helped numerous agencies develop and launch infrastructure installation projects.

The Company has autonomous bus projects in development with specialized partners who have a deep understanding of artificial intelligence and ADAS. As part of this program to advance automated vehicles and ADAS, on January 29, 2021, NFI announced the launch of the New Flyer Xcelsior AV, North America's first automated Level 4 transit bus. The Company has also made numerous investments into telematics solutions to ensure customers can track detailed performance and maintenance metrics associated with their vehicles.

In addition to internal investments, business acquisitions and partnerships will be considered to further grow and diversify the business and to contribute to the long-term competitiveness and stability of the Company. Investment decisions are based on several criteria, including but not limited to: investment required to maintain or enhance operations; enhancement of cost effectiveness through vertical integration of critical supply and sub-assembly in-sourcing; and acquisitions in current or adjacent markets that are considered accretive to the business.

Return of Capital to Shareholders

The Company intends to have a Share dividend policy that is consistent with the Company`s financial performance and the desire to retain certain cash flows to support the ongoing requirements of the business and to provide the financial flexibility to pursue revenue diversification and growth opportunities.

The Company's 2021 Q3 Free Cash Flow was C$14.8 million compared to declared dividends of C$15.1 million during this period. For 2020 Q3 Free Cash Flow was C$36.7 million compared to declared dividends of C$13.3 million. This resulted in a payout ratio of 102.0% in 2021 Q3 compared to 36.2% in 2020 Q3.

To support cash management efforts while the Company's operations are impacted by COVID-19, in 2020 Q1 the Board reduced the Company's quarterly dividend to C$0.2125 per Share. Although the dividend payment was reduced, the continued payment reflects the Board's confidence in the Company's business while maintaining the financial flexibility required to operate during a period of significant economic uncertainty. The Company's dividend policy takes a long term view of the Company's performance.

Total Capital Distributions to Shareholders (U.S. dollars in millions)	**2021 Q3**	**2020 Q3**	**2021 Q3 YTD**	**2020 Q3 YTD**
Dividends paid	$ 12.3	$ 9.7	$ 34.6	$39.5

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.

On December 15, 2014, management adopted the "Internal Control – Integrated Framework 2013" ("COSO 2013") from the Committee of Sponsoring Organizations of the Treadway Commission, which replaces the previously issued COSO framework, COSO 1992. This new framework necessitated a re-evaluation of the controls that management relies upon to support its conclusions, as well as changes to the Company's testing programs.

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company's ICFR as of December 27, 2020 in accordance with the criteria established in COSO 2013, and concluded that the Company's ICFR are effective.

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

There have been no changes in our internal control over financial reporting during the quarter ended September 26, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 September 26, 2021, were effective.

Appendix A - Meaning of Certain References

References in this MD&A to the "Company" are to NFI and all of its direct or indirect subsidiaries, including New Flyer Industries Canada ULC ("NFI ULC"), New Flyer of America Inc. ("NFAI"), The Aftermarket Parts Company, LLC ("TAPC"), KMG Fabrication, Inc. ("KMG"), Carfair Composites Inc. ("CCI") and Carfair Composites USA, Inc. ("CCUI", and together with "CCI", "Carfair"), The Reliable Insurance Company Limited, ARBOC Specialty Vehicles, LLC ("ARBOC"), New MCI Holdings, Inc. and its affiliated entities (collectively, "MCI"), NFI Holdings Luxembourg s.a.r.l., and Alexander Dennis Limited and its affiliated entities (collectively, "ADL") 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 common shares of NFI ("Shares") are traded on the Toronto Stock Exchange ("TSX") under the symbol "NFI". As at September 26, 2021, 70,988,269 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI's annual information form, is available on SEDAR at www.sedar.com.

Buses manufactured by New Flyer and ADL's single and double deck buses are classified as "transit buses". ARBOC manufactures body-on-chassis or "cutaway" and "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, transit buses, medium-duty buses and cutaways, are referred to as "buses".

A "motor coach" or "coach" is a 35-foot to 45-foot over-the-highway bus typically used for intercity transportation and travel over longer distances than heavy-duty transit buses, and is typically characterized by (i) one or two axles in the rear (related to the weight of the vehicle), (ii) high deck floor, (iii) baggage compartment under the floor, (iv) high-backed seats with a coach-style interior (often including a lavatory and underfloor baggage compartments), and (v) no room for standing passengers.

All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motor coaches in service and delivered, is measured in, or based on, "equivalent units". One equivalent unit (or "EU") represents one production slot, being one 30-foot, 35-foot, 40-foot, 45-foot heavy-duty transit bus, one double deck bus, one medium-duty bus, one cutaway bus or one motor coach, whereas one articulated transit bus represents two equivalent units. An articulated transit bus is an extra-long transit bus (approximately 60-feet in length), composed of two passenger compartments connected by a joint mechanism. The joint mechanism allows the vehicle to bend when the bus turns a corner, yet have a continuous interior.

References to "Adjusted ETR" are to the effective tax rate, which is based on current tax rates in the jurisdictions in which NFI operates, anticipated financial results, the Company's corporate structure and the assumption that there will not be significant changes in applicable tax rates in 2021, adjusted for non-recurring and discrete items.

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 objectives and the Company's strategic initiatives, plans, business prospects and opportunities, including the duration, impact of and recovery from the COVID-19 pandemic and supply chain disruptions. The words "believes", "views", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates", "guidance", "goals", "objectives" and "targets" and similar expressions of future events or conditional verbs such as "may", "will", "should", "could", "would" are intended to identify forward looking statements. These forward-looking statements reflect management's current expectations regarding future events (including the temporary nature of the supply chain disruptions, the recovery of the Company's markets and the expected benefits to be obtained through its "NFI Forward" initiative) and the Company's financial and operating performance and speak only as of the date of this press release. By their very nature, forward-looking statements require management to make assumptions and involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and give rise to the possibility that management's predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that the assumptions may not be correct and that the Company's future growth, financial performance and objectives and the Company's strategic initiatives, plans, business prospects and opportunities, including the duration, impact of and recovery from the COVID-19 pandemic and supply chain disruptions, will not occur or be achieved.

