Financial Results
Second Quarter 2024

July 31, 2024

NFI's mobility solutions

Workforce Development & Training

VIC VEHICLE INNOVATION CENTER
AD24 Training Academy
NEW FLYER Institute
NFI Learning Institute
MCI | MCI Academy Training for Advancing Technology

Buses & Coaches

NEW FLYER
MCI
ALEXANDER DENNIS
ARBOC SPECIALTY VEHICLES
PLAXTON

Infrastructure Solutions

NFI Infrastructure Solutions™

NFI

Parts, Publications & Service

NFI Service
AD24
nfi.parts

Financing

NFI Financial Solutions™

Connected Vehicles & Diagnostics

NFI Connect™
CONNECT 360

Notes to readers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 52-WEEKS ENDED June 30, 2024

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. and its subsidiaries (collectively referred to as "NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's unaudited interim condensed consolidated financial statements (including notes) (the "Financial Statements") for the 13-week, 26-week, and 52-week period ended June 30, 2024 and has been prepared as of July 31, 2024.

This MD&A contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such forward-looking statements, including, but not limited to, the factors described in the Company's public filings available on SEDAR at www.sedarplus.ca. See "Forward-Looking Statements" in Appendix A. The Financial Statements have been prepared in accordance with 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 Fiscal 2024 and Fiscal 2023 are as follows:

Period from January 1, 2024 to December 29, 2024 ("Fiscal 2024")				**Period from January 2, 2023 to December 31, 2023 ("Fiscal 2023")**			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	March 31, 2024	("2024 Q1")	13	Quarter 1	April 2, 2023	("2023 Q1")	13
Quarter 2	June 30, 2024	("2024 Q2")	13	Quarter 2	July 2, 2023	("2023 Q2")	13
Quarter 3	September 29, 2024	("2024 Q3")	13	Quarter 3	October 1, 2023	("2023 Q3")	13
Quarter 4	December 29, 2024	("2024 Q4")	13	Quarter 4	December 31, 2023	("2023 Q4")	13
Fiscal year	December 29, 2024		52	Fiscal year	December 31, 2023		52

Specific references and definitions are used throughout this MD&A that are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies. Non-IFRS measures in this MD&A have been denoted with an "NG". Please see the "Non-IFRS and Other Financial Measures" section. References to LTM mean last-twelve months ("LTM").

Notes to readers

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

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

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

Single and double deck buses manufactured by New Flyer and Alexander Dennis Limited ("Alexander Dennis" or "AD") are classified as "transit buses". ARBOC Specialty Vehicles, LLC manufactures body on-chassis or low floor “cutaway” and "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, heavy-duty transit buses, medium-duty buses and cutaways, are referred to as "buses". A “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) high deck floor, (ii) baggage compartment under the floor, (iii) high-backed seats with a coach-style interior (often including a lavatory), and (iv) no accommodation for standing passengers. “Product lines” include heavy-duty transit buses, motor coaches, pre-owned coaches, cutaway and medium-duty buses.

Zero-emission buses ("ZEBs") refers to vehicles that do not have internal combustion engines. In the case of NFI, ZEBs include trolley-electric, hydrogen fuel cell-electric, and battery-electric buses and motor coaches. All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motor coaches is measured in, or based on, “equivalent units” (or "EUs"). One EU represents one production “slot”, being one 30-foot, 35-foot, 40-foot, 45-foot heavy-duty transit bus, one double deck bus, one medium-duty bus, one cutaway bus or one motor coach, whereas one articulated transit bus represents two EUs. 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[NG] information can be found in Appendix B.

Leader in zero-emission transportation




195M+
Electric service miles driven

4,088
ZEB EUs delivered since 2015

23%
of new EUs delivered in 2024 Q2 were ZEBs

41%
of total backlog[NG] is ZEB EUs

53%
of the total North American Public Bid Universe is ZEBs

6,001
ZEB EUs in backlog[NG]

$11.8B
Value of total backlog[NG] (14,605 EUs)

$810,600
Average sale price per EU in backlog[NG]

150+
Cities have NFI ZEBs in service or on order

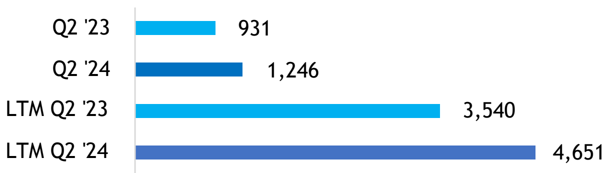
6
Countries have NFI ZEBs in service or on order

495+
EV chargers delivered via Infrastructure Solutions™ since 2018

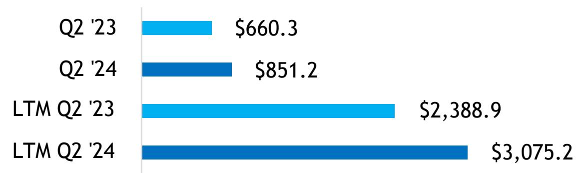
80+
Megawatts charging capacity delivered via Infrastructure Solutions™ since 2018

Key Performance Indicators

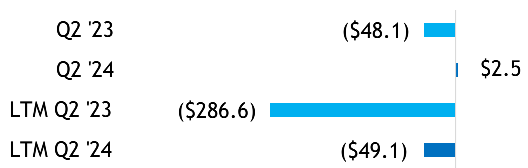
Deliveries (EUs)



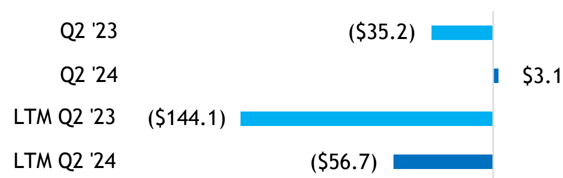
Revenue ($ millions)



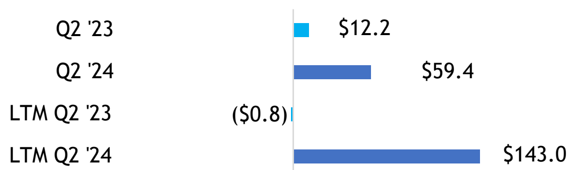
Net Earnings (Loss) ($ millions)



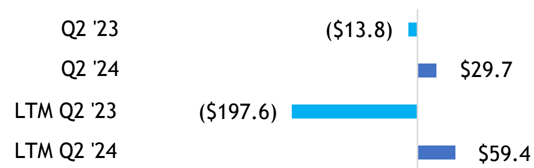
Adjusted Net Earnings (Loss)[NG] ($ millions)



Adjusted EBITDA[NG] ($ millions)

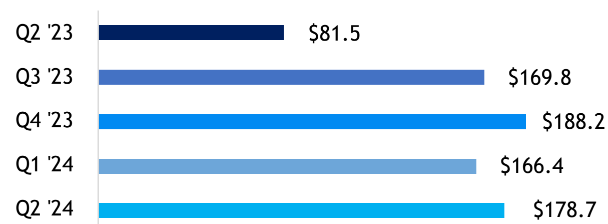


Net cash generated by (used in) operating activities ($ millions)

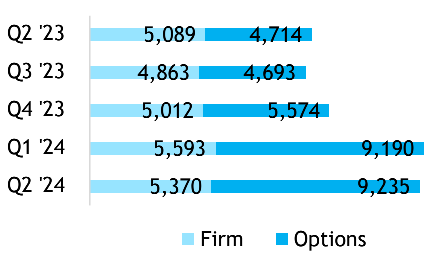


Working Capital Days[NG]

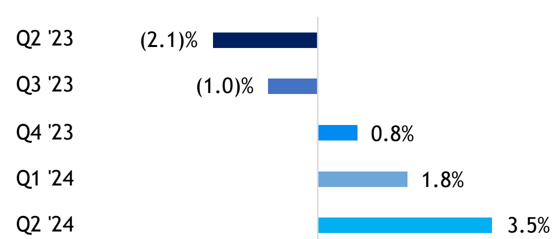
Total Liquidity[NG] ($ millions)



Backlog[NG] (EUs)



ROIC[NG]



Financial Results

NFI's 2024 second quarter financial results saw both sequential and year-over-year improvement with increases in vehicle deliveries, revenue and gross profit. NFI continued to increase production rates in the second quarter of 2024 as the Company recovers from the impacts of global supply chain challenges, labour supply challenges, associated production inefficiencies, and hyper-inflation. NFI's 2024 Q2 manufacturing segment financial performance reflects the positive impact of this increase in production, along with higher zero-emission bus deliveries and the delivery of fewer inflation impacted legacy contracts originally bid in 2020 and 2021. NFI has now delivered materially all of these legacy contracts. While the quarter saw significant improvement, especially when compared to the same period in 2023, supply disruption from a few select suppliers and resulting production inefficiencies continue with additional newer team members hired in 2023 and 2024 to ramp up manufacturing capacities. The Aftermarket segment delivered another period of strong revenue and Adjusted EBITDA.

The Company's end markets remain healthy, with significant order and award activity, a robust North American public bid environment, and unprecedented continued government funding for public transit across multiple markets. Pre-owned coach volumes continue to remain low, reflecting a lower trade-in ratio when selling new coaches to private operators.

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

Deliveries (EUs)	2024 Q2	2023 Q2	*% Change*	2024 Q2 LTM	2023 Q2 LTM	*% Change*
Transit buses	915	715	*28.0 %*	3,478	2,582	*34.7 %*
Motor coaches	179	128	*39.8 %*	677	589	*14.9 %*
Medium-duty and cutaway	152	88	*72.7 %*	496	369	*34.4 %*
New vehicle deliveries	1,246	931	*33.8 %*	4,651	3,540	*31.4 %*
Pre-owned coach	28	64	*(56.3 %)*	175	324	*(46.0 %)*
Zero-emission deliveries (included in the above totals)	284	232	*22.4 %*	965	830	*16.3 %*
Zero-emission deliveries as a percentage of total new vehicle deliveries	22.8 %	24.9 %	*(8.4 %)*	20.7 %	23.4 %	*(11.5 %)*

Revenue ($ millions)	2024 Q2	2023 Q2	*% Change*	2024 Q2 LTM	2023 Q2 LTM	*% Change*
Transit buses	547.6	421.3	*30.0 %*	1,953.4	1,447.8	*34.9 %*
Motor coaches	113.1	81.0	*39.6 %*	418.7	347.0	*20.7 %*
Medium-duty and cutaway	19.2	9.2	*108.7 %*	64.1	40.9	*56.7 %*
Total New Vehicle Revenue	**679.9**	**511.5**	***32.9 %***	**2,436.2**	**1,835.7**	***32.7 %***
Pre-owned coach	2.2	5.8	*(62.1 %)*	15.4	22.7	*(32.2 %)*
Infrastructure Solutions™	4.4	3.5	*25.7 %*	14.2	7.5	*89.3 %*
Fiberglass reinforced polymer components	3.0	1.9	*57.9 %*	9.6	8.0	*20.0 %*
Manufacturing Revenue	**689.5**	**522.7**	***31.9 %***	**2,475.4**	**1,873.9**	***32.1 %***
Aftermarket	161.7	137.6	*17.5 %*	599.8	515.0	*16.5 %*
Total Revenue	**851.2**	**660.3**	***28.9 %***	**3,075.2**	**2,388.9**	***28.7 %***
North America	693.1	520.4	*33.2 %*	2,433.6	1,842.9	*32.1 %*
United Kingdom and Europe	150.4	131.3	*14.5 %*	589.6	496.0	*18.9 %*
Asia Pacific	7.7	8.6	*(10.5 %)*	52.0	50.0	*4.0 %*

Manufacturing revenue for 2024 Q2 increased by $166.8 million, or 31.9%, compared to 2023 Q2. The increase was largely driven by higher new vehicle deliveries and product mix. Quarterly deliveries saw improvement both year-over-year and sequentially for the sixth consecutive quarter. NFI has seen significant improvement in overall supplier performance resulting in improved on-time production during the quarter, supporting NFI's continued ramp-up in vehicle production rates.

In 2024 Q2, Manufacturing deliveries increased by 315 EUs, or 33.8%. Transit buses saw the largest increase in deliveries of 201 EUs, or 28.1%, leading to a 32.9% increase in new vehicle revenue.

Overall zero-emission bus and coach deliveries for 2024 Q2 increased by 22.4%. For 2024 Q2 LTM, overall ZEB deliveries increased 16.3%. ZEBs as a percentage of total new vehicle deliveries declined slightly for 2024 Q2. This was driven by the timing of certain transit bus deliveries (with more ZEBs expected in the second half of 2024) and by increases in motor coach and medium-duty cutaway deliveries, which are beginning their transition to zero-emission technology and utilize more traditional propulsion systems.

Quarterly revenue of the Company's Infrastructure Solutions™ division increased by $0.9 million. The increase is primarily due to the timing of delivery and completion of open contracts. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 458 plug-in and 40 overhead charger projects, for 66 different customers.

Aftermarket revenue for 2024 Q2 increased by $24.1 million, or 17.5%, compared to 2023 Q2. The increase is mainly related to increased volume in the North America region and pricing adjustments due to heightened inflation from parts suppliers. In 2024 Q2 and 2024 Q2 LTM, the Aftermarket segment delivered its highest revenue performance ever.

Net Earnings (Loss) ($ millions, except per share amounts)	2024 Q2	2023 Q2	*% Change*	2024 Q2 LTM	2023 Q2 LTM	% Change
Manufacturing	7.4	(24.0)	*130.8 %*	(36.9)	(267.9)	*86.2 %*
Aftermarket	30.1	25.0	*20.4 %*	114.8	80.4	*42.8 %*
Corporate	(35.0)	(49.1)	*28.7 %*	(127.0)	(99.1)	*(28.2 %)*
Net Earnings (Loss)	**2.5**	**(48.1)**	***105.2 %***	**(49.1)**	**(286.6)**	***82.9 %***
Adjusted Net Earnings (Loss)[NG]	3.1	(35.2)	*108.8 %*	(56.7)	(144.1)	*60.7 %*
Net Earnings (Loss) per Share	0.02	(0.62)	*103.2 %*	(0.44)	(3.71)	*88.1 %*
Adjusted Net Earnings (Loss) per Share[NG]	0.03	(0.46)	*106.5 %*	(0.50)	(1.87)	*73.3 %*

Adjusted EBITDA[NG] ($ millions)	2024 Q2	2023 Q2	*% Change*	2024 Q2 LTM	2023 Q2 LTM	*% Change*
Manufacturing	33.9	(15.9)	*313.2 %*	28.6	(106.3)	*126.9 %*
Aftermarket	35.0	29.6	*18.2 %*	133.6	100.1	*33.5 %*
Corporate	(9.5)	(1.5)	*(533.3 %)*	(19.2)	5.4	*(455.6 %)*
Total Adjusted EBITDA[NG]	**59.4**	**12.2**	***386.9 %***	**143.0**	**(0.8)**	***17,975.0 %***
Adjusted EBITDA[NG] as a percentage of revenue						
Manufacturing	4.9 %	(3.0 %)	*263.3 %*	1.2 %	(5.7 %)	*121.1 %*
Aftermarket	21.6 %	21.5 %	*0.5 %*	22.3 %	19.4 %	*14.9 %*
Total	**7.0 %**	**1.8 %**	***288.9 %***	**4.7 %**	**(0.1 %)**	***4,800.0 %***

In 2024 Q2, Manufacturing operations experienced net earnings of $7.4 million in 2024 Q2 compared to a net loss of $24.0 million in 2023 Q2. The increase was driven by significantly improved gross margins from higher overall deliveries, favourable sales mix, and improved production efficiency, despite the impact of inflation on legacy contracts. Manufacturing operations achieved Adjusted EBITDA[NG] of $33.9 million, an increase of $49.8 million, or 313.2%, compared to 2023 Q2 Adjusted EBITDA Loss[NG]. The increase in Manufacturing Adjusted EBITDA[NG] from 2023 Q2 to 2024 Q2 was primarily due to the same items that impacted Manufacturing net earnings. The decrease in 2024 Q2 LTM Manufacturing net loss and the increase in 2024 Q2 LTM Manufacturing Adjusted EBITDA[NG] is attributable to the same items that impacted quarterly results. Also contributing to the decrease from 2023 Q2 LTM Manufacturing net loss was the impact of a goodwill impairment charge of $103.9 million related to ARBOC and AD recognized in 2022 Q4 and the Company's decision not to close MCI"s Pembina facility, which resulted in a reversal of $7.0 million of closure costs in 2023 Q4.

2024 Q2 Aftermarket segment net earnings increased by $5.1 million, or 20.4%, compared to 2023 Q2. The increase was primarily due to improved sales volume, pricing adjustments and favourable product mix. The 2024 Q2 Aftermarket achieved Adjusted EBITDA[NG] of $35.0 million, a $5.4 million, or 18.2%, year-over-year increase, primarily due to the same items that impacted Aftermarket net earnings. Increases in net earnings and Adjusted EBITDA[NG] for 2024 Q2 LTM are primarily due to the same items that impacted quarterly increases.

