

NFI Announces Battery Recall Agreement with XALT

Cooperative resolution expands NFI's zero-emission bus capabilities and strengthens financial capacity to perform battery recall campaign

Winnipeg, Manitoba, Canada – December 16, 2025: (TSX: NFI, OTC: NFYEF, TSX: NFI.DB) NFI Group Inc. ("NFI" or the "Company"), a leader in propulsion-agnostic bus and coach mobility solutions, today announced that it has signed a master settlement agreement ("MSA" or the "Settlement") with XALT Energy, LLC and its subsidiaries (collectively "XALT") regarding costs related to the recall on Generation 3 batteries and estimated future costs associated with supporting buses operating with other types of XALT batteries (collectively the "Recall") described in NFI's third quarter earnings release on November 6, 2025.

The Settlement is comprised of cash payments, the transfer of certain personnel, and the contribution of relevant assets including battery cells, systems, equipment, and intellectual property, that in aggregate provide approximately 75% to 80% recovery against NFI's original \$229 million provision. The Settlement fully resolves all disputes between NFI and XALT with no admission of fault, wrongdoing, or liability by either party.

The Settlement assists in offsetting costs associated with the Recall, ensures a smooth transition for implementation of the remedy program, and provides increased visibility for NFI's battery supply chain and ongoing support of batteries in service following XALT's decision to wind down operations.

"This collaborative settlement is positive for NFI and our customers," said Paul Soubry, President and Chief Executive Officer, NFI. "It delivers immediate cash payments to commence the battery recall, while also securing critical assets, systems, people, and facilities to expand our zero-emission platform, improving customer support for electric buses in service, and positioning us to accelerate the introduction of a second battery supplier in 2027."

Under the terms of the MSA, NFI will receive the following:

- A cash payment, which represents the majority of the recovery, to be received by December 31, 2025. This payment provides an immediate contribution to working capital to initiate the Recall and on a pro-forma basis would increase NFI's third-quarter 2025 total liquidity¹ of \$386 million by approximately 26%.
- Additional cash payments held in escrow for certain 2026 costs associated with the transfer of people and facilities.
- Transfer of XALT's inventory of new battery cells from a leading global cell manufacturer. XALT had originally purchased these cells, used by numerous vehicle manufacturers, for a planned next-generation battery offering that is no longer proceeding. NFI plans to have a U.S.-based battery supplier package the cells for a new electric-bus battery offering in 2027, supporting NFI's significant electric bus backlog.

- XALT's battery management software and certain other expertise and associated intellectual property, strengthening NFI's technology portfolio and customer support capabilities for battery and fuel cell-electric buses.
- Hiring of 21 Michigan-based software, engineering, and service team members from XALT to support the Recall and provide active oversight of other NFI electric buses.
- Assignment of a lease for a Michigan based office and engineering lab currently used by XALT, and a storage contract for the assumed battery cells.

During the [third quarter of 2025](#), NFI recorded a warranty provision expense of \$229 million, reflecting the estimated costs for full battery replacement on approximately 700 vehicles impacted by the Recall plus estimated future costs associated with supporting vehicles in service that have other non-recall related XALT batteries.

NFI will finalize accounting treatment related to the Settlement and record the full transaction, including the final valuation of the battery cell inventory and the transferred assets, within its fourth quarter financial results. The Settlement will improve quarterly net earnings and total liquidity¹, NFI will include adjustments to Adjusted EBITDA¹ and Adjusted Net Earnings¹ to normalize for the non-recurring, unusual recovery of costs related to the Recall under the MSA.

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

The replacement of batteries is planned to be performed at NFI's North American based service centers and will have no impact on new vehicle production.

NFI will provide further details on the settlement within its fourth quarter financial results.

About NFI

Leveraging 450 years of combined experience, NFI offers a wide range of propulsion agnostic bus and coach platforms, including market leading electric models. Through its low- and zero-emission buses and coaches, infrastructure, and technology, NFI meets today's urban demands for scalable smart mobility solutions. Together, NFI is enabling more livable cities through connected, clean, and sustainable transportation.

With over 9,000 team members in ten countries, NFI is a leading global bus manufacturer of mass mobility solutions under the brands New Flyer® (heavy-duty transit buses), MCI® (motorcoaches), Alexander Dennis Limited (single- and double-deck buses), ARBOC® (low-floor cutaway and medium-duty buses), and NFI Parts™. NFI currently offers the widest range of sustainable drive systems available, including zero-emission electric (referring to propulsion systems that do not utilize internal combustion engines, such as trolley, battery, and fuel cell), natural gas, electric hybrid, and clean diesel. In total, NFI supports its installed base of over 100,000 buses and coaches around the world. NFI's common shares trade on the Toronto Stock Exchange (TSX) under the symbol NFI and its convertible

unsecured debentures trade on the TSX under the symbol NFI.DB. News and information is available at www.nfigroup.com, www.newflyer.com, www.mcicoach.com, nfi.parts, www.alexander-dennis.com, arbocsv.com, and carfaircomposites.com.

Forward-Looking Statement

This press release contains “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian securities laws, which reflect the expectations of management regarding the Company’s future growth, financial performance and liquidity and the Company’s strategic initiatives, plans, business prospects and opportunities, including the impact of ongoing seat supply challenges, the battery recall program and plans to address them as well as expectations regarding financial guidance. The words “believes”, “views”, “anticipates”, “plans”, “expects”, “intends”, “projects”, “forecasts”, “estimates”, “guidance”, “goals”, “objectives”, “targets” and similar words or expressions of future events or conditional verbs such as “may”, “will”, “should”, “could”, “would” are intended to identify forward-looking statements. These forward-looking statements reflect management’s current expectations regarding future events and 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, assumptions, expectations or conclusions will not prove to be accurate. In particular, it is possible that the seat supply issues and battery recall program will have an impact on the Company that is significantly more adverse than is currently expected and that the Company’s financial guidance will not be achieved.

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

For investor and media inquiries, please contact:

Stephen King

P: 204.792.1300

Stephen.King@nfigroup.com

Footnote:

1. Adjusted EBITDA, Adjusted Net Earnings represent non-IFRS measures; and Total Liquidity is a supplementary financial measure. Such measures are not defined terms under IFRS and do not have standard meanings, so they may not be a reliable way to compare NFI to other companies. Readers are advised to review NFI’s filings for additional details on these non-IFRS measures.