A number of factors that may cause actual results to differ materially from the results discussed in the forward-looking statements include: the Company's business, operating results, financial condition and liquidity may be materially adversely impacted by the ongoing COVID-19 pandemic and supply chain disruptions; funding may not continue to be available to the Company's customers at current levels or at all; the Company's business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for the Company's products and the results of its operations; currency fluctuations could adversely affect the Company's financial results or competitive position; interest rates could change substantially, materially impacting the Company's revenue and profitability; an active, liquid trading market for the Shares may cease to exist, which may limit the ability of shareholders to trade Shares; the market price for the Shares may be volatile; if securities or industry analysts do not publish research or reports about the Company and its business, if they adversely change their recommendations regarding the Shares or if the Company's results of operations do not meet their expectations, the Share price and trading volume could decline; in addition, if securities or industry analysts publish inaccurate or unfavorable research about the Company or its business, the Share price and trading volume of the Shares could decline; competition in the industry and entrance of new competitors; current requirements under "Buy America" regulations may change and/or become more onerous or suppliers' "Buy America" content may change; failure of the Company to comply with the U.S. Disadvantaged Business Enterprise ("DBE") program requirements or the failure to have its DBE goals approved by the U.S. Federal Transit Administration; absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience; local content bidding preferences in the United States may create a competitive disadvantage; uncertainty resulting from the exit of the UK from the European Union; requirements under Canadian content policies may change and/or become more onerous; operational risk resulting from inadequate or failed internal processes, people and/or systems or from external events, including fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, floods, technology failures, processing errors, business integration, damage to physical assets, employee safety and insurance coverage; international operations subject the Company to additional risks and costs and may cause profitability to decline; compliance with international trade regulations, tariffs and duties; dependence on limited sources or unique sources of supply; a disruption of the supply of components containing microprocessors and other computer chips could materially adversely affect the production and sale of the Company's vehicles and certain other products; dependence on supply of engines that comply with emission regulations; a disruption, termination or alteration of the supply of vehicle chassis or other critical components from third-party suppliers could materially adversely affect the sales of certain of the Company's products; the Company's profitability can be adversely affected by increases in raw material and component costs; the Company may incur material losses and costs as a result of product warranty costs, recalls and remediation of transit buses and motor coaches; production delays may result in liquidated damages under the Company's contracts with its customers; catastrophic events may lead to production curtailments or shutdowns; the Company may not be able to successfully renegotiate collective bargaining agreements when they expire and may be adversely affected by labour disruptions and shortages of labour; the Company's operations are subject to risks and hazards that may result in monetary losses and liabilities not covered by insurance or which exceed its insurance coverage; the Company may be adversely affected by rising insurance costs; the Company may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds and letters of credit required for new contracts; the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability claims; the Company may have difficulty selling pre-owned coaches and realizing expected resale values; the Company may incur costs in connection with regulations relating to axle weight restrictions and vehicle lengths; the Company may be subject to claims and liabilities under environmental, health and safety laws; dependence on management information systems and cyber security risks; the Company's ability to execute its strategy and conduct operations is dependent upon its ability to attract, train and retain qualified personnel, including its ability to retain and attract executives, senior management and key employees; the Company may be exposed to liabilities under applicable anti-corruption laws and any determination that it violated these laws could have a material adverse effect on its business; the Company's risk management policies and procedures may not be fully effective in achieving their intended purposes; internal controls over financial reporting, no matter how well designed, have inherent limitations; there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures; ability to successfully execute strategic plans and maintain profitability; development of competitive or disruptive products, services or technology; development and testing of new products or model variants; acquisition risk; reliance on third-party manufacturers; third-party distribution/dealer agreements; availability to the Company of future financing; the Company may not be able to generate the necessary amount of cash to service its existing debt, which may require the Company to refinance its debt; the restrictive covenants in the Company's credit facilities could impact the Company's business and affect its ability to pursue its business strategies; payment of dividends is not guaranteed; a significant amount of the Company's cash is distributed, which may restrict potential growth; NFI is dependent on its subsidiaries for all cash available for distributions; future sales or the possibility of future sales of a substantial number of Shares may impact the price of the Shares and could result in dilution; if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected; income tax risk resulting from the Company's operations being complex and income tax interpretations, regulations and legislation that pertain to its activities are subject to continual change; investment eligibility and Canadian federal income tax risks; certain U.S. tax rules may limit the ability of New Flyer Holdings, Inc. and its U.S. subsidiaries (the "NF Group") to deduct interest expense for U.S. federal income tax purposes and may increase the NF Group's tax liability.

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

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

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

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that could cause actions, events or results not to be as anticipated, estimated or intended or to occur or be achieved at all. Specific reference is made to "Risk Factors" in the Annual Information Form for a discussion of the factors that may affect forward-looking statements and information. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements and information. The forward-looking statements and information contained herein are made as of the date of this 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.

DEFINITIONS OF ADJUSTED EBITDA, ROIC, FREE CASH FLOW, ADJUSTED NET EARNINGS (LOSS), ADJUSTED EARNINGS (LOSS) PER SHARE, WORKING CAPITAL DAYS, REGIONS INCLUDING: NORTH AMERICA, UK AND EUROPE, ASIA PACIFIC, AND OTHER

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

References to "ROIC" are to net operating profit after taxes (calculated as Adjusted EBITDA less depreciation of plant and equipment, depreciation of right-of-use assets and income taxes at a rate of 31%) divided by average invested capital for the last 12-month period (calculated as to shareholders' equity plus long-term debt, obligations under leases, other long-term liabilities and derivative financial instrument liabilities less cash).

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

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

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

References to "Working Capital Days" are to the calculated number of days to convert working capital to cash, calculated by the number of days in a year divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

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

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

References to NFI's geographic regions for the purpose of reporting global revenues are as follows: "North America" refers to Canada, United States, and Mexico; United Kingdom and Europe refer to the United Kingdom and Europe; "Asia Pacific" or "APAC" refers to Hong Kong, Malaysia, Singapore, Australia, and New Zealand; and the "Other" category includes any sales that do not fall into the categories above.

Appendix B - 2021 Third Quarter Order Activity

Demand for Transit Buses and Motor Coaches

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

NFI's end markets showed strong signs of recovery in the third quarter of 2021. Active Bids increased significantly during the first half of 2020, followed by large declines in 2020 Q3 and 2020 Q4 as a result of the pandemic and declining demand in the Company's core markets. The Company's Active Bids rebounded significantly in 2021, with an increase of 48.4%, or 2,220 EUs, from 2021 Q1 to 2021 Q2, and a further 1.4% increase from 2021 Q2 to 2021 Q3. Year-over-year, Active Bids are up 10.9%. Management expects Active Bids will continue to remain high throughout 2021 and into 2022 as markets recover from the COVID-19 pandemic and new government funding begins to reach transit agencies. In 2021 Q3, the Company submitted its highest number of bids since 2017 Q2, for 6,307 EUs.

The forecasted five-year North American industry procurement has started to rebound and was up 9.6%, or 1,743 EUs, quarter-over-quarter, and up 3.5%, or 674 EUs, from the same period in 2020. The increase in longer-term forecasts is primarily a result of transit agencies starting to formalize their short- and long-term procurement plans as they recover from the COVID-19 pandemic, and as they learn about and are able to access the multi-billion funding programs announced and/or launched by governments in Canada and the U.S. As at 2021 Q3, 10,223 units, or 38.1%, of the Total Bid Universe is ZEBs which supports management's expectations for an increase in demand for ZEBs in the future.