The 2024 Q2 Corporate net loss decreased by $14.1 million compared to 2023 Q2, primarily due to fair value adjustments to the Company's interest rate swaps, convertible debenture cash conversion option, and prepayment option on second-lien debt. These decreases are offset by increased interest expenses on long-term debt. Corporate Adjusted EBITDA Loss[NG] increased by $8.0 million compared to 2023 Q2, primarily due to increased accrued incentive compensation, realized foreign exchange losses, and operating expenses discussed in the results from operations section. In 2024 Q2 LTM net loss increased due to higher interest and finance costs incurred compared to 2023 Q2 LTM offset by an accounting gain on the debt modification of Secured Facilities[1]. The 2024 Q2 LTM, Corporate Adjusted EBITDA Loss[NG] increased due to the same items that impacted quarterly results.

Free Cash Flow[NG] and net cash generated by (used in) operating activities ($ millions, except per share amounts)	2024 Q2	2023 Q2	*% Change*	2024 Q2 LTM	2023 Q2 LTM	*% Change*
Net cash generated by (used in) operating activities	29.7	(13.8)	*315.2 %*	59.4	(197.6)	*130.1 %*
Free Cash Flow[NG]	1.1	(30.8)	*103.6 %*	(60.8)	(136.7)	*55.5 %*
Free Cash Flow[NG] (CAD dollars)	1.5	(40.8)	*103.7 %*	(82.6)	(185.7)	*55.5 %*
Declared Dividends (CAD dollars)	-	-	*0.0 %*	-	4.1	*(100.0 %)*
Free Cash Flow per Share[NG] (CAD dollars)	0.01	(0.53)	*101.9 %*	(0.73)	(2.41)	*69.7 %*
Dividends per Share (CAD dollars)	-	0.00	*0.0 %*	-	0.05	*(100.0 %)*
Payout Ratio[NG] (Declared Dividends divided by Free Cash Flow)	0.0 %	0.0 %	*0.0 %*	0.0 %	(2.2 %)	*100.0 %*

Free Cash Flow[NG] in 2024 Q2 increased by $31.9 million, or 103.6%, compared to 2023 Q2, mainly due to increased cash generated by operating activities for the period offset by an increase in interest paid, and cash capital expenditures.

Cash generated by operating activities in 2024 Q2 was $29.7 million, an increase of $43.5 million or 315.2%, compared to cash used in operating activities in 2023 Q2 of $13.8 million. The increase is mainly due to the Company achieving net earnings in 2024 Q2, compared to net loss in 2023 Q2. Also contributing is a decrease in interest paid, offset by an increase in cash invested in working capital. The 2024 Q2 LTM net cash generated by operating activities increased by 130.1% compared to 2023 Q2 LTM, primarily due to significant decreases in net loss, interest paid, and an increase in cash provided by working capital, partially offset by decreased income tax recoveries.

	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2
Working Capital Days[NG]	52	57	61	63	64
Total Liquidity[NG] ($ million)	$178.7	$166.4	$188.2	$169.8	$81.5
Backlog[NG] (EUs)	14,605	14,783	10,586	9,556	9,803
ROIC[NG]	3.5 %	1.8 %	0.8 %	(1.0 %)	(2.1 %)

Footnotes:

1. As described in the Capital Allocation section on page 25.

As part of the Company's increased focus on cash conversion and leverage reduction, the Company is actively pursuing activities to reduce Working Capital Days[NG] as manufacturing volume increases. In 2024 Q2, Working Capital Days[NG] were 52, compared to 57 at the end of 2024 Q1, and 64 at the end of 2023 Q2. The decrease in Working Capital Days[NG] in 2024 Q2 compared to 2024 Q1 is mostly attributable to the increase in sales over the last twelve months, and a decrease in average working capital balances. The decrease of average working capital is primarily due to increases in accounts payable and deferred revenues, offset by increases in accounts receivable. The Company had higher deliveries compared to 2024 Q1. As the Company continues to ramp up production, work-in-progress inventory has increased from 2024 Q1. NFI is continuing to focus efforts on lowering work-in-process inventory and accelerating customer acceptance programs to lower working capital balances and improve Working Capital Days[NG].

The Company's liquidity[NG] position, which combines cash on-hand, plus available capacity under its Secured Facilities[1], without consideration given to the minimum banking liquidity[NG] requirement of $50 million under the Secured Facilities[1], was $178.7 million at the end of 2024 Q2, up $12.3 million, or 7.4%, from the end of 2024 Q1 despite volume increases. Total liquidity[NG] position was positively impacted by cash generated from operating activities and a reduction in interest expenses, offset by repayments on the Company’s long-term debt and obligations under capital leases.

At the end of 2024 Q2, the Company's total backlog[NG] (firm orders and options) was 14,605 EUs, a 1.2% decrease compared to 14,783 EUs at the end of 2024 Q1, and an increase of over 4,000 EUs, or 49%, from 2023 Q2. The quarterly decrease is driven by higher deliveries in 2024 Q2 and slightly increased expiries of backlog options, offset by new orders. The year-over-year increase was driven primarily by NFI recording the highest number of quarterly awards in Company history in 2024 Q1. Backlog[NG] for 2024 Q2 had a total dollar value of approximately $11.8 billion.

2024 Q2 LTM ROIC[NG] increased by 5.6% to 3.5% from 2023 Q2 LTM, due to the increase in Adjusted EBITDA[NG] and a slight decrease in the invested capital base[NG]. The decrease in invested capital[NG] is primarily due to a decrease in long-term debt as the Company completed its refinancing transactions during 2023 Q3. Also contributing are increases in cash as the Company had generated cash from its operating activities.

Footnotes:

1. As described in the Capital Allocation section on page 25.

2024 Q2 Highlights

During the second quarter of 2024, NFI saw significant year-over-year improvement in many of the Company's key operational and financial metrics, including vehicle deliveries, revenue, gross profit, Adjusted EBITDA[NG], and Working Capital Days[NG]. In addition, the Company recorded positive net earnings, the first positive quarter since the second quarter of 2021. NFI has now materially delivered all of its remaining legacy inflation-impacted contracts, which were originally bid in 2021 and 2022 and had a negative impact on manufacturing segment margins. With the majority of these legacy contracts having been completed, combined with higher zero-emission bus deliveries, the Company expects to see improvements to manufacturing segment results in the second half of the year.

The Company continues its plan to prudently increase line entry rates based on consistent supply availability and production labour efficiency increases. NFI experienced some supply chain disruption during the quarter for certain components, specifically seats and wiring harnesses, but these are generally viewed as temporary disruptions linked to suppliers also recovering to their pre-COVID production rates. NFI has taken actions to support supply performance improvement, including earlier order placement to suppliers, use of alternative suppliers at different levels of the supply chain, an enhanced and dedicated supplier development team, and carrying higher levels of inventory for certain components. These initiatives have helped improve consistency of on-line parts and components.

NFI's Aftermarket segment delivered another strong quarter of financial results, as it benefited from continued demand in various jurisdictions, a reflection of more vehicles being put into service as transit agencies and private operators increased service levels, an increase in overall fleet age due to lower industry deliveries in 2020 through 2022, customers purchasing additional parts inventory to avoid supply shortages and the benefit of several larger retrofit programs being carried out by customers.

As of the end of 2024 Q2, NFI employed 8,955 team members across all of its global locations, up from 8,776 as of the end of 2024 Q1 and 7,982 at the end of 2023 Q2.

Strong Market Demand and Increasing Procurements

Following a period of record level new orders in 2024 Q1, when NFI reported new combined orders for 5,421 EUs, 1,114 EUs of new orders were added in the quarter. This was an improvement of 21.5% year-over-year. The decline from the first quarter was a reflection of the record order activity stemming from NFI receiving two new large contracts, including up to 1,420 ZEBs from the New York City Transit Authority, the largest transit authority in North America in March, and an order for up to 1,300 Clean Diesel Xcelsior transit buses from the New Jersey Transit Corporation.

Forward demand metrics remained strong in 2024 Q2 with 3,153 EUs in Bids Submitted to customers, 3,609 Bids in Process and 28,177 EUs in the Company's total North American Bid Universe. NFI's backlog[NG] at the end of 2024 Q2 was 14,605 EUs with a an approximate value of a record $11.8 billion, up 0.8% from the previous quarter and up 77.2% year-over-year. See Appendix B for details.

The Company also had 190 EUs in bid awards pending (where NFI had received notification of award from the customer, but formal purchase order documentation had not yet been finalized) as at the end of 2024 Q2. The combination of pending awards and active bids is expected to position NFI for new additions to its backlog[NG] in 2024 and 2025.

Efforts to Strengthen Bus Manufacturing in the U.S.

During the quarter, NFI continued to advance efforts championed by the American Public Transportation Association ("APTA") and the U.S. Federal Transit Administration ("FTA") to support more competitive and stable bus manufacturing capacity in the United States. These activities included discussions on the incorporation of progress payments (deposits, advances, and milestone payments), pricing adjustments in future contracts to reflect price inflation or deflation, and a potential reduction in vehicle customization through the establishment of standard specifications and best practices.

NFI has experienced some success from these efforts and during the quarter, with specific focus on progress payments. The Company has continued discussions with customers on incorporating progress payments into existing contracts and has begun to bid progress payments into new contracts as a standard wherever possible. Management expects these actions to have a positive impact on NFI's financial performance in future periods, especially as it relates to working capital investments. These potential changes are further discussed in the Outlook section of this MD&A.

In 2024 Q2, NFI delivered a total of 284 zero-emission EUs, representing 22.8% of total quarterly deliveries and a 22.4% increase from 2023 Q2. As at the end of 2024 Q2, NFI had 6,001 EUs of ZEBs in the backlog[NG], representing a record 41.1% of the total backlog[NG], up from the previous record of 39.2% as at the end of 2024 Q1, and up from 35.8% at the end of 2023 Q2. As of 2024 Q2, 52.7%, of the Total Bid Universe was comprised of ZEBs, essentially flat year-over-year; management continues to expect a continued increase in the demand for ZEBs going forward. NFI sells buses to all of the 25 largest transit authorities in North America and has electric vehicles in service with 17 of these transit agencies. NFI also serves all of the UK's major transit and coach operators.

Quarterly New Wins

During the second quarter of 2024, the Company announced several major contract awards, including:

- Two contracts from BC Transit, one for 33 battery-electric New Flyer Xcelsior Transit buses and another for 29 Enviro500 Alexander Dennis double deck buses
- Alexander Dennis' largest single EV order ever for 244 EUs, including 180 Enviro400EVs and 54 single-deck Enviro200EVs from Stagecoach, an order for 53 double deck Enviro400EVs from Reading Buses, and an order for 24 Enviro100EVs and 17 Enviro400EVs to be used in London. These new vehicles will use Alexander Dennis' next generation electric vehicle platform that was launched in 2023 Q4.
- Two contracts that were added to backlog[NG] in the first quarter of 2024 and fourth quarter of 2023 respectively, one from New Jersey Transit for up to 1,300 New Flyer 40-foot Xcelsior Transit buses and one from Massachusetts Bay Transportation Authority for up to 460 Xcelsior CHARGE NG forty-foot battery-electric transit buses.

Other Events in the Quarter

On May 6, 2024, NFI announced the results of its Annual General Meeting including the addition of Anne-Marie O'Donovan as a new Director and Chair of the Company's Audit Committee with the retirement of Phyllis Cochran from the Board and as chair of the Audit Committee.

Following the appointment of Brian Dewsnup to the CFO role at the end of 2024 Q1, on May 21, 2024, NFI announced that John Proven had been selected as the new President of NFI Parts and ARBOC Specialty Vehicles. John brings over 20 years of experience in global markets and leadership of geographically diverse operations in manufacturing operations, having most recently served as President and Chief Executive Officer of CEL Group of Companies.

On May 30, 2024, NFI released its sixth annual Environmental, Social and Governance Report for 2023 providing highlights and milestones, as well as some specific projects and ESG-related initiatives the Company undertook during 2023. The Report again focused on the three main components of NFI's Sustainability Pledge, "A Better Product. A Better Workplace. A Better World."

On June 17, 2024, NFI announced that it was the recipient of the Spirit of Winnipeg Award by the Winnipeg Chamber of Commerce at the 15th Annual Spirit of Winnipeg Awards Gala. The award celebrates and honours Winnipeg-based organizations that are making a significant impact in their communities.

Subsequent Event

In July 2024, NFI amended its agreement with Export Development Canada ("EDC") to increase the size of its existing Guarantee Facility (the "Guarantee Facility") from $125 million to $145 million. The Guarantee Facility is made up of Account Performance Security Guarantee ("Account PSG") of up to $90 million (previously was up to $50 million) and Surety Reinsurance Support of up to $55 million (previously was up to $75 million). The Account PSG program is in place to cover standby letters of credit, or letter of guarantees (in each case a Letter of Credit or "LOC"), required as part of a collateral package provided to support a surety facility. Surety facilities are typically required by transit agencies in North America to support bus contracts.

This amendment provides NFI with greater flexibility when placing surety facilities and will improve liquidity and working capital as NFI now has additional capacity to issue LOC's beyond the company's Secured Facilities[1].

Footnotes:

1. As described in the Capital Allocation section on page 25.

Outlook

Management anticipates continued improvements to revenue, gross profit, Adjusted EBITDA[NG], Free Cash Flow[NG], net earnings, and ROIC[NG], as the Company ramps up production, delivers on its backlog[NG], delivers a higher number of zero-emission buses, and benefits from the growing demand for its buses, coaches, parts, and services provided by Infrastructure Solutions™.

Management believes market demand is evident through continued new orders; the Company's North American active public bids of 6,762 EUs, and the current five-year forecasted demand within the Company's North American public bid universe of 21,415 EUs. In addition, demand within private coach and international transit markets has also seen strong growth driven by increasing ridership, travel and return to work initiatives. These demand factors are expected to drive additional new orders in the remainder of 2024 and into 2025.

ZEB demand has remained robust, with an increased number of ZEB bids and the number of EUs per ZEB bid increasing, as transit agencies progress from pilot projects or trials to more active deployment and operation of ZEB fleets. NFI expects active ZEB bids to remain high through the coming years based on government funding levels supporting state, provincial and municipal ZEB adoption targets.

NFI is working closely with its suppliers to monitor supply chain performance, and, due to the Company's strong backlog[NG], has been able to provide longer-term production visibility to its supply base for the remainder of 2024 and well into 2025. As part of NFI's supplier development program, the Company provides a comprehensive risk rating to all its key suppliers based upon their on-time delivery performance and other factors. NFI has continued to see a significant decline in the number of moderate and high-risk suppliers driven by a combination of overall improvements in global supply chain health and actions taken by NFI's supply and sourcing teams.

The Company anticipates that there will continue to be delays in receiving certain components as suppliers recover their operations and as NFI increases production of ZEBs (where the supply chain is not as established as in traditional propulsion systems). NFI has implemented strategies to mitigate supply chain risk specifically related to ZEBs, including the utilization of multiple battery suppliers for specific regions, partnering with larger more established suppliers (such as Accelera, Impact, BAE and Ballard), providing increased lead time for component purchases for ZEBs and carrying higher levels of inventory for certain ZEB components. The Company may experience quarterly fluctuations in the delivery of ZEBs based on supply availability and customer acceptance, but management remains confident in its annual targets to have 30% to 35% ZEB deliveries in 2024 and 40% in 2025.

In 2024 Q2, NFI continued increasing new vehicle production rates, primarily driven by increases in labour efficiency as team members hired in 2023 and 2024 Q1 continued to develop their skill set and improve production time. NFI expects that it will need to hire some additional team members in 2024 and into 2025 as it grows production rates in North America, but at lower levels than those seen in 2023. While there has been significant positive improvement in total labour availability, the labour market within the United States and the UK remains challenging. NFI plans to continue to add personnel on a phased approach, with gradual headcount additions ensuring that the ramp-up is matched to consistent supply and labour availability. In addition, NFI anticipates that production efficiency may be somewhat impacted as the Company ramps up its ZEB production throughout the second half of 2024 and into 2025.

Gross margins and other profitability metrics are expected to improve as production rates and bus and coach deliveries increase, and legacy inflation-impacted work in progress ("WIP") is reduced. As NFI has materially delivered all of its inflation-impacted legacy contracts, the Company anticipates significant improvement in manufacturing segment gross margins, reflecting appropriate, inflation-adjusted costing and pricing.

Strong Government Investment for Bus Manufacturing Recovery and Zero-Emission Transition

The Company's bus and coach product lines (New Flyer, ARBOC, MCI and AD) are primarily used for public transit, which remain a critical method of transportation and an economic enabler for users in cities around the world. Public transit has also been a significant and focused area of investment for governments as they seek to improve ridership access, reduce urban congestion, and achieve emissions targets. These public investments increased NFI's new orders throughout 2022 and 2023, and in the first half of 2024.