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

	Bids in Process (EUs)	Bids Submitted (EUs)	Active EUs	Forecasted Industry Procurement over 5 Years (EUs)(1)	Total Bid Universe (EUs)
2020 Q3	1,927	4,294	6,221	19,280	25,501
2020 Q4	297	3,735	4,032	20,346	24,378
2021 Q1	1,532	3,053	4,585	18,802	23,387
2021 Q2	3,590	3,215	6,805	18,211	25,016
2021 Q3	**594**	**6,307**	**6,901**	**19,954**	**26,855**

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

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

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

ADL does not currently have a Bid Universe metric for the UK and European or Asia Pacific markets similar to New Flyer and MCI's North American Bid Universe. Management does not believe a similar Bid Universe metric for those markets is suitable given that the majority of customers in those regions are private operators who make annual purchase decisions. The overall UK market declined from 2015 to 2019, and was expected to increase in 2020 after that period of decline. The UK market was hit disproportionately hard by the COVID-19 pandemic, with bus patronage down by nearly 80% at its worst point in 2020, and overall deliveries down by 24%. While management saw signs of recovery in 2021, supply chain challenges have disrupted the market. Going forward, management expects stronger recovery based on customers' fleet recovery plans, a government focus on the green recovery, and an aging UK vehicle fleet. ADL continues to grow in Europe with multi-year contracts in Ireland and Germany. The European market is highly fragmented with numerous players providing niche opportunities for ADL in the future.

In Asia Pacific, the Hong Kong market is highly cyclical, and, following busier periods in 2015 through 2018, the market has declined as anticipated. As in other regions, Hong Kong was also impacted by the COVID-19 pandemic, but ADL remains the leader in double-deck buses and retains deep customer relationships in Hong Kong. Management continues to expect the market to see stable annual deliveries and a slow recovery through 2021. New Zealand and Singapore remain highly cyclical markets with more predictable purchasing expectations based on vehicle age; both markets saw increased activity in 2017, 2018 and 2019, but were impacted by the COVID-19 pandemic in 2020 and into 2021. Recovery in 2022 will be driven by market demand for double-deck buses to Singapore, and demand for zero-emission buses in New Zealand.

Order activity

New orders (firm and options) during 2021 Q3 totaled 785 EUs, a decrease of 29.9% from 2021 Q2 and an increase of 14.8% from 2020 Q3. The timing of new orders can vary based on transit agency procurement processes, with the fourth quarter typically being a busier period tied to agency and operator approval meetings. The new firm and option orders awarded to the Company for LTM 2021 Q3 were 4,115 EUs, which was up 2.5% from LTM 2021 Q2, and up by 11.8% from LTM 2020 Q3. The Company was successful at converting 154 EUs of options to firm orders during 2021 Q3, a decrease of 61.7% from 2021 Q2 and a decrease of 36.4% from 2020 Q3. These option conversions contributed to the 1,004 EUs converted to firm orders during LTM 2021 Q3, a decline of 37.1% from LTM 2020 Q3. These LTM declines were primarily related to the impacts of COVID-19 on order activity combined with agencies re-evaluating their longer-term fleet planning decisions with an increased focus on the procurement of ZEBs.

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2020 Q3	684	3,680	242	1,595
2020 Q4	998	3,519	171	953
2021 Q1	1,212	3,385	277	1,091
2021 Q2	1,120	4,014	402	1,092
2021 Q3	**785**	**4,115**	**154**	**1,004**

Options

In 2021 Q3, 75 option EUs expired, compared to 519 options that expired during 2021 Q2 and 427 EUs that expired in 2020 Q3. Nearly all of these expired options related to contracts awarded in 2017 that had not been exercised within the standard five-year option period. Some agencies have been letting a portion of their options expire as they re-evaluate their longer-term fleet planning decisions with an increased focus on the procurement of ZEBs.

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
A) Options Expired (EUs)	550	331	741	512	1,202	702						4,038
B) Options Exercised (EUs)	2,064	1,404	1,795	1,518	953	832						8,566
C) Current Options by year of expiry (EUs)						353	2,447	576	103	619	627	4,725
D) Conversion rate % = B / (A+B)	**79 %**	**81 %**	**71 %**	**75 %**	**44 %**							

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

In addition to contracts for identified public customers, the Company has increased focus on purchasing schedules (state and national contracts, cooperative agency purchasing agreements) with the objective of having multiple available schedules, from which customers within a prescribed region or from defined list, can purchase. The Company is currently named on over 20 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer purchases a bus under one of these agreements, the purchase is recorded as a firm order. The Company has received more than 650 vehicle awards from these schedules since 2018 showing their growing use by transit agencies as a procurement avenue in North America.

The Company's LTM 2021 Q3 Book-to-Bill ratio (defined as new firm orders and exercised options divided by new deliveries) was 95.7%, an increase of 5.4% from LTM 2020 Q3 of 90.3%.

In addition, 571 EUs of new firm and option orders were pending from customers at the end of 2021 Q3, 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.

Backlog

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

Transit buses and motor coaches incorporating clean propulsion systems, including compressed natural gas, diesel-electric hybrid, and ZEBs, which consist of trolley-electric, fuel cell-electric, and battery-electric buses represent approximately 42.0% of the total backlog as of the end of 2021 Q3, up from 40.2% as of the end of 2021 Q2.

There were 1,696 ZEBs in the backlog as at the end of 2021 Q3, representing approximately 21% of the total backlog.[1]

	2021 Q3			2021 Q2			2020 Q3		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	3,522	4,646	8,168	3,307	5,279	8,586	4,400	5,604	10,004
New orders	445	340	785	832	288	1,120	399	285	684
Options exercised	154	(154)	0	402	(402)	0	242	(242)	0
Shipments(1)	(752)	—	(752)	(989)	—	(989)	(1,317)	—	(1,317)
Cancelled/expired	(23)	(75)	(98)	(30)	(519)	(549)	(62)	(427)	(489)
End of period	**3,346**	**4,757**	**8,103**	**3,522**	**4,646**	**8,168**	**3,662**	**5,220**	**8,882**
Consisting of:									
Heavy-duty transit buses	2,399	4,371	6,770	2,621	4,172	6,793	2,519	4,640	7,159
Motor coaches	445	386	831	405	474	879	805	580	1,385
Cutaway and medium-duty buses	502	—	502	496	—	496	338	—	338
Total Backlog	**3,346**	**4,757**	**8,103**	**3,522**	**4,646**	**8,168**	**3,662**	**5,220**	**8,882**

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

At the end of 2021 Q3, the Company's total backlog (firm and options) of 8,103 EUs (valued at $4.2 billion) decreased slightly compared to 8,168 EUs (valued at $4.3 billion) at the end of 2021 Q2. The decrease was driven by deliveries in the quarter, cancellations, and delays in new awards within North American and UK transit operations. The summary of the values is provided below.