The importance of long-term government funding in key markets cannot be understated, as it allows public transit agencies to proceed with confidence regarding their multi-year fleet replacement plans and capital asset procurements. In addition to funding, ridership trends have begun to recover. According to the APTA Ridership Trends Dashboard, bus ridership in the U.S. increased 16% in 2023 as compared to 2022, and showed recovery to almost 80% of pre-pandemic levels throughout 2023 and the first quarter of 2024. Continued recovery in ridership levels is important to support the operating costs of transit agencies, including the purchase of aftermarket parts and services.

In the U.S., the Infrastructure Investment and Jobs Act ("IIJA") signed in 2021 includes $86.9 billion over five years for the FTA; the IIJA also authorized an additional $21.2 billion in supplemental appropriations from general revenues, for a total of $108 billion in FTA funding, a 63% increase from the previous government funding act. Generally, U.S. public agencies can secure up to 80% of the capital costs for a new transit bus from FTA funds, with the remaining 20% coming from state and local sources.

NFI continues to advance discussions and initiatives to improve bus manufacturing contract structures in the United States.

NFI has begun incorporating milestone billing payment structures into new contracts wherever possible as standard terms, that would provide payments throughout the build period of a new vehicle, rather than receiving 100% of the purchase price following final delivery and customer acceptance. These new structures have only started to be introduced into bids and contracts following the FTA's issuance of the February 2024 "Dear Colleague" letter to transit agencies that receive federal funding for bus purchases. It will take time for the impact to be appropriately reflected in NFI's working capital balances, primarily being recorded in deferred revenue.

In February 2024, the FTA announced the authorization of $1.1 billion for the 2024 Low-No Emission Program ("Low-No") that helps transit agencies buy or lease U.S.-built zero-emission and low-emission transit buses along with charging equipment and supporting facilities. NFI was the named partner on over $200 million of grants from the 2023 Low-No program and expects to support numerous agencies through the 2024 program.

In July 2024, the Canadian government announced details on its C$30 billion Canada Public Transit Fund, the largest public transit investment in Canadian history. The fund that will be distributed over ten years starting in 2026 will include baseline funding for existing infrastructure, dedicated funding for the largest public transit systems, as well as specific funding for rural and indigenous communities. This funding is in addition to the over C$17 billion in funding that is in place until 2027 to support Canadian public transit. NFI is evaluating enhancements to its Canadian heavy-duty transit manufacturing footprint in Winnipeg that would enable the company to support growing demand for Canadian bus purchases.

The UK government also continues to support purchases of low- and zero-emission buses, and has previously committed to introducing 4,000 zero-emission buses through its various funding programs, with several rounds of the Zero Emission Bus Regional Areas, or "ZEBRA", funding scheme having already been released. Alexander Dennis has received several customer orders for ZEBs funded by ZEBRA, but, overall, the release of UK government funding has been slower than management expected. In September 2023, Alexander Dennis hosted the UK government announcement of a new £129 million funding program, ZEBRA 2; which is to provide £129 million to support the introduction of ZEBs in 2024 and 2025, via a single-stage funding competition.

As the market leader in North American transit bus and coach production and the UK's leading provider of single and double-deck buses, management believes NFI is extremely well-positioned for both the near- and long-term growth based on the multi-year commitments being made by governments in all of NFI's core markets.

NFI's private customer markets within Alexander Dennis, MCI and ARBOC continue to see recovery with volumes increasing and pricing appropriately reflecting current input costs and inflation. The North American motor coach space has been especially positive with strong demand in the tour and charter segment.

NFI's Aftermarket business primarily sells bus and coach parts to public and private customers, and also provides service to private operators. The Aftermarket business has continued to deliver strong performance with increased volumes and margins in 2024 for both public and private markets in North America and internationally. As private markets continue to recover and through the execution of a number of mid-life vehicle programs, NFI anticipates that its Aftermarket segment will continue to generate revenue growth and strong margin contribution in 2024 and 2025, although Adjusted EBITDA[NG] margin percentages, and overall revenue growth percentage for the remainder of 2024 may be slightly lower than those seen in the second half of 2023.

The Company also continues to focus on growing its NFI Infrastructure Solutions™ business to assist customers in assessing their charging infrastructure requirements and to manage infrastructure procurement and project installation. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 458 plug-in and 40 overhead charger projects, for a total of 80 megawatts ("MW") charging capacity, for 66 different customers. In 2024/2025, Infrastructure Solutions™ is scheduled to deliver 42 plug-in and 92 overhead depot chargers, for a total of 25 MW. Infrastructure Solutions™ has 31 active projects under contract, with five new projects added in 2024 Q2.

Other International Markets

NFI's international business through Alexander Dennis is expected to continue, with plans for further growth in export markets including New Zealand, Australia, Hong Kong, and Singapore, with funding investments announced for transition to zero-emission transportation.

Although the commitments, proposed legislation, government plans and announcements referred to above are encouraging for the future of public transit, management does not yet know how, when or if many of 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 for ZEB adoption will provide significant opportunities for NFI to grow revenue from increased market demand for its products.

Financial Guidance and Targets

NFI reaffirms its financial guidance for Fiscal 2024 and targets for 2025, as disclosed on January 17, 2024 and reiterated on February 29, 2024. Please refer to the Company's February 29, 2024 press release and the 2023 Q4 and Fiscal 2023 MD&A for details on the assumptions that drive Fiscal 2024 guidance, and 2025 targets, as well as certain applicable risks.

With YTD Adjusted EBITDA of $93.3 million, NFI's first half delivered 33% to 39% of its annual projected Adjusted EBITDA range of $240 million to $280 million of 2024. The First half performance is in-line with NFI's original expectations that it would deliver 35% of its annual Adjusted EBITDA in the first half of the year and approximately 65% in the second half of 2024. These seasonality expectations are based on expected production ramp up, the timing of certain ZEB deliveries, first half impacts of legacy inflation-impacted contracts, and sales mix.

NFI's guidance and targets are subject to the risk that current supply disruptions are extended and/or exacerbated and the risk of additional supply disruptions affecting particular key parts or components. In addition, the guidance and targets do not reflect potential escalated impact on supply chains or other factors arising directly or indirectly as a result of ongoing conflicts in Ukraine, Russia, Israel, Palestine, and the Middle East. Although NFI does not have direct suppliers in these regions, additional supply delays, possible shortages of critical components or increases in raw material costs may arise as the conflicts progress and if certain suppliers' operations and/or subcomponent supply from affected countries are disrupted further. In addition, there may also be further general industry-wide price increases for components and raw materials used in vehicle production as well as further increases in the cost of labour and potential difficulties in sourcing an increase in the supply of labour. See Appendix B Forward Looking Statements for risks and other factors and the Company's filings on SEDAR at www.sedarplus.ca.

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.

($ thousands, except per Share figures) Fiscal Period	Quarter	Revenue[1]	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[NG]	Earnings (loss) per Share
2024						
	Q2	851,233	36,362	2,547	59,411	0.02
	Q1	722,749	10,651	(9,414)	33,936	(0.08)
	Total	**1,573,982**	**47,013**	**(6,867)**	**93,347**	**(0.06)**
2023						
	Q4	789,462	25,555	(2,329)	38,455	(0.02)
	Q3	710,343	(13,760)	(39,926)	11,167	(0.42)
	Q2	660,292	(11,297)	(48,101)	12,178	(0.62)
	Q1	525,134	(21,749)	(45,964)	7,409	(0.60)
	Total	**2,685,231**	**(21,251)**	**(136,164)**	**69,209**	**(1.48)**
2022						
	Q4	689,353	(142,144)	(152,405)	(7,094)	(1.98)
	Q3	514,047	(41,051)	(40,167)	(13,281)	(0.53)
	Q2	397,952	(63,497)	(56,009)	(20,624)	(0.73)
	Q1	459,330	(41,481)	(27,795)	(16,660)	(0.36)
	Total	**2,060,682**	**(288,173)**	**(276,376)**	**(57,659)**	**(3.58)**

Comparison of Second Quarter 2024 Results

($ thousands)	2024 Q2	2023 Q2[1]	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023[1]	52-Weeks Ended June 30, 2024	52-Weeks Ended July 2, 2023[1]
Statement of Earnings Data						
Revenue						
North America	562,992	409,638	998,465	714,727	1,951,668	1,433,190
United Kingdom and Europe	125,839	109,605	249,752	189,736	495,935	414,027
Asia Pacific	736	3,480	4,235	4,312	27,796	26,655
Manufacturing operations	689,567	522,723	1,252,452	908,775	2,475,399	1,873,872
North America	130,151	110,711	257,298	220,986	481,971	409,634
United Kingdom and Europe	24,548	21,716	49,958	43,849	93,621	81,935
Asia Pacific	6,967	5,142	14,274	11,816	24,242	23,385
Aftermarket operations	161,666	137,569	321,530	276,651	599,834	514,954
Total revenue	$ 851,233	$ 660,292	$ 1,573,982	$ 1,185,426	$ 3,075,233	$ 2,388,826
Earnings (loss) from operations	$ 36,362	$ (11,297)	$ 47,013	$ (33,046)	$ 58,808	$ (216,241)
Earnings (loss) before interest and income taxes	$ 38,699	$ (16,737)	$ 53,910	$ (38,045)	$ 75,127	$ (214,696)
Net earnings (loss)	$ 2,547	$ (48,101)	$ (6,867)	$ (94,065)	$ (49,122)	$ (286,637)
Adjusted EBITDA[NG]	$ 59,411	$ 12,178	$ 93,347	$ 19,587	$ 142,969	$ (790)
Cash capital expenditures	$ 6,271	$ 5,089	$ 14,483	$ 8,076	$ 33,121	$ 19,007

Results of Operations

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

Revenue

($ thousands)	2024 Q2	2023 Q2[1]	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023[1]
Manufacturing Revenue	689,567	522,723	1,252,452	908,775
Aftermarket Revenue	161,666	137,569	321,530	276,651
Total Revenue	851,233	660,292	1,573,982	1,185,426
Earnings (loss) from Operations	36,362	(11,297)	47,013	(33,046)
Earnings (loss) before interest and income taxes	38,699	(16,737)	53,910	(38,045)
Earnings (loss) before income tax expense	4,764	(56,707)	(10,679)	(110,233)
Net earnings (loss)	2,547	(48,101)	(6,867)	(94,065)

Manufacturing revenue for 2024 Q2 increased by $166.8 million, or 31.9%, compared to 2023 Q2. 2024 Q2 revenue increased as a result of increased deliveries during the period. Manufacturing revenue for 2024 Q2 YTD increased by $343.7 million, or 37.8%, compared to 2023 Q2 YTD. Year-to-date revenue figures increased as a result of increased deliveries during the year.

Aftermarket revenue for 2024 Q2 increased by $24.1 million, or 17.5% compared to 2023 Q2. Aftermarket revenue for 2024 Q2 YTD increased by $44.9 million, or 16.2%, compared to 2023 Q2 YTD. Both quarter-to-date and year-to-date figures increased due to higher sales volume as the Aftermarket segment has experienced an increase in demand during the respective periods. Aftermarket sales were higher across each region.

Cost of sales

($ thousands)	2024 Q2	2023 Q2[1]	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023[1]
Manufacturing				
Direct cost of sales	548,858	453,311	1,006,833	773,893
Depreciation and amortization	17,631	16,324	35,770	34,713
Other overhead	67,775	48,263	133,729	101,162
Manufacturing cost of sales	634,264	517,898	1,176,332	909,768
As percent of Manufacturing sales	92.0 %	99.1 %	93.9 %	100.1 %
Aftermarket				
Direct cost of sales	112,549	92,096	221,183	186,611
Depreciation and amortization	2,981	2,406	6,079	4,918
Aftermarket cost of sales	115,530	94,502	227,262	191,529
As percent of Aftermarket sales	71.5 %	68.7 %	70.7 %	69.2 %
Total Cost of sales	749,794	612,400	1,403,594	1,101,297
As percent of sales	88.1 %	92.7 %	89.2 %	92.9 %

The consolidated cost of sales for 2024 Q2 increased by $137.4 million, or 22.4%, compared to 2023 Q2. The consolidated cost of sales for 2024 Q2 YTD increased by $302.3 million, or 27.4%, compared to 2023 Q2 YTD.

Cost of sales from Manufacturing operations in 2024 Q2 was $634.3 million (92.0% of Manufacturing operations revenue) compared to $517.9 million (99.1% of Manufacturing operations revenue) in 2023 Q2, an increase of $116.4 million, or 22.5%. Cost of sales from Manufacturing operations in 2024 Q2 YTD was $1,176.3 million (93.9% of Manufacturing operations revenue) compared to $909.8 million (100.1% of Manufacturing operations revenue) in 2023 Q2 YTD, an increase of $266.6 million, or 29.3%. The increase in both periods was driven by higher new vehicle deliveries. Cost of sales decreased as a percentage of revenue in both periods, mainly due to an improvement in operational efficiencies that has resulted from improved supply availability and easing inflation pressures.

Cost of sales from Aftermarket operations in 2024 Q2 was $115.5 million (71.5% of Aftermarket revenue) compared to $94.5 million (68.7% of Aftermarket revenue) in 2023 Q2, an increase of 22.3%. Cost of sales from Aftermarket operations in 2024 Q2 YTD was $227.3 million (70.7% of Aftermarket revenue) compared to $191.5 million (69.2% of Aftermarket revenue) in 2023 Q2 YTD, an increase of 18.7%. The increase in cost of sales is proportional to the 17.5% increase in Aftermarket revenues. Cost of sales increase is primarily due to increased sales, and favourable product mix. Also contributing are mitigated inflationary impacts on labour, freight costs, and surcharges.

Gross Margins

($ thousands)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023
Manufacturing	55,303	4,825	76,120	(993)
Aftermarket	46,136	43,067	94,268	85,122
Total Gross Margins	101,439	47,892	170,388	84,129
As a percentage of sales				
Manufacturing	8.0 %	0.9 %	6.1 %	(0.1)%
Aftermarket	28.5 %	31.3 %	29.3 %	30.8 %
	11.9 %	7.3 %	10.8 %	7.1 %

Manufacturing gross margin for 2024 Q2 of $55.3 million (8.0% of Manufacturing revenue), increased by $50.5 million compared to a gross margin of $4.8 million (0.9% of Manufacturing revenue) for 2023 Q2. Manufacturing gross margin for 2024 Q2 YTD of $76.1 million (6.1% of Manufacturing revenue), increased by $77.1 million compared to a negative gross margin of $1.0 million ((0.1%) of Manufacturing revenue) for 2023 Q2 YTD.

Manufacturing gross margin increased as a percentage of revenue in both periods, mainly due to an improvement in operational efficiencies that had resulted from improved supply availability and easing inflation pressures. A healthier supply chain is now allowing higher production volumes, resulting in less fixed overhead on a per unit basis.

Aftermarket gross margins for 2024 Q2 of $46.1 million (28.5% of Aftermarket revenue) increased by $3.1 million, or 7.1%, compared to 2023 Q2 gross margins of $43.1 million (31.3% of Aftermarket revenue). Aftermarket gross margins for 2024 Q2 YTD of $94.3 million (29.3% of Aftermarket revenue) increased by $9.1 million, or 10.7%, compared to 2023 Q2 YTD gross margins of $85.1 million (30.8% of Aftermarket revenue). The increase in gross margins in both periods are mainly due to increased sales, favourable product mix and the mitigated inflationary impacts on the costs of labour, freight and surcharges.

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

($ thousands)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023
Selling expenses	8,098	6,740	15,916	13,514
General and administrative expenses	56,165	55,162	105,377	106,145
Total SG&A	64,263	61,902	121,293	119,659

The consolidated SG&A for 2024 Q2 of $64.3 million (7.5% of consolidated revenue) increased by $2.4 million, or 3.8%, compared to $61.9 million (9.4% of consolidated revenue) in 2023 Q2. The consolidated SG&A for 2024 Q2 YTD of $121.3 million (7.7% of consolidated revenue) increased by $1.6 million, or 1.4%, compared to $119.7 million (10.1% of consolidated revenue) in 2023 Q2 YTD.

Consolidated SG&A increased in 2024 Q2 primarily due to increased employee compensation and insurance premiums, partially offset by non-recurring restructuring costs that were incurred in 2023 Q2. 2024 Q2 YTD consolidated SG&A increased due to similar factors that impacted quarterly results discussed above.

Footnotes:

1. Refer to Critical Accounting Estimates and Judgements on page 24.

Realized foreign exchange loss/gain

In 2024 Q2, the Company recorded a realized foreign exchange loss of $0.8 million compared to a gain of $2.7 million in 2023 Q2. In 2024 Q2 YTD, the Company recorded a realized foreign exchange loss of $2.1 million compared to a gain of $2.5 million in 2023 Q2 YTD.