	2021 Q3		2021 Q2		2020 Q3	
		Equivalent Units		Equivalent Units		Equivalent Units
Total firm orders	$ 1,720.5	3,346	$ 1,842.7	3,522	$ 1,788.5	3,662
Total options	2,434.4	4,757	2,411.8	4,646	2,703.1	5,220
Total backlog	**$ 4,154.9**	**8,103**	**$ 4,254.5**	**8,168**	**$ 4,491.6**	**8,882**

Unaudited Interim Condensed Consolidated Financial Statements of

NFI GROUP INC.

September 26, 2021

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UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET LOSS AND TOTAL COMPREHENSIVE INCOME (LOSS)
13-weeks and 39-weeks ended September 26, 2021 ("2021 Q3" and "2021 Q3 YTD", respectively) and 13-weeks and 39-weeks ended September 27, 2020 ("2020 Q3" and "2020 Q3 YTD", respectively)
(in thousands of U.S. dollars except per share figures)

	2021 Q3	2020 Q3	2021 Q3 YTD	2020 Q3 YTD
Revenue (note 14)	$ 492,038	$ 663,934	$ 1,648,951	$ 1,707,652
Cost of sales (note 4)	452,663	617,151	1,454,228	1,594,563
Gross profit	39,375	46,783	194,723	113,089
Sales, general and administration costs and other operating expenses	42,721	64,108	149,783	175,751
Foreign exchange (gain) loss	(549)	(872)	(5,856)	408
Impairment loss on goodwill	—	—	—	50,790
Earnings (loss) from operations	(2,797)	(16,453)	50,796	(113,860)
(Loss) gain on disposition of property, plant and equipment	(642)	191	(298)	(201)
Unrealized foreign exchange (loss) gain on non-current monetary items	(1,356)	3,609	(5,992)	5,815
(Loss) earnings before interest and income taxes	(4,795)	(12,653)	44,506	(108,246)
Interest and finance costs				
Interest on long-term debt	14,957	13,195	41,636	36,075
Accretion in carrying value of long-term debt (note 9)	288	690	2,634	1,714
Interest expense on lease liability	1,574	1,749	4,884	5,518
Other interest and bank charges	596	2,395	3,804	5,011
Fair market value (gain) loss on interest rate swap	(1,791)	(2,756)	(13,280)	20,980
	15,624	15,273	39,678	69,298
Earnings (loss) before income tax expense	(20,419)	(27,926)	4,828	(177,544)
Income tax expense (recovery) (note 8)	(5,004)	(3,014)	10,621	(11,343)
Net loss for the period	$ (15,415)	$ (24,912)	$ (5,793)	$ (166,201)
Other comprehensive income (loss)				
Actuarial gain (loss) on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	1,417	(2,571)	11,253	(9,254)
Unrealized foreign exchange gain (loss) on translation of foreign operations	(2,052)	11,052	5,582	(11,813)
Total comprehensive income (loss) for the period	(16,050)	(16,431)	11,042	(187,268)
Net loss per share (basic) (note 11)	$ (0.22)	$ (0.40)	$ (0.08)	$ (2.66)
Net loss per share (diluted) (note 11)	$ (0.22)	$ (0.40)	$ (0.08)	$ (2.66)

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 26, 2021
(in thousands of U.S. dollars)

	September 26, 2021	December 27, 2020
Assets		
Current		
Cash	$ 64,822	$ 55,769
Accounts receivable (note 3, 13c)	423,091	426,408
Inventories (note 4)	698,509	657,036
Income tax receivable	31,166	18,759
Derivative financial instruments (note 13 a,b)	—	4,490
Prepaid expenses and deposits	12,433	13,308
	1,230,021	1,175,770
Property, plant and equipment	228,418	232,150
Right-of-use asset	127,492	133,373
Goodwill and intangible assets	1,155,071	1,177,381
Accrued benefit asset	5,503	319
Other long-term assets (note 5)	33,458	36,922
	2,779,963	2,755,915
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 486,858	$ 523,461
Derivative financial instruments (note 13 a,b)	1,283	1,078
Current portion of long-term debt (note 9)	68,715	—
Current portion of long-term liabilities (note 6)	136,142	148,610
	692,998	673,149
Accrued benefit liability	13,214	21,061
Obligations under leases	127,170	130,674
Deferred compensation obligation	3,125	3,234
Deferred revenue	17,054	15,608
Provisions (note 7)	60,304	56,605
Deferred tax liabilities	78,741	76,689
Derivative financial instruments (note 13 a,b)	19,788	33,069
Long-term debt (note 9)	980,558	1,125,685
	$ 1,992,952	$ 2,135,774
Commitments and contingencies (note 15)		
Shareholders' equity		
Share capital (note 10)	871,875	681,405
Stock option and restricted share unit reserve	9,945	8,400
Accumulated other comprehensive income (loss)	15,722	(1,113)
Deficit	(110,531)	(68,551)
	$ 787,011	$ 620,141
	$ 2,779,963	$ 2,755,915

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended September 26, 2021
(in thousands of U.S. dollars)

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive (Loss) Income	Retained (Deficit) Earnings	Total Shareholders' Equity
Balance, December 29, 2019	**$ 680,962**	**$ 6,828**	**$ 769**	**$ 128,639**	**$ 817,198**
Net loss	—	—	—	(166,201)	(166,201)
Other comprehensive loss	—	—	(21,067)	—	(21,067)
Dividends declared on common shares	—	—	—	(29,128)	(29,128)
Share-based compensation, net of deferred income taxes	—	1,280	—	—	1,280
Shares issued	357	(261)	—	—	96
Balance, September 27, 2020	**$ 681,319**	**$ 7,847**	**$ (20,298)**	**$ (66,690)**	**$ 602,178**
Net earnings	—	—	—	8,465	8,465
Other comprehensive income	—	—	19,185	—	19,185
Dividends declared on common shares	—	—	—	(10,326)	(10,326)
Share-based compensation, net of deferred income taxes	—	651	—	—	651
Shares issued	86	(98)	—	—	(12)
Balance, December 27, 2020	**$ 681,405**	**$ 8,400**	**$ (1,113)**	**$ (68,551)**	**$ 620,141**
Net loss	—	—	—	(5,793)	(5,793)
Other comprehensive income	—	—	16,835	—	16,835
Dividends declared on common shares	—	—	—	(36,187)	(36,187)
Equity transaction cost	(8,592)	—	—	—	(8,592)
Share-based compensation, net of deferred income taxes	—	1,756	—	—	1,756
Shares issued	199,062	(211)	—	—	198,851
Balance, September 26, 2021	**$ 871,875**	**$ 9,945**	**$ 15,722**	**$ (110,531)**	**$ 787,011**