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

Earnings/Loss from operations

Consolidated earnings from operations in 2024 Q2 were $36.4 million (4.3% of consolidated revenue) compared to losses of $11.3 million ((1.7%) of consolidated revenue) in 2023 Q2, an improvement of $47.7 million, or 421.9%. Consolidated earnings from operations in 2024 Q2 YTD were $47.0 million (3.0% of consolidated revenue) compared to losses of $33.0 million ((2.8%) of consolidated revenue) in 2023 Q2 YTD, an improvement of $80.1 million, or 242.3%.

In 2024 Q2, earnings from operations attributable to the Manufacturing segment were $9.6 million (1.4% of Manufacturing revenue) compared to losses of $32.7 million ((6.3%) of Manufacturing revenue) in 2023 Q2. Losses from Manufacturing operations in 2024 Q2 YTD were $9.8 million ((0.8%) of Manufacturing revenue) compared to losses of $81.8 million ((9.0%) of Manufacturing revenue) in 2023 Q2 YTD, a decrease of $72.0 million, or 88.0%. Quarter-over-quarter earnings as a percentage of revenue and the year-over-year decreased loss as a percentage of revenue is attributable to increased new vehicle deliveries, and a reduction in operational inefficiencies resulting from supply chain challenges.

Earnings from operations related to Aftermarket operations in 2024 Q2 were $30.1 million (18.6% of Aftermarket revenue) compared to $25.0 million (18.2% of Aftermarket revenue) in 2023 Q2. Earnings from Aftermarket operations in 2024 Q2 YTD were $62.9 million (19.6% of Aftermarket revenue) compared to $49.8 million (18.0% of Aftermarket revenue) in 2023 Q2 YTD. Earnings from Aftermarket operations increased in both periods due to favourable sales mix and a reduction of inflationary impacts on the cost of labour, freight, and surcharges.

Unrealized foreign exchange gain (loss)

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

($ thousands)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023
Unrealized (loss) gain on forward foreign exchanges contracts	(398)	1	798	(6,630)
Unrealized gain (loss) on other long-term monetary assets/liabilities	3,023	(4,472)	7,318	2,583
	2,625	(4,471)	8,116	(4,047)

At June 30, 2024, the Company had $66.8 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, and GBP). The related asset of $0.2 million (December 31, 2023: $1.5 million liability) is recorded on the unaudited interim condensed consolidated statements of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive earnings (loss).

Earnings (loss) before interest and income taxes (“EBIT”)

In 2024 Q2, the Company recorded EBIT of $38.7 million compared to an EBIT loss of $16.7 million in 2023 Q2. In 2024 Q2 YTD, the Company recorded EBIT of $53.9 million compared to an EBIT loss of $38.0 million in 2023 Q2 YTD. The improvement in EBIT was driven by increased vehicle deliveries, improved margins, and reduced inefficiencies as supply chain continues to normalize.

Interest and finance costs

The interest and finance charges for 2024 Q2 of $33.9 million decreased by $6.1 million compared to $40.0 million in 2023 Q2.

The decrease is primarily due to fair market value gains on adjustments to the Company’s interest rate swap, cash conversion options, and prepayment option on second-lien debt. These reductions in interest and finance costs were offset by higher interest costs on long-term debt. Higher interest rates on components of the Company's debt have decreased since 2023 Q1, as the Company has amended the terms of its Senior Unsecured Debt Facility[2] with Manitoba Development Corporation (“MDC”), reducing the fixed interest to 0% per annum. Additional details of the higher interest rates on components of the Company’s debts are in the Capital Allocation section of this MD&A.

The Company had a fair market value gain on its interest rate swap of $0.2 million in 2024 Q2 compared to a loss of $2.0 million in 2023 Q2. The interest rate swap had a fair market value gain of $1.6 million in 2024 Q2 YTD, compared to a loss of $7.6 million in 2023 Q2 YTD. The Company’s cash conversion options had a fair market value gain of $0.1 million compared to a loss of $4.5 million in 2023 Q2. The cash conversion options had a fair market value gain of $4.1 million in 2024 Q2 YTD, compared to a loss of $1.9 million in 2023 Q2 YTD. The fair market value gain of the prepayment option related to the Company's second-lien debt was $0.6 million compared to $nil in 2023 Q2. The Company's prepayment option had a fair market value gain of $3.1 million in 2024 Q2 YTD, compared to $nil in 2023 Q2 YTD.

On July 20, 2023, the Company extinguished its interest rate swap contracts (valued at $20.2 million asset at the end of 2023 Q2) for total proceeds of $18.4 million. NFI's equity hedge (valued at $2.6 million liability at the end of 2023 Q2) was settled and removed from liabilities on the balance sheet.

On January 26, 2024, NFI entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%. Please see note 16 of the unaudited interim condensed consolidated financial statements for disclosure of financial instruments and risk management.

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

EBT for 2024 Q2 of $4.8 million improved by $61.5 million compared to EBT loss of $56.7 million in 2023 Q2. EBT loss for 2024 Q2 YTD of $10.7 million decreased by $99.6 million compared to EBT loss of $110.2 million in 2023 Q2 YTD. The primary drivers of the changes of EBT are addressed in the Earnings (loss) from operations and Interest and finance costs sections above.

Income tax recovery/expense

The income tax expense for 2024 Q2 was $2.2 million compared to a recovery of $8.6 million in 2023 Q2. The increased income tax expense is primarily due to increased earnings before tax.

The income tax recovery for 2024 Q2 YTD is $3.8 million, compared to a recovery of $16.2 million in 2023 Q2 YTD. The decrease in the overall income tax recovery is primarily due to a reduced loss before tax, offset by the re-recognition of deferred tax assets associated with Canadian loss carry-forwards.

The Effective Tax Rate ("ETR") for 2024 Q2 was 46.6% and the ETR for 2023 Q2 was 15.2%. The ETR for 2024 Q2 YTD was 35.7% and the ETR for 2023 Q2 YTD was 14.7%. The 2023 Q2 ETR and 2023 Q2 YTD ETR were detrimentally impacted by the non-recognition of deferred tax assets associated with Canadian loss carry-forwards, and restricted interest in the UK.

Net earnings (loss)

The Company reported net earnings of $2.5 million in 2024 Q2, an improvement of $50.6 million, or 105.3%, compared to net losses of $48.1 million in 2023 Q2. This was the Company's first quarter of positive earnings since the second quarter of 2021. The Company reported net losses of $6.9 million in 2024 Q2 YTD, a decrease of $87.2 million, or 92.7%, compared to net losses of $94.1 million in 2023 Q2 YTD. The decrease in net loss for 2024 Q2 YTD is primarily due to increases in the Company's earnings from operations and decreases to interest and finance costs, previously discussed above.

Net earnings (loss) ($ millions, except per Share figures)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023
Earnings (loss) from operations	36.4	(11.3)	47.0	(33.0)
(Loss) gain on disposition of property, plant and equipment	(0.1)	(1.0)	-	(1.0)
Impairment loss on intangible assets	-	-	(1.0)	-
Loss on debt extinguishment	(0.2)	-	(0.2)	-
Unrealized foreign exchange gain (loss) on monetary items	2.6	(4.5)	8.1	(4.1)
Interest and finance costs	(33.9)	(40.0)	(64.6)	(72.2)
Income tax (expense) recovery	(2.2)	8.6	3.8	16.2
Net earnings (loss)	2.5	(48.1)	(6.9)	(94.1)
Net earnings (loss) per Share (basic)	0.02	(0.62)	(0.06)	(1.22)
Net earnings (loss) per Share (fully diluted)	0.02	(0.62)	(0.06)	(1.22)

The Company recorded net earnings per Share for 2024 Q2 of $0.02 compared to net loss per Share of $0.62 in 2023 Q2. The Company's net loss per Share for 2024 Q2 YTD of $0.06 compared to net loss per Share of $1.22 in 2023 Q2 YTD. The per Share net loss improved in 2024 Q2 YTD as a result of a decreased loss during the period, and an increase in the outstanding number of Shares as discussed below.

Cash Flow

The cash flows of the Company are summarized as follows:

($ thousands)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	57,244	5,957	91,202	9,201
Interest paid	(11,919)	(27,957)	(45,100)	(57,203)
Income taxes recovered	6,519	19,509	9,524	20,876
Cash flow invested in working capital	(22,111)	(11,284)	(12,538)	(53,028)
Net cash generated by (used in) operating activities	29,733	(13,775)	43,088	(80,154)
Net cash (used in) generated by financing activities	(10,850)	17,089	6,582	115,004
Net cash used in investing activities	(10,509)	(7,606)	(20,857)	(29,939)

Cash flow from operating activities

The 2024 Q2 net cash generated by operating activities of $29.7 million was mainly comprised of $51.8 million of net cash earnings and $22.1 million of cash invested in working capital. The 2023 Q2 net cash used in operating activities of $13.8 million was comprised of $2.5 million of net cash loss and $11.3 million of cash invested in working capital.

The 2024 Q2 YTD net cash generated by operating activities of $43.1 million was mainly comprised of $55.6 million of net cash earnings and $12.5 million of cash invested in working capital. The 2023 Q2 YTD net cash used in operating activities of $80.2 million was comprised of $27.1 million of net cash loss and $53.0 million of cash invested in working capital.

Cash flow from financing activities

The cash used in financing activities of $10.9 million during 2024 Q2 was comprised mainly of repayments made to the Company's Secured Facilities[2], totaling $4.8 million and by repayments made to obligations under lease of $6.0 million. Net cash generated by financing activities decreased by $27.9 million from 2023 Q2. The decrease is due to proceeds from the Company's Secured Facilities[2] that occurred in 2023 Q2.

Cash generated by financing activities of $6.6 million during 2024 Q2 YTD is due to proceeds received from the Company's Secured Facilities[2], totaling $19.1 million, offset by repayments made to obligations under lease of $12.5 million.

Cash flow from investing activities

($ thousands)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023
Acquisition of intangible assets	(4,375)	(2,583)	(7,231)	(4,044)
Proceeds from disposition of property, plant and equipment	137	66	857	205
Long-term restricted deposits	-	-	-	(18,024)
Acquisition of property, plant and equipment	(6,271)	(5,089)	(14,483)	(8,076)
Cash used in investing activities	(10,509)	(7,606)	(20,857)	(29,939)

Cash used in investing activities increased in 2024 Q2, primarily due to increased investments in property, plant and equipment and intangible assets. Cash used in investing activities was lower in 2024 Q2 YTD, primarily due to decreased investment in long-term restricted deposits, partially offset by increased investments in property, plant and equipment, and intangible assets. Long-term restricted deposits are collateral for a certain amount of the Company's letters of credit.

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.

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

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

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

$ thousands		June 30, 2024		December 31, 2023
Current, including holdbacks	$	454,214	$	438,165
Past due amounts but not impaired				
1 – 60 days		21,137		20,123
Greater than 60 days		12,445		8,669
Less: allowance for doubtful accounts		(593)		(604)
Total accounts receivables, net	$	487,203	$	466,353

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

Commitments and Contractual Obligations

The following table describes the Company's maturity analysis of the undiscounted cash flows of leases and accrued benefit liabilities as at June 30, 2024:

$ thousands		Total	2024	2025	2026	2027	2028	Post 2028
Leases	$	213,113	13,989	23,021	20,223	18,422	12,437	125,021
Accrued benefit liability		3,143	3,143					
	$	216,256	17,132	23,021	20,223	18,422	12,437	125,021

As at June 30, 2024, outstanding surety bonds guaranteed by the Company totalled $318.1 million (December 31, 2023: $312.7 million). The estimated maturity dates of the surety bonds outstanding at June 30, 2024 range from July 2024 to December 2039. 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 North American Secured Facility[2], the Company has established a letter of credit sub-facility of $150.0 million (December 31, 2023: $150.0 million). As at June 30, 2024, letters of credit totaling $93.9 million (December 31, 2023: $96.6 million) remain outstanding as security for contractual obligations of the Company under the North American Secured Facility[2]. This decrease is primarily driven by collateral requirements provided to support bonds associated with new contracts.

The EDC facility includes two credit facilities of up to $125 million, to support supply chain financing ("supply chain financing facility") for $50 million and surety and performance bonding requirements for new contracts ("Guarantee Facility") for up to $125 million. The Guarantee Facility is made up of an Account Performance Security Guarantee (“PSG”) up to $50 million and Surety Reinsurance Support up to $75 million.

Subsequent to June 30, 2024, NFI entered into an amended agreement with EDC to increase the size of the Company’s Guarantee Facility from $125 million to $145 million to support increased bid activity and awarded contracts. The amended Guarantee Facility is made up of PSG up to $90 million and Surety Reinsurance Support up to $55 million.

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

As at June 30, 2024, there was $100.4 million (December 31, 2023: $74.2 million) outstanding under the Guarantee Facility.

As at June 30, 2024, letters of credit in the UK totaling $11.2 million remained outstanding as a security for contractual obligations of the Company outside of the UK facility (December 31, 2023: $18.7 million). Additionally, there were $38.0 million (December 31, 2023: $45.8 million) of letters of credit outstanding outside of the Secured Facility[2].

Management believes that the Company was in compliance in all material respects with all applicable contractual obligations as at June 30, 2024. The Company has not provided for any costs associated with these letters of credit.

The Company does not have any off-balance sheet arrangements or any material capital asset commitments at June 30, 2024.

Through the normal course of operations, the Company has guaranteed payments and residual values to third party lenders on behalf of customers. As at June 30, 2024, the Company had guaranteed $2.3 million (December 31, 2023: $2.4 million) of these arrangements. The Company has not provided for any of these costs, as it does not believe it will have to pay out on any of these arrangements.

Share Option Plan

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

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

The following reconciles the Share options outstanding:

	2024 Q2		2023 Q2	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	2,015,400	C$26.00	1,910,057	C$27.41
Granted during the period	325,925	C$13.57	374,448	C$10.46
Expired during the period	(223,316)	C$26.59	(12,599)	C$31.84
Exercised during the period	—	C$0.00	—	C$0.00
Balance at end of period	2,118,009	C$24.02	2,271,906	C$24.60

Footnotes:

2. As described in the Capital Allocation section on page 25.

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company's Restricted Share Unit Plan for Non-Employee Directors, a maximum of 500,000 Shares are reserved for issuance to non-employee directors. The Company issued 16,828 director restricted share units ("Director RSUs"), with a total value of $0.2 million, in 2024 Q2. Approximately $0.1 million of the issued Director RSUs were exercised and exchanged for 10,998 Shares.

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2 of the unaudited interim condensed consolidated financial statements.

Provisions

In Q4 2023, the Company elected to make a change in accounting policy on the existence of warranties. After a review of assurance and service-type warranties was performed, it was deemed more relevant to classify certain extended warranties as assurance-type warranties in accordance with IAS 37 – Provisions, contingent liabilities and contingent assets. As the Company has applied this change in policy retrospectively, this has resulted in a 2023 Q2 restatement of quarterly revenue and cost of sales of $0.7 million and 2023 Q2 YTD revenue and cost of sales of $1.4 million.

New and amended standards adopted by the Company

During the period, the Company adopted the following accounting standards:

International Accounting Standards ("IAS") 1 - Presentation of Financial Statements:

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020 and October 2022, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and that the Company is in compliance with the required disclosure.

IAS 7 & IFRS 7 – Supplier financing arrangements - disclosures

In May 2023, the International Accounting Standards Board ("IASB") issued the final amendments to IAS 7 – Statement of cash flows and IFRS 7 – Financial instruments: disclosures, which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and provide additional disclosure requirements for supplier finance arrangements including disclosure of the terms and conditions, range of payment due dates, and liquidity risk information. The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet must also be disclosed.

First time adoption of the disclosure requirements under IAS 7 and IFRS 7 will be for the fiscal period ending December 29, 2024.

Capital Allocation Policy

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

Maintaining Financial Flexibility

The Company plans to prudently use leverage to manage liquidity[NG] risk. Liquidity[NG] 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[NG] include sales volume and mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of debt obligations, interest costs, funding requirements of the Company's pension plans, income taxes, credit capacity, letters of credit for surety bonds, expected future debt and equity capital market conditions.

The Company's liquidity[NG] requirements are met through a variety of sources, including cash on hand, cash generated from operations, secured facilities (see below), leases, and debt and equity capital markets. While management expects that the Company will have sufficient liquidity[NG] to continue operations in the ordinary course, it is possible that unexpected events could significantly impair the Company's liquidity[NG] and there can be no assurance that the Company would be able to obtain additional liquidity[NG] when required in such circumstances. Please refer to Appendix A of this MD&A for identified liquidity risks.

At June 30, 2024, the Company has convertible debentures outstanding of C$338 million ("Debentures"). The Debentures may be converted in whole or in part from time to time at the holder's option into 30.1659 Shares for each C$1,000 principal amount of Debentures, representing a conversion price of approximately C$33.15 per Share and total potential conversion of 10,196,074 shares.

On December 29, 2022, the Company amended the North American credit facility and the UK credit facility (together the "Amended Facilities"). Amendments provided relief from previous key financial covenants (Total Leverage Ratio ("TLR")[NG], Minimum Adjusted EBITDA[NG] and Interest Coverage Ratio ("ICR")[NG]) for the fourth quarter of 2022 and the first two quarters of 2023 ending June 30, 2023 (the "Waiver Period") to provide the Company with relaxed covenants as the Company navigated supply chain disruptions, heightened inflation and other impacts of the COVID-19 pandemic. This Waiver Period was extended to August 31, 2023, in order for the Company to finalize the comprehensive refinancing plan ("Refinancing"; see below). During the Waiver Period, the Company was subject to a Total Net Debt to Capitalization ("TNDC") ratio[NG], starting in January 2023, and a minimum Adjusted EBITDA[NG] covenant starting in March 2023. The terms of the Amended Facilities imposed restrictions over the declaration and payment of dividends until the Waiver Period had ended.

On January 20, 2023, the Company entered into agreements with Manitoba Development Corporation ("MDC") for a C$50 million debt facility for general corporate purposes, and EDC for credit facilities of up to $150 million to support supply chain financing ($50 million) and surety and performance bonding requirements for new contracts (up to $100 million), as discussed in the Commitments and Contractual Obligations section of the Results from Operations section.

The Company also entered into an agreement for up to C$10,000,000 in interest-free financing through PrairiesCan, part of the Government of Canada, to support MCI facility enhancements and zero-emission product development and growth. The financing matures on March 1, 2030.

On August 25, 2023, NFI announced that it had closed its Refinancing. Through the Refinancing, the following changes to the profile and capacity of the Amended Facilities (now referred to as the "Secured Facilities") were effected:

- The $1.0 billion revolving North American Facility converted to a $400 million first lien term loan and a $361 million first lien revolving credit facility (total combined borrowing capacity of $761 million).
- The £40 million revolving UK Facility converted to a £16.0 million term loan and a £14.4 million revolving credit facility (total combined borrowing capacity of £30.4 million).

As part of the Refinancing, the Company:

- completed a private placement on August 25, 2023, of common shares with Coliseum Capital Management for 21,656,624 Shares at a subscription price of $6.1567 per Share (the "Subscription Price") for total proceeds to the Company of $133.3 million.
- completed a private placement on August 25, 2023, with a leading global asset manager for 5,000,000 Shares at a subscription price of C$10.10 per Share for aggregate gross proceeds to NFI of C$50,500,000 (approximately $37.2 million).

- issued 15,102,950 subscription receipts on June 6, 2023, at a price of C$8.25 per Subscription Receipt, for aggregate gross proceeds to NFI of approximately C$125.9 million (approximately $93.1 million), inclusive of interest earned in escrow. Each subscription receipt was redeemed for 1 Share after the Refinancing closed, on August 25, 2023.

- extended the maturity of MDC's and EDC's Senior Unsecured Debt facilities to April 30, 2026; with a $25.0 million permanent repayment of the EDC facility.

As part of the Refinancing, NFI completed $180.4 million Second Lien Financing which included the following terms:

- a five-year term and a 97% original issue discount ("OID"), generating net proceeds of $175.0 million, before fees and commissions;
- annual coupon of 14.5%, payable semi-annually; and
- callable at 100% of face value with applicable premium for the first 12 months, callable at 106% of face value for months 13 to 24, callable at 103% of face value for months 25 to 36 and callable at par from 36 months onwards.

The Second Lien debt is financed by funds and accounts managed by Coliseum Capital Management LLC. Coliseum Capital Management also participated in an equity transaction with the Company. Please refer to note 11 of the unaudited interim condensed consolidated financial statements. The Second Lien Financing is a senior secured second lien obligation of NFI and certain material subsidiaries, that ranks behind the Secured Facilities and all other first lien secured indebtedness of NFI and such subsidiaries, ranks ahead of any subordinated obligations of NFI and its subsidiaries, and, by virtue of being secured, ranks ahead of any unsecured obligations.

Secured Facilities capacity change following refinancing

($ thousands)	*Pre-Transaction*	*Change*	*Post-Transaction*
North American Facility			
Revolving credit facility	$ 1,000,000	$ (639,000)	$ 361,000
First lien term loan		400,000	400,000
UK Facility			
Revolving credit facility	$ 50,796	$ (32,668)	$ 18,128
First lien term loan		20,418	20,418
Total Capacity	**$ 1,050,796**	**$ 251,251**	**$ 799,545**
Minimum Banking Liquidity[NG]	$ (25,000)	$	$ (50,000)
Total Available Liquidity[NG]	**$ 1,025,796**	$	**$ 749,545**

The details of the covenants under the Secured Facilities are as follows:

	Total Leverage Ratio[NG]	Interest Coverage Ratio[NG]	Total Net Debt to Capitalization[NG]	Minimum Cumulative Adjusted EBITDA[NG]	Minimum Banking Liquidity[NG]	Senior Secured Net Leverage Ratio[NG]
2024 Q2	Waived	Waived	<0.65:1.00	>$105,000	$50,000	Waived
2024 Q3	<6.00x	>1.25x	N/A	N/A	$50,000	<4.50x
2024 Q4	<4.75x	>1.50x	N/A	N/A	$50,000	<3.50x
2025 Q1	<4.75x	>1.75x	N/A	N/A	$50,000	<3.50x
2025 Q2	<4.25x	>2.00x	N/A	N/A	$50,000	<3.25x
2025 Q3	<4.25x	>2.25x	N/A	N/A	$50,000	<3.25x
2025 Q4 and after	<3.75x	>2.50x	N/A	N/A	$50,000	<3.00x

$ thousands	June 30, 2024	December 31, 2023
Banking Covenant Liquidity[NG] Position (must be greater than $50 million)	$ 178,744	$ 170,131
Minimum Cumulative Adjusted EBITDA[NG] (must be greater than $105,000 [2023: ($3,000)])	$ 125,974	$ 53,516
Net Debt to Capital Ratio[NG] (must be less than 0.65:1.00 [2023: 0.65:1.00])	0.39	0.39

As of June 30, 2024, NFI's banking covenant liquidity[NG] was $178.7 million, without consideration given to the minimum banking liquidity[NG] requirement of $50 million under the Secured Facilities. As part of the Company's efforts to improve working capital and liquidity[NG], the Company has secured milestone payments and deposits from certain customers. The Company remains focused on cash and liquidity management, including efforts to accelerate deliveries and customer acceptances, accelerating customer payments through the pursuit of advance payments and deposits wherever possible, and improving supplier payment terms. As of June 30, 2024, the Company has received $103.6 million in deferred revenue and is continuing to work with other customers to finance the working capital required to support the transition to ZEB and increased production levels.

The Company believes that its cash position and capacity under its Secured Facilities, combined with anticipated future cash flows and access to capital markets, will be sufficient to fund operations, meet financial obligations as they come due, and provide the funds necessary for capital expenditures, and other operational needs. See Outlook and Appendix A.

The Company remains focused on deleveraging its balance sheet and returning to its targeted leverage levels of 2.0x to 2.5x total debt to Adjusted EBITDA[NG]. Management had originally expected the Company to return to those levels following the acquisition of Alexander Dennis, but the impact of COVID-19, inflation, higher rates of interest and the continuing supply chain disruptions and associated production inefficiencies, extended the timing of deleveraging. Management believes it will achieve its longer-term leverage targets as the Company delivers on its backlog[NG], and benefits from record government investments in public transportation, and growing demand for its buses, coaches, parts and services provided by Infrastructure Solutions™ services. The reduction in leverage will also be driven by increased production rates, the anticipated stabilization of parts and components supply, and the active focus on reducing working capital.

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

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 ZEBs, Infrastructure Solutions™, 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 evolution to a more electrified fleet. New Flyer now has the capability to manufacture ZEBs at all of its North American facilities. Alexander Dennis is the market leader in ZEBs with production capabilities at all of its UK facilities, MCI has invested in its electric coach offering for both public and private customers, and ARBOC is developing its medium-duty Equess CHARGE™ electric bus and exploring potential electric cutaway platforms.

In November 2022, Alexander Dennis announced that several of its vehicles will now offer its next-generation electric chassis, driveline and battery system. Alexander Dennis has secured orders in the UK using this new technology, and, in 2023 Q2, Alexander Dennis delivered its first battery-electric buses to key customers in Hong Kong. On October 4, 2023, NFI announced the launch of its next-generation battery technology for the North American market with supplier partner, American Battery Solutions. NFI has begun using its new custom battery packs for heavy-duty transit buses and coaches in North America. In Fiscal 2023, Alexander Dennis unveiled its next generation electric buses for the UK and Ireland, with the new Enviro100EV small bus and the Enviro400EV double-decker. These vehicles will utilize the "future-proof" battery systems developed in partnership with Impact Clean Power Technology. First deliveries of these new vehicles began in the first quarter of 2024. To support customers making the transition to zero-emission fleets, NFI launched its Infrastructure Solutions™ business in 2018.

Alexander Dennis continues to advance its autonomous bus programs in the United Kingdom with ongoing pilot programs in Scotland. NFI has also made numerous investments into telematics solutions to assist customers to track detailed performance and maintenance metrics associated with their vehicles.

The Company's capital allocation priorities are currently focused on product development, deleveraging, strengthening its balance sheet and supporting the recovery of operations. While the Company will consider business acquisitions and partnerships that will further grow and diversify the business and contribute to long-term competitiveness, its current focus remains on deleveraging efforts. In addition, there are covenants under the Secured Facilities that limit the Company's ability to make acquisitions, pay dividends and make capital expenditures. Investment decisions are based on several criteria, including but not limited to: investment required to maintain or enhance operations; enhancement of cost effectiveness through vertical integration of critical supply and sub-assembly in-sourcing; and acquisitions in current or adjacent markets that are considered accretive to the business.

Return of Capital to Shareholders

The Company maintains a Share dividend policy that is consistent with the Company's financial performance and the desire to retain certain cash flows to support the ongoing requirements of the business and to provide the financial flexibility to pursue revenue diversification and growth opportunities. Under the terms of the Secured Facilities, the Company is not permitted to declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with Secured Facility covenants.

The Company's 2024 Q2 Free Cash Flow[NG] was C$1.5 million, with no dividends declared during this period. For 2023 Q2, Free Cash Flow[NG] was (C$40.8) million and no dividends were declared during the period.

Non-IFRS and Other Financial Measures

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

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

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

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

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

($ thousands)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023	52-Weeks Ended June 30, 2024	52-Weeks Ended July 2, 2023
Net earnings (loss)	2,547	(48,101)	(6,867)	(94,065)	(49,122)	(286,637)
Addback						
Income taxes	2,217	(8,606)	(3,812)	(16,168)	(20,550)	(37,249)
Interest expense[10]	33,935	39,970	64,589	72,188	144,799	109,189
Amortization	20,611	18,731	41,848	39,632	82,996	84,494
Loss (gain) on disposition of property, plant and equipment and right of use assets	54	969	(43)	952	(206)	818
Gain on debt modification[15]	-	-	-	-	(8,908)	-
Loss on debt extinguishment[16]	234	-	234	-	234	-
Unrealized foreign exchange (gain) loss on non-current monetary items and forward foreign exchange contracts	(2,625)	4,471	(8,116)	4,047	(8,467)	(2,363)
Past service costs and other pension costs[7]	-	-	-	4,764	(7,000)	4,764
Equity settled stock-based compensation	877	831	1,266	1,240	2,643	2,058
Unrecoverable insurance costs and other[8]	(28)	-	116	-	1,009	164
Expenses incurred outside of normal operations[12]	-	480	-	1,726	440	5,487
Prior year sales tax provision[9]	-	-	-	-	101	-
Out of period costs[11]	-	-	-	-	-	(1,597)
Impairment loss on goodwill[13]	-	-	-	-	-	103,900
Impairment loss on intangible assets[14]	-	-	1,028	-	1,028	-
Restructuring costs[6]	1,589	3,433	3,104	5,271	3,972	16,183
Adjusted EBITDA[NG]	59,411	12,178	93,347	19,587	142,969	(790)
Depreciation of property, plant and equipment and right of use assets	(12,502)	(10,896)	(25,558)	(23,932)	(50,996)	(53,387)
Tax at 31%	(14,542)	(397)	(21,015)	1,347	(28,512)	16,795
NOPAT[NG]	32,367	885	46,774	(2,998)	63,461	(37,382)
Adjusted EBITDA[NG] is comprised of:						
Manufacturing	33,873	(15,912)	31,654	(39,005)	28,586	(106,330)
Aftermarket	34,981	29,567	72,438	59,029	133,596	100,093
Corporate	(9,443)	(1,477)	(10,745)	(437)	(19,213)	5,447

(Footnotes on page 31)

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

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

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

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

($ thousands, except per Share figures)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023	52-Weeks Ended June 30, 2024	52-Weeks Ended July 2, 2023
Net cash generated by (used in) operating activities	29,733	(13,775)	43,088	(80,154)	59,429	(197,614)
Changes in non-cash working capital items[2]	22,111	11,284	12,538	53,028	4,472	109,902
Interest paid[2]	11,919	27,957	45,100	57,203	97,286	88,052
Interest expense[2]	(29,611)	(30,112)	(63,161)	(56,032)	(131,457)	(99,011)
Income taxes recovered[2]	(6,519)	(19,509)	(9,524)	(20,876)	(17,952)	(24,388)
Current income tax (expense) recovery[2]	(12,157)	53	(17,155)	(920)	(4,294)	13,452
Repayment of obligations under lease	(6,002)	(5,283)	(12,511)	(10,361)	(23,862)	(24,025)
Cash capital expenditures	(6,271)	(5,089)	(14,483)	(8,076)	(33,121)	(19,007)
Acquisition of intangible assets	(4,375)	(2,583)	(7,231)	(4,044)	(13,461)	(10,727)
Proceeds from disposition of property, plant and equipment	137	66	857	205	2,421	579
Defined benefit funding[3]	674	454	1,500	1,271	3,414	3,240
Defined benefit recovery[3]	(649)	(779)	(1,592)	(1,392)	(2,979)	(2,335)
Past service costs and other pension costs[7]	-	-	-	-	(7,000)	-
Expenses incurred outside of normal operations[12]	-	480	-	1,726	440	5,487
Equity hedge	-	229	-	921	2,844	42
Unrecoverable insurance costs and other[8]	(28)	-	116	-	1,009	164
Out of period costs[11]	-	-	-	-	-	(1,597)
Prior year sales tax provision[9]	-	-	-	-	101	-
Restructuring costs[6]	1,589	3,433	3,104	5,271	6,526	16,183
Foreign exchange gain (loss) on cash held in foreign currency[4]	580	2,405	(983)	2,590	(4,626)	4,915
Free Cash Flow^NG	1,131	(30,769)	(20,337)	(59,640)	(60,810)	(136,687)
U.S. exchange rate[1]	1.3680	1.3245	1.3584	1.3376	1.3550	1.3590
Free Cash Flow (C$)^NG	1,547	(40,754)	(27,626)	(79,774)	(82,575)	(185,656)
Free Cash Flow per Share (C$)^NG, 5	0.0130	(0.5281)	(0.2322)	(1.0338)	(0.7322)	(2.4061)
Declared dividends on Shares (C$)	-	-	-	-	-	4,096
Declared dividends per Share (C$)[5]	-	-	-	-	-	0.0537

1. U.S. exchange rate (C$ per US$) is the average exchange rate for the period.
2. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow[NG] as these temporary fluctuations are managed through the Secured Facilities which are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the unaudited interim condensed consolidated statements of cash flows net of interest and income taxes paid.
3. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow[NG] as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.
4. Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow[NG].
5. Per Share calculations for Free Cash Flow[NG] (C$) are determined by dividing Free Cash Flow[NG] by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2024 Q2 was 118,997,650 and 77,147,517 for 2023 Q2. The weighted average number of Shares outstanding for 2024 Q2 LTM and 2023 Q2 LTM was 112,775,058 and 77,159,634, 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.
6. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with restructuring initiatives. Free Cash Flow[NG] reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
7. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. 2022 Q2 includes $7.0 million for the liability related to the closure of MCI's Pembina facility and withdrawal from the multi-employer pension plan. In 2023 Q4, the Company made the decision to continue operations of the Pembina facility indefinitely, thereby reversing the above adjustments made in 2022 Q2. Also included in Adjusted EBITDA[NG] is $4.8 million of pension past service costs incurred during 2023 Q1.
8. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
9. Provision for sales taxes as a result of a previous state sales tax review.
10. Includes fair market value adjustments to interest rate swaps, cash conversion option on the Debentures, and to the prepayment option on the Company's second lien debt. 2024 Q2 includes a gain of $0.2 million and 2023 Q2 includes a loss of $2.0 million for the interest rate swaps. 2024 Q2 includes a gain of $0.1 million and 2023 Q2 includes a loss of $4.5 million on the cash conversion option. The prepayment option had a gain of $0.6 million in 2024 Q2.
11. Includes adjustments made related to expenses that pertain to prior years. 2022 Q3 and 2022 Q4 includes expenses related to amounts that should have been capitalized from prior years.
12. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.
13. Includes 2022 Q4 impairment charges with respect to ARBOC's goodwill of $23.2 million and the Alexander Dennis manufacturing cash generating unit ("CGU")'s goodwill of $80.7 million.
14. In 2024 Q1, the Company recognized an impairment loss on a New Product Development ("NPD") project for $1.0 million.
15. As a result of the Company's Refinancing, the Company had recognized an accounting gain in 2023 Q3 stemming from the modification made to its Secured Facilities. In 2023 Q4, an accounting loss was recorded to adjust the gain on debt modification.
16. In 2024 Q2, the Company recognized an accounting loss for the debt extinguishment related to the amendments made to the MDC Senior Unsecured Facility.