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

13-weeks and 39-weeks ended September 26, 2021 ("2021 Q3" and "2021 Q3 YTD", respectively) and 13-weeks and 39-weeks ended September 27, 2020 ("2020 Q3" and "2020 Q3 YTD", respectively)

(in thousands of U.S. dollars)

	2021 Q3	2020 Q3	2021 Q3 YTD	2020 Q3 YTD
Operating activities				
Net loss for the period	$ (15,415)	$ (24,912)	$ (5,793)	$ (166,201)
Income tax expense (recovery)	(5,004)	(3,014)	10,621	(11,343)
Depreciation of plant and equipment	15,786	17,768	47,403	52,775
Amortization of intangible assets	8,184	8,606	24,634	31,885
Share-based compensation	293	597	1,445	1,162
Interest and finance costs recognized in profit or loss	15,624	15,273	39,678	69,298
Fair value adjustment for total return swap	736	7	34	1,702
Unrealized foreign exchange loss (gain) on non-current monetary items	1,356	(3,609)	5,992	(5,815)
Foreign exchange loss (gain) on cash held in foreign currency	(43)	16	24	(17)
Impairment loss on goodwill	—	—	—	50,790
Loss (gain) on disposition of property, plant and equipment	642	(191)	298	201
Impairment loss on property, plant and equipment	682	—	682	—
Impairment loss on right-of-use asset	221	3,028	2,013	3,028
Defined benefit expense	1,111	1,538	3,350	4,551
Defined benefit funding	(625)	(1,347)	(2,062)	(4,389)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	23,548	13,760	128,319	27,627
Changes in non-cash working capital items (note 12)	(41,429)	9,136	(93,813)	18,562
Cash generated by (used in) operating activities before interest and income taxes paid	(17,881)	22,896	34,506	46,189
Interest paid	(13,619)	(16,683)	(46,970)	(47,394)
Income taxes paid	(6,987)	(10,121)	(22,548)	(22,569)
Net cash used in operating activities	(38,487)	(3,908)	(35,012)	(23,774)
Financing activities				
Repayment of obligations under lease	(5,645)	(3,503)	(15,986)	(11,058)
Proceeds from (repayment of) revolving credit facilities	78,536	9,989	(82,399)	68,441
Share issuance	—	—	198,849	96
Equity transaction cost	—	—	(8,592)	—
Proceeds from short-term debt	—	2,227	—	10,000
Dividends paid	(12,270)	(9,704)	(34,590)	(39,519)
Net cash generated from (used by) financing activities	60,621	(991)	57,282	27,960
Investing activities				
Acquisition of intangible assets	(256)	—	(860)	—
Proceeds from disposition of property, plant and equipment	515	356	3,533	506
Investment in long-term restricted deposits	—	—	4,700	(15,510)
Acquisition of property, plant and equipment	(5,309)	(4,627)	(20,566)	(16,256)
Net cash used in investing activities	(5,050)	(4,271)	(13,193)	(31,260)
Effect of foreign exchange rate on cash	43	(16)	(24)	17
Increase (decrease) in cash	17,127	(9,186)	9,053	(27,057)
Cash — beginning of period	47,695	10,362	55,769	28,233
Cash — end of period	$ 64,822	$ 1,176	$ 64,822	$ 1,176

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

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

1. CORPORATE INFORMATION

NFI Group Inc. ("NFI" or the "Company") was incorporated on June 16, 2005 as New Flyer Industries Inc. under the laws of the Province of Ontario. The name of the Company was changed to "NFI Group Inc." on May 14, 2018 to better reflect the multi-platform nature of the Company's business. NFI 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 Limited (single and double-deck buses), Plaxton (motor coaches), MCI® (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses) and NFI Parts™ (aftermarket parts sales). The Company's common shares (the "Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "NFI".

These unaudited interim condensed consolidated financial statements (the "Statements") were approved by the Company's board of directors (the "Board") on November 2, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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 Statement of Compliance

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

2.2 Basis of preparation

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

2.3 Principles of consolidation

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

Subsidiaries

Subsidiaries are entities over which the Company has control, where control is achieved when the Company: 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. The Company holds 100% of the voting rights in, and therefore controls, its subsidiaries.

Inter-company transactions between subsidiaries are eliminated on consolidation.

2.4 Fiscal Periods

	Period from December 28, 2020 to January 2, 2022 ("Fiscal 2021")			Period from December 30, 2019 to December 27, 2020 ("Fiscal 2020")		
	Period End Date		# of Calendar Weeks	Period End Date		# of Calendar Weeks
Quarter 1	March 28, 2021	("2021 Q1")	13	March 29, 2020	("2020 Q1")	13
Quarter 2	June 27, 2021	("2021 Q2")	13	June 28, 2020	("2020 Q2")	13
Quarter 3	September 26, 2021	("2021 Q3")	13	September 27, 2020	("2020 Q3")	13
Quarter 4	January 2, 2022	("2021 Q4")	14	December 27, 2020	("2020 Q4")	13
Fiscal year	January 2, 2022		53	December 27, 2020		52

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Translation of unrealized foreign exchange gains on translation of foreign operations

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in U.S. dollars as it is the functional currency of the company and is most meaningful to financial statement users. References to "$" are to U.S. dollars, references to "C$" are to Canadian dollars and references to "£" are to British pounds sterling ("GBP"). For those subsidiaries with different local 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 gains (losses) on translation of foreign operations in other comprehensive income (loss).

3. ACCOUNTS RECEIVABLE

	September 26, 2021	December 27, 2020
Trade, net of allowance for doubtful accounts	$ 386,981	$ 383,086
Other	36,110	43,322
	$ 423,091	$ 426,408

4. INVENTORIES

	September 26, 2021	December 27, 2020
Raw materials	$ 309,203	$ 299,476
Work in process	305,222	216,311
Finished goods	84,084	141,249
	$ 698,509	$ 657,036

	2021 Q3	2020 Q3	2021 Q3 YTD	2020 Q3 YTD
Cost of inventories recognized as expense and included in cost of sales	$ 425,484	$ 594,872	$ 1,391,138	$ 1,555,055
Write-down of inventory to net realizable value in cost of sales (note 17)	7,469	21,145	10,167	41,328
Reversals of a previous write-down in inventory	—	—	—	403

5. OTHER LONG-TERM ASSETS

	September 26, 2021	December 27, 2020
Long-term restricted deposit (note 15c)	$ 25,300	$ 30,000
Long-term accounts receivable	8,158	5,113
Non-current asset held for sale	—	1,809
	$ 33,458	$ 36,922

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

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

6. CURRENT PORTION OF LONG TERM LIABILITIES

	September 26, 2021	December 27, 2020
Deferred revenue	$ 90,747	$ 99,454
Provisions (note 7)	21,400	28,208
Deferred compensation obligation	953	1,045
Obligations under leases	23,042	19,903
	$ 136,142	$ 148,610

7. PROVISIONS

The Company's insurance risk retention meets the IFRS definition of provisions, a liability with uncertain timing or amount.