Adjusted Net Earnings (Loss)[NG] and Adjusted Net Earnings (Loss) per Share[NG]

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

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

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

($ thousands, except per Share figures)	2024 Q2	2023 Q2	26-Weeks Ended June 30, 2024	26-Weeks Ended July 2, 2023	52-Weeks Ended June 30, 2024	52-Weeks Ended July 2, 2023
Net earnings (loss)	2,547	(48,101)	(6,867)	(94,065)	(49,122)	(286,637)
Adjustments, net of tax[1, 2]						
Unrealized foreign exchange (gain) loss	(1,811)	3,085	(5,600)	2,792	(5,842)	(1,630)
Unrealized (gain) loss on interest rate swap	(118)	1,386	(1,121)	5,212	171	(1,263)
Unrealized (gain) loss on Cash Conversion Option	(80)	3,113	(2,819)	1,320	(1,409)	(2,294)
Unrealized gain on prepayment option of second lien debt[3]	(380)	-	(2,137)	-	(2,578)	-
Accretion in carrying value of long-term debt associated with debt modification[4]	-	-	-	-	1,014	-
Gain on debt modification[5]	-	-	-	-	(6,146)	-
Accretion associated to gain on debt modification	(336)	-	(662)	-	(1,113)	-
Loss on debt extinguishment[6]	161	-	161	-	161	-
Equity swap settlement fee[7]	-	-	-	-	2,428	-
Equity settled stock-based compensation	605	574	873	856	1,823	1,421
Loss (gain) on disposition of property, plant and equipment	37	668	(30)	656	(143)	564
Past service costs and other pension costs[8]	-	-	-	3,287	(4,830)	3,287
Unrecoverable insurance costs and other[9]	(19)	-	80	-	696	113
Expenses incurred outside of normal operations[10]	-	331	-	1,191	(978)	3,786
Other tax adjustments[11]	-	45	-	(201)	201	20,663
Out of period costs[12]	-	-	-	-	-	(2,366)
Accretion in carrying value of convertible debt and cash conversion option	1,388	1,288	2,755	2,558	5,410	5,220
Prior year sales tax provision[13]	-	-	-	-	70	-
Impairment loss on goodwill[14]	-	-	-	-	-	103,900
Impairment loss on intangible assets[15]	-	-	709	-	709	-
Restructuring costs[16]	1,096	2,369	2,141	3,637	2,740	11,166
Adjusted Net Earnings (Loss)[NG]	3,090	(35,242)	(12,517)	(72,756)	(56,738)	(144,072)
Earnings (Loss) per Share (basic)	0.02	(0.62)	(0.06)	(1.22)	(0.44)	(3.71)
Earnings (Loss) per Share (fully diluted)	0.02	(0.62)	(0.06)	(1.22)	(0.44)	(3.71)
Adjusted Net Earnings (Loss) per Share (basic)[NG]	0.03	(0.46)	(0.11)	(0.94)	(0.50)	(1.87)
Adjusted Net Earnings (Loss) per Share (fully diluted)[NG]	0.03	(0.46)	(0.11)	(0.94)	(0.50)	(1.87)

1. Addback items are derived from the historical financial statements of the Company.
2. The Company has utilized a rate of 31.0% to tax effect the adjustments for the periods above.
3. The unrealized gain on the prepayment option is related to the Company's second lien debt instrument. The gain is the result of an increase in the options fair value between March 31, 2024 and June 30, 2024.
4. Normalized to exclude the over accretion of transaction costs relating to the Company's Secured Facilities.
5. As a result of the Company's Refinancing, the Company has recognized an accounting gain stemming from the modification made to its Secured Facilities.
6. In 2024 Q2, the Company recognized an accounting loss for the debt extinguishment related to the amendments made to the MDC Senior Unsecured Facility.
7. During the year the Company settled its equity swaps which were used to hedge the exposure associated with changes in value of its Shares with respect to outstanding management restricted units ("Management RSUs") and a portion of the outstanding performance share units ("PSUs"), and deferred share units ("DSUs").
8. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. 2022 Q2 includes $7.0 million for the liability related to the anticipated closure of MCI's Pembina facility and withdrawal from the multi-employer pension plan. In 2023 Q4, the Company made the decision to continue operations of the Pembina facility indefinitely, thereby reversing the above adjustments made in 2022 Q2. Also included is $4.8 million of pension past service costs incurred during 2023 Q1.
9. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
10. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.
11. Includes the impact of changes in deferred tax balances as a result of substantively enacted tax rate changes. The 2022 amounts include the impact of the revaluation of deferred tax balances due to the enacted increase in the UK corporate tax rate from 19% to 25% in 2021 Q3. Also included in 2022 Q4 is the impact of the reduction of deferred tax assets related to the derecognition of loss carry forwards in Canada, and restricted interest in the UK.
12. Includes adjustments made related to expenses that pertain to prior years. 2022 Q3 and 2022 Q4 includes expenses related to amounts that should have been capitalized from prior years.
13. Provision for sales taxes as a result of a previous state sales tax review.
14. Includes 2022 Q4 impairment charges with respect to ARBOC's goodwill of $23.2 million and the Alexander Dennis manufacturing CGU's goodwill of $80.7 million.
15. In 2024 Q1, the Company recognized an impairment loss on an NPD project for $1.0 million.
16. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with other restructuring initiatives. Free Cash Flow[NG] reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.

Reconciliation of Shareholders' Equity to Invested Capital[NG]

($ thousands)	2024 Q2	2024 Q1	2023 Q4	2023 Q3
Shareholders' Equity	704,031	697,580	702,913	706,177
Addback				
Long term debt	576,145	562,324	536,037	583,948
Second lien debt	172,910	172,568	172,396	172,975
Obligation under lease	131,382	135,959	138,003	130,102
Convertible debentures	225,628	225,972	228,985	221,427
Senior unsecured debt	54,997	61,081	61,796	60,838
Derivatives	(2,740)	(1,783)	8,010	6,814
Cash	(77,445)	(68,491)	(49,615)	(75,498)
Invested Capital[NG]	1,784,908	1,785,210	1,798,525	1,806,783
Average of invested capital[NG] over the quarter	1,785,059	1,791,868	1,802,654	1,803,734

	2023 Q2	2023 Q1	2022 Q4	2022 Q3
Shareholders' Equity	495,140	533,756	577,575	710,984
Addback				
Long term debt	935,605	911,203	896,626	859,297
Second lien debt	-	-	-	-
Obligation under lease	124,405	127,247	131,625	122,666
Convertible debentures	225,081	218,719	217,516	211,281
Senior unsecured debt	87,363	86,431	-	-
Derivatives	(9,422)	(17,164)	(21,620)	(18,904)
Cash	(57,488)	(59,375)	(49,987)	(39,832)
Bank indebtedness	-	-	-	-
Invested Capital[NG]	1,800,684	1,800,817	1,751,735	1,845,492
Average of invested capital[NG] over the quarter	1,800,751	1,776,276	1,798,614	1,822,554

Invested Capital[NG]

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

ROIC[NG]

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

Total Liquidity[NG]

Total Liquidity[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines total liquidity[NG] as cash on-hand plus available capacity under its North American and UK Secured Facilities, without consideration given to the minimum banking liquidity requirement under the Secured Facilities.

Banking Covenant Liquidity[NG]

Banking Covenant Liquidity[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines banking covenant liquidity[NG] as cash on-hand plus available capacity under its North American Secured Facilities, without consideration given to the minimum banking liquidity requirement under the Secured Facilities.

Working Capital Days[NG]

Working Capital Days[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines Working Capital Days[NG] as the calculated number of days to convert working capital to cash. It is calculated by the number of days in the last twelve months (2024 Q2 LTM - 364 days) divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

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

Payout Ratio[NG]

Payout ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Management believes the payout ratio[NG] is an important measure of the Company's ability to pay dividends with cash generated. The Company defines payout ratio[NG] as the declared dividends divided by the Free Cash Flow[NG].

Book-to-Bill Ratio[NG]

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

Backlog[NG]

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

Total Leverage Ratio[NG]

Total Leverage Ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. TLR[NG] is calculated as aggregate indebtedness of the Company, not including the Company's Debentures and certain non-financial products, but including any Senior Unsecured or Second Lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The TLR[NG] is reintroduced in 2024 Q3.

Interest Coverage Ratio[NG]

Interest Coverage Ratio[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. ICR[NG] is calculated as the same trailing twelve month Adjusted EBITDA[NG] as the Total Leverage Ratio[NG] divided by trailing twelve-month interest expense on the Secured Facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

Total Net Debt to Capitalization[NG]

Total Net Debt to Capitalization[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. TNDC[NG] is calculated as borrowings on the Secured Facilities and any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by shareholders' equity, as shown on the Company's balance sheet, plus borrowings on the Secured Facilities. The TNDC[NG] covenant excludes the impact of any actual goodwill write-downs up to a maximum of $100 million.

Minimum Adjusted EBITDA[NG]

The Minimum Adjusted EBITDA[NG] is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Minimum Adjusted EBITDA[NG] covenant was first tested with the month ending September 30, 2023, but included results from the period May 1, 2023 to September 30, 2023. The covenant continued on a cumulative basis until April 30, 2024, at which point it becomes a trailing-twelve month test for the second quarter of 2024. The Minimum Adjusted EBITDA[NG] tests are based on calendar month-end dates from September 2023 to June 2024.

Senior Secured Net Leverage[NG]

Senior Secured Net Leverage[NG] will include the Secured Facilities and is calculated as indebtedness on those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The Senior Secured Net Leverage[NG] is reintroduced in 2024 Q3.

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.

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

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company’s ICFR as of June 30, 2024 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.

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The Company’s CEO and CFO have concluded that disclosure controls and procedures as at June 30, 2024 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, "AD"). References to "New Flyer" generally refer to NFI ULC, NFAI, TAPC, KMG, CCI, and CCUI. References in this MD&A to "management" are to senior management of NFI and the Company.

The Shares trade on the Toronto Stock Exchange ("TSX") under the symbol NFI, and the Convertible Debentures trade on the TSX under the symbol NFI.DB. As at June 30, 2024, 119,021,723 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI's Annual Information Form and information circular, is available on SEDAR at http://www.sedarplus.ca.

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

Forward Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws, which reflect the expectations of management regarding the Company's future growth, financial performance, and liquidity[NG] and objectives and the Company's strategic initiatives, plans, business prospects and opportunities, including the impact of and recovery from the COVID-19 pandemic, supply chain disruptions and plans to address them. 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 (including the temporary nature of the supply chain disruptions and operational challenges, production improvement, labour supply shortages and labour rates, and the recovery of the Company's markets) and the Company's financial and operating performance and speak only as of the date of this MD&A. By their very nature, forward-looking statements require management to make assumptions and involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and give rise to the possibility that management's predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that the assumptions may not be correct and that the Company's future growth, financial condition, ability to generate sufficient cash flow and maintain adequate liquidity, and the Company's strategic initiatives, objectives, plans, business prospects and opportunities, including the Company's plans and expectations relating to the impact of and recovery from the COVID-19 pandemic, supply chain disruptions, operational challenges, labour supply shortages and inflationary and labour rate pressures, 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 aftermath and ongoing impacts of the global COVID-19 pandemic and related supply chain and operational challenges, inflationary effects, and labour supply challenges; while the Company is closely managing its liquidity, it is possible that various events (such as delayed deliveries and customer acceptances, delayed customer payments, supply chain issues, product recalls and warranty claims) could significantly impair the Company's liquidity and there can be no assurance that the Company would be able to obtain additional liquidity when required in such circumstances; the Company's business, operating results, financial condition and liquidity may be materially adversely impacted by ongoing conflicts in Ukraine, Russia, Israel and Palestine, due to factors including but not limited to further supply chain disruptions, inflationary pressures and tariffs on certain raw materials and components that may be necessary for the Company's operations; funding may not continue to be available to the Company's customers at current levels or at all; the Company's business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for the Company's products and the results of its operations; currency fluctuations could adversely affect the Company's financial results or competitive position; interest rates could change substantially, materially impacting the Company's revenue and profitability; an active, liquid trading market for the Shares and/or the Debentures may cease to exist, which may limit the ability of securityholders to trade Shares and/or Debentures; the market price for the Shares and/or the Debentures may be volatile; if securities or industry analysts do not publish research or reports about the Company and its business, if they adversely change their recommendations regarding the Shares or if the Company's results of operations do not meet their expectations, the Share price and trading volume could decline, in addition, if securities or industry analysts publish inaccurate or unfavorable research about the Company or its business, the Share price and trading volume of the Shares could decline; competition in the industry and entrance of new competitors; current requirements under U.S. "Buy America" regulations may change and/or become more onerous or suppliers' "Buy America" content may change; failure of the Company to comply with the U.S. Disadvantaged Business Enterprise ("DBE") program requirements or the failure to have its DBE goals approved by the U.S. FTA; absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience; local content bidding preferences in the United States may create a competitive disadvantage; requirements under Canadian content policies may change and/or become more onerous; the Company's business may be materially impacted by climate change matters, including risks related to the transition to a lower-carbon economy; operational risk resulting from inadequate or failed internal processes, people and/or systems or from external events, including fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, floods, technology failures, processing errors, business integration, damage to physical assets, employee safety and insurance coverage; 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; international operations subject the Company to additional risks and costs and may cause profitability to decline; compliance with international trade regulations, tariffs and duties; dependence on unique or limited sources of supply; dependence on supply of engines that comply with emission regulations; a disruption, termination or alteration of the supply of vehicle chassis or other critical components from third-party suppliers could materially adversely affect the sales of certain of the Company's products; the Company's profitability can be adversely affected by increases in raw material and component costs; the Company may incur material losses and costs as a result of product warranty costs, recalls, failure to comply with motor vehicle manufacturing regulations and standards and the remediation of transit buses and motor coaches; production delays may result in liquidated damages under the Company's contracts with its customers; catastrophic events, including those related to impacts of climate change, may lead to production curtailments or shutdowns; the Company may not be able to successfully renegotiate collective bargaining agreements when they expire and may be adversely affected by labour disruptions and shortages of labour; the Company's operations are subject to risks and hazards that may result in monetary losses and liabilities not covered by insurance or which exceed its insurance coverage; the Company may be adversely affected by rising insurance costs; the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability and other claims; the Company may have difficulty selling pre-owned coaches and realizing expected resale values; the Company may incur costs in connection with regulations relating to axle weight restrictions and vehicle lengths; the Company may be subject to claims and liabilities under environmental, health and safety laws; dependence on management information systems and cyber security risks; the Company's ability to execute its strategy and conduct operations is dependent upon its ability to attract, train and retain qualified personnel, including its ability to retain and attract executives, senior management and key employees; the Company may be exposed to liabilities under applicable anti-corruption laws and any determination that it violated these laws could have a material adverse effect on its business; the Company's risk management policies and procedures may not be fully effective in achieving their intended purposes; internal controls over financial reporting, no matter how well designed, have inherent limitations; there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures; ability to successfully execute strategic plans and maintain profitability; development of competitive or disruptive products, services or technology; development and testing of new products or model variants; acquisition risk; reliance on third-party manufacturers; third-party distribution/dealer agreements; availability to the Company of future financing; the Company may not be able to generate the necessary amount of cash to service its existing debt, which may require the Company to refinance its debt; the Company's substantial consolidated indebtedness could negatively impact the business; the restrictive covenants in the Company's credit facilities could impact the Company's business and affect its ability to pursue its business strategies; in December 2022, the Board made the decision to suspend the payment of dividends given credit agreement constraints and to support the Company's focus on improving its liquidity and financial position and the resumption of dividends is not assured or guaranteed; a significant amount of the Company's cash may be distributed, which may restrict potential growth; the Company is dependent on its subsidiaries for all cash available for distributions; Coliseum has a significant influence over the Company and its interests may not align with those of the Company's other securityholders; the Company may not be able to make principal payments on the Debentures; redemption by the Company of the Debentures for Shares will result in dilution to holders of Shares; Debentures may be redeemed by the Company prior to maturity; the Company may not be able to repurchase the Debentures upon a change of control as required by the trust indenture under which the Debentures were issued (the "Indenture"); conversion of the Debentures following certain transactions could lessen or eliminate the value of the conversion privilege associated with the Debentures; future sales or the possibility of future sales of a substantial number of Shares or Debentures may impact the price of the Shares and/or the Debentures and could result in dilution; payments to holders of the Debentures are subordinated in right of payment to existing and future Senior Indebtedness (as described under the Indenture) and will depend on the financial health of the Company and its creditworthiness; if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected; and income and other tax risk resulting from the complexity of the Company's businesses and operations and the income and other tax interpretations, legislation and regulations pertaining to the Company's activities being subject to continual change.