The restructuring provision consists of employee termination benefits associated with the "NFI Forward" restructuring initiative that was announced on July 27, 2020 (note 17).

The Company generally provides its customers with a base warranty on the entire transit bus or motor coach, a corrosion warranty on the related structure and a defect warranty on batteries. The movements in the provisions are as follows:

	Insurance Risk Retention	Restructuring	Warranty	Total
December 29, 2019	$ 27,497	—	63,997	91,494
Additions	6,352	20,102	39,889	66,343
Amounts used/realized	(8,137)	(15,184)	(41,045)	(64,366)
Unused provision	(2,533)	(1,401)	(5,163)	(9,097)
Unwinding of discount and effect of changes in the discount rate	—	—	60	60
Exchange rate differences	—	189	190	379
December 27, 2020	$ 23,179	3,706	$ 57,928	$ 84,813
Additions	6,569	3,114	26,271	35,954
Amounts used/realized	(3,399)	(2,925)	(32,064)	(38,388)
Unused provision	(400)	(654)	—	(1,054)
Unwinding of discount and effect of changes in the discount rate	—	—	33	33
Exchange rate differences	(1)	37	310	346
	25,948	3,278	52,478	81,704
Less current portion (note 6)	2,707	3,278	15,415	21,400
September 26, 2021	$ 23,241	$ —	$ 37,063	$ 60,304

8. INCOME TAX EXPENSE

The income tax recovery for 2021 Q3 was $5.0 million compared to a recovery of $3.0 million in 2020 Q3. The recovery is higher due mostly to a reduction in the U.S. base erosion and anti-abuse tax ("BEAT") and foreign tax credit write off when compared to 2020 Q3, offset by a smaller recovery based on the reduced loss before tax.

The income tax expense for 2021 Q3 YTD was $10.6 million compared to a recovery of $11.3 million in 2020 Q3 YTD. The increase in the overall income tax expense is primarily due to increased earnings before taxes, offset by the absence of a non-deductible write-down of goodwill which negatively impacted 2020 Q3 YTD.

The Effective Tax Rate ("ETR") for 2021 Q3 was 24.5% and the ETR for 2020 Q3 was 10.8%. The ETR for 2021 Q3 YTD was 220.0% and the ETR for 2020 Q3 YTD was 6.4%. The 2021 Q3 YTD ETR is negatively impacted by the BEAT (85.0%), a write-off of unapplied foreign tax credits (44.7%), and the impact of the revaluation of deferred tax balances due to the increase in the corporate tax rate in the United Kingdom from 19% to 25% (65.5%).

9. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value September 26, 2021**	Net Book Value December 27, 2020
Revolving Credit Facility, Secured ("Credit Facility")	982,450	1,892	980,558	1,060,847
Revolving Credit Facility, Secured ("UK Facility")	68,834	119	68,715	64,838
	1,051,284	2,011	1,049,273	1,125,685
Less current portion			68,715	—
			980,558	1,125,685

The Credit Facility has a total borrowing limit of $1.250 billion, which includes a $100 million letter-of-credit facility and a $250 million accordion feature. $11.8 million of outstanding letters-of-credit were drawn against the Credit Facility at September 26, 2021. The Credit Facility bears interest at a rate equal to LIBOR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates and matures on August 2, 2024.

On May 4, 2020 NFI entered into the £50 million secured, revolving UK Facility to support ADL's operations in the UK. The facility has a two-year term with options to extend. Amounts drawn under the UK Facility bear interest at a rate equal to LIBOR plus an applicable margin. The UK Facility matures on May 4, 2022 with an extension option to May 2023.

10. SHARE CAPITAL

	September 26, 2021	December 27, 2020
Authorized - Unlimited		
Issued - 70,988,269 Common Shares (December 27, 2020: 62,524,842)	$ 871,875	$ 681,405

The following is a summary of changes to the issued and outstanding capital stock of common shares (the "Shares") during the period:

Shares	Number (000s)	Net Book Value
Balance - December 27, 2020	62,525	$ 681,405
Stock options exercised	7	59
Restricted share units exercised	10	211
Issuance of Shares	8,446	190,200
Balance - September 26, 2021	70,988	$ 871,875

On March 1, 2021, NFI closed a bought-deal equity offering with a syndicate of underwriters pursuant to which NFI issued 8,446,000 Shares at a price of C$29.60 per share for gross proceeds to the Company of C$250 million. Net proceeds of the offering were $190.2 million.

11. LOSS PER SHARE

	2021 Q3	**2020 Q3**	**2021 Q3 YTD**	**2020 Q3 YTD**
Net loss attributable to equity holders	$ (15,415)	$ (24,912)	$ (5,793)	$ (166,201)
Weighted average number of Shares in issue	70,988,234	62,511,734	69,003,098	62,505,778
Weighted average number of Shares for diluted earnings per Share	70,988,234	62,511,734	69,003,098	62,505,778
Net loss per Share (basic)	$ (0.2171)	$ (0.3985)	$ (0.0840)	$ (2.6590)
Net loss per Share (diluted)	$ (0.2171)	$ (0.3985)	$ (0.0840)	$ (2.6590)

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

11. LOSS PER SHARE (Continued)

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

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

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash inflow (outflow)	2021 Q3	2020 Q3	2021 Q3 YTD	2020 Q3 YTD
Accounts receivable	$ (46,882)	$ (100,506)	$ 3,317	$ 169,884
Income tax receivable	(1,772)	(1,635)	(1,772)	(2,652)
Inventories	(40,144)	19,257	(47,681)	(39,792)
Prepaid expenses and deposits	7,056	776	875	(4,919)
Accounts payable and accrued liabilities	45,018	105,852	(36,600)	(97,623)
Deferred revenue	(8,107)	(24,032)	(7,261)	(9,581)
Provisions	1,277	5,949	(3,118)	5,059
Other	2,125	3,475	(1,573)	(1,814)
	$ (41,429)	$ 9,136	$ (93,813)	$ 18,562

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value measurement of financial instruments

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

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

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	September 26, 2021		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 64,822	$ 64,822
Long-term restricted deposit	Level 1	$ 25,300	$ 25,300
Financial liabilities recorded at fair value			
Total return swap contracts	Level 2	$ 1,131	$ 1,131
Foreign exchange forward contracts	Level 2	$ 152	$ 152
Derivative financial instrument liabilities - current		$ 1,283	$ 1,283
Interest rate swap	Level 2	$ 19,788	$ 19,788
Derivative financial instrument liabilities - long term		$ 19,788	$ 19,788