Factors relating to the aftermath and ongoing effects of the global COVID-19 pandemic include: ongoing economic and social disruptions; production rates may not increase as planned and may decrease; ongoing and future supply delays and shortages of parts and components, and shipping and freight delays, and disruption to or shortage of labour supply may continue or worsen; the pandemic has adversely affected operations of suppliers and customers and those effects may continue or worsen; the increase in customers' purchase of Company's products may not continue and may reverse; the supply of parts and components by suppliers continues to be challenged and may deteriorate; the recovery of the Company's markets in the future may not continue and demand may be lower than expected; the Company's ability to obtain access to additional capital if required may be impaired; 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 may be impaired. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period or have access to additional capital or government financial support; and there can be no assurance as to if or when production operations will return to pre-pandemic production rates. There is also no assurance that governments will provide continued or adequate stimulus funding 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 on a sustained basis in the anticipated period of time.

The Company cautions that the COVID-19 pandemic may return or worsen or other pandemics or similar events may arise. Such events are inherently unpredictable and may have severe and far-reaching impacts on the Company's operations, markets, and prospects.

Factors relating to the Company's financial guidance and targets disclosed in this MD&A include, in addition to the factors set out above, the degree to which actual future events accord with, or vary from, the expectations of, and assumptions used by, the Company's management in preparing the financial guidance.

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

Appendix B - 2024 Second Quarter Bid Universe and 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 (what NFI considers to be active bids), and (ii) management's forecast, based on data provided by operators for their fleet replacement plans, of expected EUs to be placed out for competition over the next five years.

In 2024 Q2, active bids of 6,762 EUs were down 32.7% year-over-year, while up 25.0% from 2024 Q1. The year-over-year decline was primarily driven by the Total Bid Universe reaching an all-time high in 2023 resulting in NFI recording its highest quarterly new awards ever at 5,421 EUs in 2024 Q1. The Company ended 2024 Q2 with 3,609 bids in process, and another 3,153 bids submitted, which is expected to drive further new orders throughout the rest of 2024 and into 2025.

The forecasted five-year North American industry procurement remains strong at 21,415 EUs. As of 2024 Q2, the Total Bid Universe was 28,177 EUs, down from its all-time high of 31,682 EUs in 2023 Q3, driven by new orders. Year-over-year, the Total Bid Universe decreased by 10.9%, or 3,446 EUs due to the record number of new awards in 2024 Q1. The Company expects that the forecasted five-year North American industry procurement will remain high through 2024 as transit agencies continue to formalize their short- and long-term procurement plans linked to the multi-billion funding programs announced and/or launched by governments in Canada and the U.S.

As at 2024 Q2, 14,838 EUs, or 52.7%, of the Total Bid Universe are ZEBs. Management continues to expect demand for ZEBs to increase.

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)
2023 Q2	1,682	8,372	10,054	21,569	31,623
2023 Q3	1,591	8,770	10,361	21,321	31,682
2023 Q4	1,101	7,631	8,732	22,098	30,830
2024 Q1	1,470	3,940	5,410	21,350	26,760
2024 Q2	**3,609**	**3,153**	**6,762**	**21,415**	**28,177**

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

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

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

Due to the transactional nature of the procurement process in the UK, European and Asia Pacific markets, Alexander Dennis does not have a Bid Universe metric like the one seen in North American public markets. Alexander Dennis does, however, maintain a current sales pipeline and saw improvement in this pipeline in 2023 and 2024, following several periods of lower demand. The increase in market demand was on display as UK and Ireland total market delivery volumes grew by 44% in 2023 and continue to be driven by customers' fleet recovery plans and an aging UK bus fleet. Governments continue to focus on the green recovery and government funding is starting to materialize. This funding, plus future investments under plans to expand transport service in communities outside of London is expected to contribute to market growth in 2024 and beyond.

In Asia Pacific, the Hong Kong market is highly cyclical, and, following busier periods in 2015 through 2018, the market declined as anticipated. Alexander Dennis remains the market leader for double-deck buses in the Hong Kong market and expects to see stable annual deliveries and slow recovery, reflecting typical market cyclicality, in 2024. In 2023 Q2, Alexander Dennis delivered its first battery-electric buses to key customers in Hong Kong and secured additional ZEB orders in this market in 2023 Q4. New Zealand and Singapore remain highly cyclical markets with more predictable purchasing expectations based on vehicle age; Alexander Dennis continues to see significant opportunities in both markets and is also pursuing additional expansion programs in South Africa and the Middle-East region.

Order activity

New orders (firm and options) during 2024 Q2 totaled 1,114 EUs, a 21.5% increase from 2023 Q2. New firm and option orders for 2024 Q2 LTM were 9,866 EUs, an increase of 69.5% from 2023 Q2 LTM. This increase reflects two new contacts in 2024 Q1 for up to 2,090 Xcelsior® transit buses, including up to 1,420 ZEBs, from the New York City Transit Authority, the largest transit authority in North America. 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.

2024 Q2 was an average period for option conversion, which can vary from quarter-to-quarter, with 129 EUs converted. These 129 EUs contributed to 331 EUs converted in 2024 Q2 LTM. *Further details on options are provided below under the "Options" section.*

In 2024 Q2, the Company received orders for 550 EUs of battery-electric, zero-emission vehicles, an increase from the 90 EUs of ZEB orders in 2023 Q2 and a decrease from a record 1,850 EUs of ZEB orders in 2024 Q1. These 550 EUs of ZEBs equate to 49.4% of all new firm and option orders for the quarter.

190 EUs of new firm and option orders were pending from customers at the end of 2024 Q2, where approval of the award to the Company had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog[NG].

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2023 Q2	917	5,821	289	668
2023 Q3	970	6,338	17	468
2023 Q4	2,361	6,121	54	404
2024 Q1	5,421	9,669	131	491
2024 Q2	**1,114**	**9,866**	**129**	**331**

Options

In 2024 Q2, 30 options expired, as compared to 74 options that expired in 2024 Q1, and 229 options that expired in 2023 Q2. Option expiries can vary significantly quarter-to-quarter. From 2021 to 2023, certain agencies allowed a portion of older options expire as they re-evaluated their longer-term fleet planning decisions with an increased focus on the procurement of ZEBs rather than traditional internal combustion engine propulsion. NFI has replenished a significant number of expired options through new orders, with its option backlog growing by 92% from the end of 2021 to 2024 Q2. In 2024 Q2, the option conversion rate improved to 52%. The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis.

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
A) Options Expired (EUs)	1,202	819	1,920	575	104						4,620
B) Options Exercised (EUs)	953	1,110	638	404	260						3,365
C) Current Options by year of expiry (EUs)					257	665	1,403	1,442	1,538	3,930	9,235
D) Conversion rate % = B / (A+B)	**44 %**	**58 %**	**25 %**	**41 %**							

In addition to contracts for identified public customers, the Company has increased its focus on purchasing schedules (state and national contracts, and cooperative agency purchasing agreements) with the objective of having multiple available schedules, from which customers within a prescribed region or from defined list, can purchase. The Company is currently named on over 40 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog[NG] as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer purchases a bus under one of these agreements, the purchase is recorded as a firm order. The Company has received more than 1,600 vehicle awards from these schedules since the start of 2018, reflecting their growing use by North American transit agencies as a procurement alternative.

The Company's 2024 Q2 Book-to-Bill[NG] ratio (defined as new firm orders and exercised options divided by new deliveries) was 83.4%, a decrease from 121.9% in 2023 Q2. This decrease was driven by an increase in deliveries and the timing of customer awards. 2024 Q2 LTM Book-to-Bill[NG] was 107.0%, a decrease from 124.5% for 2023 Q2 LTM, primarily driven by increased deliveries and the timing of customer awards.

Backlog[NG]

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

Transit buses and motor coaches incorporating clean propulsion systems, including compressed natural gas, diesel-electric hybrid, and ZEBs, which consist of trolley-electric, fuel cell-electric, and battery-electric buses, represent approximately 59.2% of the total backlog[NG] as of the end of 2024 Q2, up from 56.6% as of the end of 2024 Q1. As at the end of 2024 Q2, there were 6,001 EUs of ZEBs in the backlog[NG], representing a record 41.1% of the total backlog[NG], up from the previous record of 39.2% as at the end of 2024 Q1, and up from 35.8% as at the end of 2023 Q2.

	2024 Q2			2024 Q1			2023 Q2		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	5,593	9,190	14,783	5,012	5,574	10,586	4,910	5,161	10,071
New orders	910	204	1,114	1,600	3,821	5,421	846	71	917
Options exercised	129	(129)	—	131	(131)	—	289	(289)	—
Shipments[1]	(1,246)	—	(1,246)	(1,127)	—	(1,127)	(931)	—	(931)
Cancelled/expired	(16)	(30)	(46)	(23)	(74)	(97)	(25)	(229)	(254)
End of period	**5,370**	**9,235**	**14,605**	**5,593**	**9,190**	**14,783**	**5,089**	**4,714**	**9,803**
Consisting of:									
Heavy-duty transit buses	4,554	8,942	13,496	4,635	8,883	13,518	4,175	4,407	8,582
Motor coaches	236	293	529	297	307	604	341	307	648
Cutaway and medium-duty buses	580		580	661		661	573	—	573
Total Backlog[NG]	**5,370**	**9,235**	**14,605**	**5,593**	**9,190**	**14,783**	**5,089**	**4,714**	**9,803**

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

At the end of 2024 Q2, the Company's total backlog[NG] of 14,605 EUs (firm and options) decreased by 1.2% from the end of 2024 Q1, but increased by 49.0% from the end of 2023 Q2. The increase was driven by record awards in 2024 Q1, offset by higher deliveries and fewer cancellations/expiries. Backlog[NG] for 2024 Q2 has a total dollar value of $11.8 billion, a 0.8% increase from 2024 Q1 and a 77.2% increase from 2023 Q2.

The average price of an EU in backlog[NG] is now $0.81 million, an 18.9% increase from 2023 Q2, and a 2.1% increase from 2024 Q1.

The summary of the values is provided below.

	2024 Q2		2024 Q1		2023 Q2	
		EUs		EUs		EUs
Total firm orders	$3,850.7	5,370	$3,865.8	5,593	$2,993.9	5,089
Total options	$7,988.1	9,235	$7,874.3	9,190	$3,687.3	4,714
Total backlog[NG]	**$11,838.8**	**14,605**	**$11,740.2**	**14,783**	**$6,681.2**	**9,803**

Unaudited Interim Condensed Consolidated Financial Statements of

NFI GROUP INC.

June 30, 2024

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NFI GROUP INC.

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

13-weeks and 26-weeks ended June 30, 2024 ("2024 Q2" and "2024 Q2 YTD", respectively) and 13-weeks and 26-weeks ended July 2, 2023 ("2023 Q2" and "2023 Q2 YTD", respectively)

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

	2024 Q2	2023 Q2 restated (note 2.6)	2024 Q2 YTD	2023 Q2 YTD restated (note 2.6)
Revenue (note 17)	$ 851,233	$ 660,292	$ 1,573,982	$ 1,185,426
Cost of sales (note 4)	749,794	612,400	1,403,594	1,101,297
Gross profit	101,439	47,892	170,388	84,129
Sales, general and administration costs and other operating expenses	64,263	61,902	121,293	119,659
Foreign exchange loss (gain)	814	(2,713)	2,082	(2,484)
Earnings (loss) from operations	36,362	(11,297)	47,013	(33,046)
(Loss) gain on disposition of property, plant and equipment and right-of-use asset	(54)	(969)	43	(952)
Impairment loss on intangible assets	—	—	(1,028)	—
Loss on debt extinguishment	(234)	—	(234)	—
Unrealized foreign exchange gain (loss) on monetary items	2,625	(4,471)	8,116	(4,047)
Earnings (loss) before interest and income taxes	38,699	(16,737)	53,910	(38,045)
Interest and finance costs				
Interest on long-term debt	21,063	22,438	42,923	41,181
Interest on convertible debt	3,113	3,622	6,226	6,242
Interest on senior unsecured debt (note 9)	921	1,777	3,104	3,884
Accretion in carrying value of long-term debt (note 10)	2,323	1,290	4,614	2,657
Accretion in carrying value of convertible debt (note 12)	2,012	1,868	3,993	3,708
Accretion in carrying value of senior unsecured debt (note 9)	73	180	174	324
Interest expense on lease liability	2,742	1,639	4,868	3,143
Other interest and bank charges	2,525	636	7,493	1,582
Fair market value gain on prepayment option of second lien debt (note 11)	(550)	—	(3,096)	—
Fair market value (gain) loss on interest rate swap (note 16a)	(171)	2,008	(1,624)	7,554
Fair market value (gain) loss on cash conversion option (note 12)	(116)	4,512	(4,086)	1,913
	33,935	39,970	64,589	72,188
Earnings (loss) before income tax expense	4,764	(56,707)	(10,679)	(110,233)
Income tax expense (recovery) (note 8)	2,217	(8,606)	(3,812)	(16,168)
Net earnings (loss) for the period	$ 2,547	$ (48,101)	$ (6,867)	$ (94,065)
Other comprehensive gain (loss)				
Actuarial gain on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	3,314	3,306	8,635	349
Unrealized foreign exchange (loss) gain on translation of foreign operations - this item will not be reclassified subsequently to profit or loss	(287)	5,158	(1,923)	9,700
Net gain on equity hedge of restricted share plan	—	156	—	271
Total comprehensive earnings (loss) for the period	5,574	(39,481)	(155)	(83,745)
Net earnings (loss) per share (basic) (note 14)	$ 0.02	$ (0.62)	$ (0.06)	$ (1.22)
Net earnings (loss) per share (diluted) (note 14)	$ 0.02	$ (0.62)	$ (0.06)	$ (1.22)

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

NFI GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2024
(in thousands of U.S. dollars)

		June 30, 2024		December 31, 2023
Assets				
Current				
Cash	$	77,445	$	49,615
Accounts receivable (note 3, 16d)		487,203		466,353
Inventories (note 4)		835,730		762,581
Income tax receivable		2,828		26,314
Derivative financial instruments (note 16a, b)		222		—
Prepaid expenses and deposits		24,696		18,988
		1,428,124		1,323,851
Property, plant and equipment		197,902		194,474
Right-of-use asset		107,807		114,437
Derivative financial instruments (note 11, 16a, b)		7,486		2,767
Goodwill and intangible assets		964,039		976,377
Accrued benefit asset		10,430		4,337
Other long-term assets (note 5)		51,179		50,676
Deferred tax assets		40,551		33,041
	$	2,807,518	$	2,699,960
Liabilities				
Current				
Accounts payable and accrued liabilities		589,213		547,626
Income tax payable		2,333		—
Derivative financial instruments (note 16a, b)		—		1,481
Current portion of long-term liabilities (note 6)		230,466		179,207
		822,012		728,314
Accrued benefit liability		2,397		3,035
Obligations under leases		114,827		120,044
Deferred compensation obligation		2,232		708
Deferred revenue		40,572		30,540
Provisions (note 7)		52,410		59,140
Deferred tax liabilities		34,389		46,756
Derivative financial instruments (note 12, 16a, b)		4,968		9,296
Senior unsecured debt (note 9)		54,997		61,796
Long-term debt (note 10)		576,145		536,037
Second lien debt (note 11)		172,910		172,396
Convertible debentures (note 12)		225,628		228,985
	$	2,103,487	$	1,997,047
Commitments and contingencies (note 18)				
Shareholders' equity				
Share capital (note 13)		1,241,230		1,240,163
Stock option and restricted share unit reserve		13,879		13,673
Accumulated other comprehensive income		11,121		4,409
Deficit		(562,199)		(555,332)
	$	704,031	$	702,913
	$	2,807,518	$	2,699,960

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended June 30, 2024

(in thousands of U.S. dollars)