	December 27, 2020		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 55,769	$ 55,769
Long-term restricted deposit	Level 1	$ 30,000	$ 30,000
Foreign exchange forward contracts	Level 2	$ 4,490	$ 4,490
Derivative financial instrument assets - current		$ 4,490	$ 4,490
Financial liabilities recorded at fair value			
Total return swap contracts	Level 2	$ 1,078	$ 1,078
Derivative financial instrument liabilities - current		$ 1,078	$ 1,078
Interest rate swap	Level 2	$ 33,069	$ 33,069
Derivative financial instrument liabilities - long term		$ 33,069	$ 33,069

(b) Risk Management

The Company entered into a total return swap transaction to hedge the exposure associated with increases in value of its Shares on a portion of the outstanding performance share units, restricted share units, and deferred share units. The total return swap has a re-investment feature which increases the number of Shares in the swap when dividends are paid by the Company. As at September 26, 2021 the Company held a position of 251,573 Shares at a weighted average price of C$29.62. The Company does not apply hedge accounting to these derivative instruments and as such, gains and losses arising from marking these derivatives to market are recognized in net earnings in the period in which they arise.

At September 26, 2021, the Company had $107.7 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 October 2021 to December 2021. The related liability of $0.2 million (December 27, 2020: $4.5 million asset) is recorded on the unaudited interim condensed 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 unaudited interim condensed consolidated statements of net loss and total comprehensive income (loss).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Liquidity Management

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 September 26, 2021, the Company had a cash balance of $64.8 million (December 27, 2020: $55.8 million), $982.5 million under the Credit Facility due in 2024 (December 27, 2020: $1.063 billion), $68.8 million under the UK Facility due in 2022 (December 27, 2020: $65.1 million), and $11.8 million of outstanding letters of credit (December 27, 2020: $11.8 million). In addition, there are $60.9 million of the letters of credit outstanding outside of the Credit Facility. The Credit Facility has a total borrowing limit of $1.250 billion, which includes a $100 million letter-of-credit facility and a $250 million accordion feature. The UK Facility has a total borrowing limit of £50.0 million. The liquidity position as at September 26, 2021 is $320.1 million.

Management is currently in ongoing discussions with its banking partners regarding additional financial and covenant flexibility for 2022 and beyond as the Company works through these most recent supply chain disruptions and other impacts of the COVID-10 pandemic. Management believes the Company's current cash position and credit capacity combined with anticipated future cash flows and access to capital markets are sufficient to fund its operations and meet financial obligations as they come due plus provide the funds necessary for capital expenditures, dividend payments and other operational needs.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at September 26, 2021:

US dollars in thousands	Total	2021	2022	2023	2024	2025	Post 2025
Leases	186,478	8,436	23,589	20,176	15,178	11,019	108,080
Accrued benefit liability	3,094	3,094	—	—	—	—	—
	$ 189,572	$ 11,530	$ 23,589	$ 20,176	$ 15,178	$ 11,019	$ 108,080

Credit risk

Financial instruments 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.

	September 26, 2021	December 27, 2020
Current, including holdbacks	$ 402,774	$ 380,328
Past due amounts but not impaired		
1 – 60 days	18,684	39,988
Greater than 60 days	2,214	7,081
Less: Allowance for doubtful accounts	(581)	(989)
Total accounts receivables, net	$ 423,091	$ 426,408

As at September 26, 2021, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

On December 23, 2020, the Company amended the Credit Facility and the UK Facility (together the "amended facilities"). The amended facilities provide the Company with certain relaxed financial covenants as it recovers from the impacts of the COVID-19 pandemic.

The calculation of the financial covenants at September 26, 2021 are provided below. As at September 26, 2021, the Company was in compliance with the requirements under the amended facilities.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	September 26, 2021	December 27, 2020
Total Leverage Ratio (must be less than 6.23 [2020: 6.25])	5.51	4.90
Interest Coverage Ratio (must be greater than 2.25 [2020: 3.00])	3.06	4.11
Total Net Debt to Capitalization Ratio (must be less than 0.70:1.00 [2020: N/A])	0.55	N/A

US dollars in thousands	**September 26, 2021**	December 27, 2020
Liquidity Position (must be greater than $50 million)	$ 320,123	$ 233,459

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

14. 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 and marketing strategies. 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 manufacture, service and support of new transit buses, coaches, medium-duty and cutaway buses. Based on management's judgment and applying the aggregation criteria in IFRS 8.12, the Company's bus/coach manufacturing operations and medium-duty/cutaway manufacturing operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution and regulatory environment.

The Manufacturing Operations segment has recorded vendor rebates of $533 (2020 Q3: $812), which have been recognized into earnings during 2021, but for which the full requirements for entitlement to these rebates have not yet been met.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses, coaches and medium-duty/cutaway buses.

There is no inter-segment revenue. Unallocated items in the consolidated earnings before income taxes primarily include unrealized foreign exchange gains or losses, interest and finance costs and corporate overhead costs.

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

Segment information about profits and assets is as follows:

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

14. SEGMENT INFORMATION (Continued)

	2021 Q3			
	Manufacturing Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 373,943	$ 118,095	—	$ 492,038
Operating costs and expenses	401,105	95,856	15,496	512,457
(Loss) earnings before income tax expense	(27,162)	22,239	(15,496)	(20,419)
Total assets	1,997,881	486,524	295,558	2,779,963
Addition of capital expenditures	5,127	182	—	5,309
Indefinite-life intangible assets	248,625	19,031	—	267,656
Goodwill	338,040	192,132	—	530,172

	2021 Q3 YTD			
	Manufacturing Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 1,292,428	$ 356,523	—	$ 1,648,951
Operating costs and expenses	1,303,126	294,397	46,600	1,644,123
(Loss) earnings before income tax expense	(10,698)	62,126	(46,600)	4,828
Total assets	1,997,881	486,524	295,558	2,779,963
Addition of capital expenditures	20,192	374	—	20,566
Indefinite-life intangible assets	248,625	19,031	—	267,656
Goodwill	338,040	192,132	—	530,172

	2020 Q3			
	Manufacturing Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 566,235	$ 97,699	—	663,934
Operating costs and expenses	591,990	83,997	15,873	691,860
(Loss) earnings before income tax expense	(25,755)	13,702	(15,873)	(27,926)
Total assets	1,979,753	470,041	247,618	2,697,412
Addition of capital expenditures	5,587	—	—	5,587
Addition of goodwill and intangibles assets	6	—	—	6
Indefinite-life intangible assets	245,861	18,589	—	264,450
Goodwill	333,646	186,889	—	520,535

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

14. SEGMENT INFORMATION (Continued)

	2020 Q3 YTD			
	Manufacturing Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 1,409,889	$ 297,763	—	1,707,652
Operating costs and expenses	1,549,396	257,911	77,889	1,885,196
(Loss) earnings before income tax expense	(139,507)	39,852	(77,889)	(177,544)
Total assets	1,979,753	470,041	247,618	2,697,412
Addition of capital expenditures	16,708	506	—	17,214
Addition of goodwill and intangibles assets	6,101	—	—	6,095
Impairment loss on goodwill	(50,790)	—	—	(50,790)
Indefinite-life intangible assets	245,861	18,589	—	264,450
Goodwill	333,646	186,889	—	520,535

The Company's revenue by geography is summarized below:

	2021 Q3	**2020 Q3**	**2021 Q3 YTD**	**2020 Q3 YTD**
North America	$ 386,592	$ 513,265	$ 1,310,505	$ 1,408,546
UK and Europe	81,460	93,527	259,322	225,916
Asia Pacific	23,986	57,142	79,124	73,190
Other	—	—	—	—
Total	$ 492,038	$ 663,934	$ 1,648,951	$ 1,707,652

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

	2021 Q3	**2020 Q3**	**2021 Q3 YTD**	**2020 Q3 YTD**
Transit buses	$ 290,200	454,804	$ 987,714	$ 1,135,764
Motor coaches	69,015	92,691	239,060	212,552
Medium-duty and cutaway buses	7,630	10,939	29,960	32,977
Pre-owned coach	1,556	2,597	18,378	9,428
Infrastructure solutions	4,436	3,959	13,606	15,723
Fiberglass reinforced polymer components	1,106	1,245	3,710	3,445
Manufacturing revenue	$ 373,943	$ 566,235	$ 1,292,428	$ 1,409,889

15. 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 product liability, wrongful dismissal, contractual disputes or personal injury. Many claims are covered by the Company's insurance policies and management does not 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 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 September 26, 2021 range from October 2021 to December 2026.

15. COMMITMENTS AND CONTINGENCIES (Continued)

At September 26, 2021, outstanding surety bonds guaranteed by the Company totaled $391.7 million (December 27, 2020: $357.2 million). The Company has not recorded any liability under these guarantees, as management believes that no material events of default exist under any contracts with customers.

(c) The Company has a letter of credit sub-facility of $100.0 million as part of the Credit Facility (December 27, 2020: $100.0 million). As at September 26, 2021, letters of credit totaling $11.8 million (December 27, 2020: $11.8 million) remain outstanding as security for contractual obligations of the Company under the Credit Facility.

The Company has an additional bi-lateral credit facility of £50.0 million as part of the UK Facility. As at September 26, 2021, letters of credit totaling $35.6 million were outstanding under the bi-lateral credit facility (December 27, 2020: $22.1 million). Additionally, there are $25.3 million of letters of credit outstanding outside of the Credit Facility and the bi-lateral credit facility.

As at September 26, 2021, 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.

16. GOVERNMENT GRANTS

On March 27, 2020, the Canada Emergency Wage Subsidy ("CEWS") program was introduced by the Government of Canada, reimbursing eligible employers who have experienced the required reduction in revenue for a portion of wages paid to employees during the COVID-19 pandemic. The Company will continue to evaluate its eligibility under the CEWS program in subsequent periods.

On March 26, 2020, the Coronavirus Job Retention Scheme ("CJRS") program was introduced by the Government of the United Kingdom, reimbursing employers who have been unable to maintain their workforce as a result of COVID-19's impact on operations for a portion of wages paid to furloughed employees. The CJRS program ended on September 30, 2021.

In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the CEWS and CJRS has been recognized as an offset to wage expense against 'Cost of Sales' and against 'Selling, General and Administration Costs and Other Operating Expenses' on the Company's unaudited interim condensed consolidated statement of net loss and total comprehensive income (loss).

On September 27, 2020, the Canada Emergency Rent Subsidy ("CERS") program was introduced by the Government of Canada, reimbursing eligible employers who have experienced the required reduction in revenue for a portion of their commercial rent or property expenses during the COVID-19 pandemic. The Company will continue to evaluate its eligibility under the CERS program in subsequent periods.

In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the CERS has been recognized as an offset to rent and property expense against 'Selling, General and Administration Costs and Other Operating Expenses' on the Company's unaudited interim condensed consolidated statement of net loss and total comprehensive income (loss).

The claims submitted or expected to be submitted under the CEWS, CJRS and CERS programs are included on the Company's unaudited interim condensed consolidated statement of net loss and total comprehensive income (loss) as follows:

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

16. GOVERNMENT GRANTS (Continued)

	2021 Q3	2020 Q3	2021 Q3 YTD	2020 Q3 YTD
Canada Emergency Wage Subsidy (CEWS)				
Cost of sales	11,277	7,213	41,077	18,614
Selling, general and administration costs and other operating expenses	2,031	1,002	6,431	2,635
Total	13,308	8,215	47,508	21,249
Coronavirus Job Retention Scheme (CJRS)				
Cost of sales	452	5,411	5,152	17,889
Selling, general and administration costs and other operating expenses	—	1,208	107	1,992
Total	452	6,619	5,259	19,881
Canada Emergency Rent Subsidy (CERS)				
Selling, general and administration costs and other operating expenses	469	—	1,169	—
Total	469	—	1,169	—
Total government grants - cost of sales	11,729	12,624	46,229	36,503
Total government grants - selling, general and administration costs and other operating expenses	2,500	2,210	7,707	4,627
Total government grants	14,229	14,834	53,936	41,130

An additional $1,443 of CEWS was used to reimburse employee vacation credits in 2020 Q2.

The government grants included in 'Accounts Receivable' on the Company's unaudited interim condensed consolidated statement of financial position are as follows:

	September 26, 2021	December 27, 2020
Canada Emergency Wage Subsidy (CEWS)	13,955	9,727
Coronavirus Job Retention Scheme (CJRS)	118	995
Canada Emergency Rent Subsidy (CERS)	556	—
Total	14,629	10,722

17. RESTRUCTURING

On July 27, 2020, the Company announced "NFI Forward", a transformational restructuring initiative to generate cost savings. These cost reduction initiatives are expected to come from a reduced number of business units, facility rationalization, reduced overhead and a more efficient and integrated company. The items included in net loss for NFI Forward are as follows:

	Q3 2021	Q3 2020	Q3 2021 YTD	Q3 2020 YTD
Employee termination benefits (note 14)	$ 3,099	$ 18,339	$ 3,585	$ 18,339
Right-of-use asset impairments (note 6)	261	3,028	1,922	3,028
Write-down of inventory to net realizable value (note 4)	4,397	1,849	4,605	1,849
Write-down of property, plant and equipment (note 5)	715	1,728	715	1,728
Other	1,030	485	1,212	485
Total restructuring costs	$ 9,502	$ 25,429	$ 12,039	$ 25,429

18. COMPARATIVE FIGURES

Certain comparative figures have been restated where necessary to conform with current period presentation.