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive (Loss) Income	Deficit	Total Shareholders' Equity
Balance, January 1, 2023 (restated)	**$ 988,218**	**$ 11,285**	**$ (2,979)**	**$ (419,168)**	**$ 577,356**
Net loss	—	—	—	(94,065)	(94,065)
Other comprehensive gain	—	—	10,320	—	10,320
Share-based compensation, net of deferred income taxes	—	1,310	—	—	1,310
Shares issued	142	(142)	—	—	—
Balance, July 2, 2023	**$ 988,360**	**$ 12,453**	**$ 7,341**	**$ (513,233)**	**$ 494,921**
Net loss	—	—	—	(42,099)	(42,099)
Other comprehensive loss	—	—	(2,932)	—	(2,932)
Equity Transaction Cost	(10,476)	—	—	—	(10,476)
Share-based compensation, net of deferred income taxes	—	1,446	—	—	1,446
Shares issued - private placement (note 13)	170,458	—	—	—	170,458
Shares issued	91,821	(226)	—	—	91,595
Balance, December 31, 2023	**$ 1,240,163**	**$ 13,673**	**$ 4,409**	**$ (555,332)**	**$ 702,913**
Net loss	—	—	—	(6,867)	(6,867)
Other comprehensive gain	—	—	6,712	—	6,712
Equity Transaction Cost	7	—	—	—	7
Share-based compensation, net of deferred income taxes	—	1,266	—	—	1,266
Shares issued (note 13)	1,060	(1,060)	—	—	—
Balance, June 30, 2024	**$ 1,241,230**	**$ 13,879**	**$ 11,121**	**$ (562,199)**	**$ 704,031**

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

13-Weeks and 26-weeks ended June 30, 2024 ("2024 Q2" and "2024 Q2 YTD”, respectively) and 13-weeks and 26-weeks ended July 2, 2023 ("2023 Q2" and “2023 Q2 YTD”, respectively)

(in thousands of U.S. dollars)

	2024 Q2	2023 Q2 restated (note 2.6)	2024 Q2 YTD	2023 Q2 YTD restated (note 2.6)
Operating activities				
Net earnings (loss) for the period	$ 2,547	$(48,101)	$ (6,867)	$ (94,065)
Income tax expense (recovery)	2,217	(8,606)	(3,812)	(16,168)
Depreciation of property, plant and equipment	12,502	10,896	25,558	23,932
Amortization of intangible assets	8,109	7,835	16,290	15,700
Impairment loss on intangible assets	—	—	1,028	—
Share-based compensation	877	831	1,266	1,240
Interest and finance costs recognized in profit or loss	34,600	35,459	71,772	70,276
Gain on fair value adjustment for total return swap	—	(229)	—	(921)
Unrealized foreign exchange gain (loss) on monetary items	(2,625)	4,471	(8,116)	4,047
Foreign exchange (gain) loss on cash held in foreign currency	(580)	(2,405)	983	(2,590)
(Gain) Loss on fair value adjustment for cash conversion option	(116)	4,512	(4,086)	1,913
Gain on fair value adjustment for prepayment option	(550)	—	(3,096)	—
Loss (Gain) on disposition of property, plant and equipment	54	969	(43)	952
Loss on debt extinguishment	234	—	234	—
Past service costs	—	—	—	4,764
Defined benefit expense	649	779	1,592	1,392
Defined benefit funding	(674)	(454)	(1,500)	(1,271)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	57,244	5,957	91,202	9,201
Changes in non-cash working capital items (note 15)	(22,111)	(11,284)	(12,538)	(53,028)
Cash generated by (used in) operating activities before interest and income taxes paid	35,133	(5,327)	78,664	(43,827)
Interest paid	(11,919)	(27,957)	(45,100)	(57,203)
Income taxes recovered	6,519	19,509	9,524	20,876
Net cash generated by (used in) operating activities	29,733	(13,775)	43,088	(80,154)
Financing activities				
Repayment of obligations under lease	(6,002)	(5,283)	(12,511)	(10,361)
(Repayment) proceeds from revolving credit facilities	(4,848)	22,372	19,086	38,369
Share issuance costs	—	—	7	—
Proceeds from senior unsecured debt	—	—	—	86,996
Net cash (used in) generated by financing activities	(10,850)	17,089	6,582	115,004
Investing activities				
Acquisition of intangible assets	(4,375)	(2,583)	(7,231)	(4,044)
Proceeds from disposition of property, plant and equipment	137	66	857	205
Investment in long-term restricted deposits	—	—	—	(18,024)
Acquisition of property, plant and equipment (note 17)	(6,271)	(5,089)	(14,483)	(8,076)
Net cash used in investing activities	(10,509)	(7,606)	(20,857)	(29,939)
Effect of foreign exchange rate on cash	580	2,405	(983)	2,590
Increase (decrease) in cash	8,954	(1,887)	27,830	7,501
Cash — beginning of period	68,491	59,375	49,615	49,987
Cash — end of period	$ 77,445	$ 57,488	$ 77,445	$ 57,488

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

1.1 Corporate information

NFI Group Inc. ("NFI") was incorporated on June 16, 2005 under the laws of the Province of Ontario (NFI and its subsidiaries collectively referred to as the "Company". 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 ("AD") (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). NFI common shares (the "Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "NFI". NFI's convertible debentures are listed on the TSX under the symbol "NFI.DB".

These unaudited interim condensed consolidated financial statements (the "Statements") were approved by NFI's board of directors (the "Board") on July 31, 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Statement of Compliance

The Statements are unaudited and have been prepared in accordance with International Accounting Standards ("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. References to Non-IFRS measures have been denoted with an "NG".

In preparing these Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied by the Company in its audited consolidated financial statements as at and for the 52-week period ended December 31, 2023 ("Fiscal 2023").

2.3 Principles of consolidation

The Statements include the accounts of the Company's 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, all of its subsidiaries.

Inter-company transactions between subsidiaries are eliminated on consolidation.

2.4 Fiscal periods

	Period from January 1, 2024 to December 29, 2024 ("Fiscal 2024")			**Period from January 2, 2023 to December 31, 2023** ("Fiscal 2023")		
	Period End Date		# of Calendar Weeks	Period End Date		# of Calendar Weeks
Quarter 1	March 31, 2024	("2024 Q1")	13	April 2, 2023	("2023 Q1")	13
Quarter 2	June 30, 2024	("2024 Q2")	13	July 2, 2023	("2023 Q2")	13
Quarter 3	September 29, 2024	("2024 Q3")	13	October 1, 2023	("2023 Q3")	13
Quarter 4	December 29, 2024	("2024 Q4")	13	December 31, 2023	("2023 Q4")	13
Fiscal year	December 29, 2024		52	December 31, 2023		52

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Functional and presentation currency

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

2.6 Provisions

In Q4 2023, the Company elected to make a change in accounting policy on the existence of warranties. After a review of assurance and service-type warranties was performed, it was deemed more relevant to classify certain extended warranties as assurance-type warranties in accordance with IAS 37 – Provisions, contingent liabilities and contingent assets. As the company has applied this change in policy retrospectively, this has resulted in a 2023 Q2 restatement of quarterly revenue and cost of sales of $0.7 million and 2023 Q2 YTD revenue and cost of sales of $1.4 million.

2.7 New standards adopted

IAS 1 – Presentation of Financial Statements

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020 and October 2022, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as noncurrent: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and that the Company is in compliance with the required disclosure.

International Tax Reform – Pillar two model rules

In May 2023, the IASB amended IAS 12, Income Taxes, for International tax reform - Pillar two model rules. The amendments to IAS 12 have been introduced in response to the Organization for Economic Co-operation and Development’s BEPS Pillar Two rules and include a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules disclosure requirements for affected entities. The mandatory temporary exception and disclosure requirements apply immediately for annual reporting periods beginning on or after January 1, 2023, which have been adopted by the Company as at December 31, 2023. Management does not believe Pillar Two legislation will have a material impact on the consolidated financial statements of the Company.

On June 20, 2024, Bill C-69, *An Act to implement certain provisions of the budget tabled in Parliament on April 16, 2024*, received third reading in the House of Commons and became substantively enacted for Canadian financial reporting purposes. Bill C-69 includes the Pillar Two rules published by the Organization for Economic Co-operation and Development (“OECD”) and applies to fiscal years beginning on or after December 31, 2023 (January 1, 2024 for the Corporation). The Pillar Two model rules impose a 15% global minimum tax applicable to large multinational enterprises, to be applied in each country. The Corporation continues to assess its potential exposure to the income tax resulting from these rules and does not expect any material impact on its consolidated financial statements. No amount of current tax arising under Pillar Two tax has been accrued in these interim financial statements.

The enacted Pillar Two legislation in both the UK and Canada, as well as the proposed Pillar Two legislation in certain jurisdictions the Company operates in is not expected to have a significant impact on the consolidated financial statements of the Company.

2.8 Standards issued but not yet adopted

IAS 7 & IFRS 7 – Supplier financing arrangements - disclosures

In May 2023, the IASB issued the final amendments to IAS 7 – Statement of cash flows and IFRS 7 – Financial instruments: disclosures which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and provide additional disclosure requirements for supplier finance arrangements including disclosure of the terms and conditions, range of payment due dates, and liquidity risk information. The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet must also be disclosed.

First time adoption of the disclosure requirements under IAS 7 and IFRS 7 will be for the fiscal period ending December 29, 2024.

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

3. ACCOUNTS RECEIVABLE

	June 30, 2024	December 31, 2023
Trade, net of allowance for doubtful accounts (note 16e)	$ 455,511	$ 430,261
Other	31,692	36,092
	$ 487,203	$ 466,353

4. INVENTORIES

	June 30, 2024	December 31, 2023
Raw materials	$ 370,917	$ 360,575
Work in process	393,607	331,119
Finished goods	71,206	70,887
	$ 835,730	$ 762,581

	2024 Q2	2023 Q2	2024 Q2 YTD	2023 Q2 YTD
Cost of inventories recognized as expense and included in cost of sales	$ 716,872	$ 591,266	$ 1,342,889	$ 1,066,934
Write-down of inventory to net realizable value in cost of sales	78	1,027	932	1,586

5. OTHER LONG-TERM ASSETS

	June 30, 2024	December 31, 2023
Long-term restricted deposit(s) (note 16a)	$ 46,746	$ 45,441
Long-term accounts receivable	4,433	5,235
	$ 51,179	$ 50,676

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

6. CURRENT PORTION OF LONG-TERM LIABILITIES

	June 30, 2024	December 31, 2023
Deferred revenue	$ 183,183	$ 138,091
Provisions (note 7)	26,934	19,459
Deferred compensation obligation	3,794	3,698
Obligations under leases	16,555	17,959
	$ 230,466	$ 179,207

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

7. PROVISIONS

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

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

The other category includes the restructuring provision consisting of costs associated with the closure and termination of the lease in respect of the Guildford, United Kingdom ("UK") facility operated by Alexander Dennis, the lease will be terminated in May 2025. It also includes a provision for onerous contracts when the unavoidable costs of meeting the contract are greater than the economic benefits expected to be received under it.

	Insurance Risk Retention	Warranty	Other	Total
January 1, 2023	$ 22,527	$ 63,941	$ 8,786	$ 95,254
Additions	20,010	46,550	3,184	69,744
Amounts used/realized	(11,556)	(65,677)	(1,412)	(78,645)
Unused provision	(551)	1,172	(8,243)	(7,622)
Unwinding of discount and effect of changes in the discount rate	—	15	—	15
Exchange rate differences	(1)	(263)	117	(147)
December 31, 2023	$ 30,429	$ 45,738	$ 2,432	$ 78,599
Additions	13,416	35,565	666	49,647
Amounts used/realized	(6,636)	(40,914)	(1,799)	(49,349)
Unused provision	380	—	—	380
Unwinding of discount and effect of changes in the discount rate	—	(10)	—	(10)
Exchange rate differences	3	93	(19)	77
	37,592	40,472	1,280	79,344
Less current portion (note 6)	849	24,805	1,280	26,934
June 30, 2024	$ 36,743	$ 15,667	$ —	$ 52,410

8. INCOME TAX EXPENSE

The income tax expense for 2024 Q2 was $2.2 million compared to a recovery of $8.6 million in 2023 Q2. The increased income tax expense is primarily due to increased earnings before tax.

The income tax recovery for 2024 Q2 YTD is $3.8 million, compared to a recovery of $16.2 million in 2023 Q2 YTD. The decrease in the overall income tax recovery is primarily due to a reduced loss before tax, offset by the re-recognition of deferred tax assets associated with Canadian loss carry-forwards.

The Effective Tax Rate ("ETR") for 2024 Q2 was 46.6% and the ETR for 2023 Q2 was 15.2%. The ETR for 2024 Q2 YTD was 35.7% and the ETR for 2023 Q2 YTD was 14.7%. The 2023 Q2 ETR and the 2023 Q2 YTD ETR were detrimentally impacted by the non-recognition of deferred tax assets associated with Canadian loss carry-forwards, and restricted interest in the UK.

9. SENIOR UNSECURED DEBT

On January 20, 2023, the Company finalized agreements with Manitoba Development Corporation ("MDC") for a C$50 million debt facility, for general corporate purposes, and with Export Development Canada ("EDC") for two credit facilities of up to $150 million, to support supply chain financing ("supply chain financing facility") for $50 million and surety and performance bonding requirements for new contracts ("Guarantee Facility") for up to $100 million.

On January 10, 2024, the Company amended its agreement with EDC to increase the size of the Guarantee Facility to $125 million. The amended Guarantee Facility is made up of an Account Performance Security Guarantee ("PSG") up to $50 million and Surety Reinsurance Support up to $75 million.

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

9. SENIOR UNSECURED DEBT (Continued)

The EDC agreement bears interest at a rate equal to adjusted term Secured Overnight Financing Rate ("SOFR") plus an applicable margin to that rate.

In August 2023, as part of the Company's refinancing plan ("Refinancing Plan"), both the MDC facility and EDC supply chain financing facility were extended to April 30, 2026. The EDC bonding support facility (note 18c) has a one-year term for each new contract, subject to annual renewals. Additionally, $25 million was required by EDC to be repaid on the supply chain financing facility as a permanent reduction.

In April 2024, MDC and the Company entered into an amended agreement on its existing Senior Unsecured Debt Facility reducing the fixed interest rate to 0% per annum (December 31, 2023: SOFR plus applicable margin).

	Face Value	Unamortized Transaction Costs	**Net Book Value June 30, 2024**	Net Book Value December 31, 2023
MDC	$ 36,544	$ —	$ 36,544	$ 37,480
Unamortized interest benefit	(6,010)	—	(6,010)	—
EDC	25,000	537	24,463	24,316
	$ 55,534	$ 537	$ 54,997	$ 61,796

10. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value June 30, 2024**	Net Book Value December 31, 2023
First lien North America ("NA") revolving credit facility, Secured ("NA Revolving Facility")	$ 142,470	$ 10,460	$ 132,010	$ 113,297
First lien NA term loan, Secured ("NA Non-Revolving Facility")	400,000	—	400,000	400,000
First lien UK revolving Credit Facility, Secured ("UK Revolving Facility")	18,223	640	17,583	—
First lien UK Term loan, Secured ("UK Non-Revolving Facility")	20,516	—	20,516	19,913
Government of Canada Loan	7,236	1,200	6,036	2,827
	$ 588,445	$ 12,300	$ 576,145	$ 536,037

The NA Revolving Facility and the NA Non-Revolving Facility (together referred to as the "North American Facility") have a total borrowing limit of $761 million, which includes a $150 million letter-of-credit facility.

There was $93.9 million of outstanding letters-of-credit drawn against the North American Facility at June 30, 2024. The North American Facility bears interest at a rate equal to the SOFR 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 April 30, 2026.

The UK Revolving Facility and the UK Non-Revolving Facility (together referred to as the "UK Facility") have a total borrowing limit of £30.4 million to support AD's operations in the UK. Amounts drawn under the UK Facility bear interest at a rate equal to Sterling Overnight Index Average ("SONIA") plus an applicable margin. The UK Facility matures on April 30, 2026.

The Company entered into an agreement for up to C$10 million in interest-free financing through the Government of Canada to support the MCI Winnipeg facility enhancements and zero-emission product development and growth. The financing matures on March 1, 2030.

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

11. SECOND LIEN DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value June 30, 2024**	Net Book Value December 31, 2023
Second Lien Debt	$ 180,412	$ 9,629	$ 170,783	$ 170,269
Prepayment Option	2,127	—	2,127	2,127
	$ 182,539	$ 9,629	$ 172,910	$ 172,396

The second lien debt financing is secured against all of the Company's assets, and bears interest at an annual coupon of 14.5%, payable semi-annually on January 2 and July 2 of every year commencing on January 2, 2024. The second lien debt facility matures on August 1, 2028.

The Company can exercise an option to prepay a portion of the remaining principal (note 16a) at 100% of the face value plus applicable premium, expiring on the first anniversary of the debt facility. Prior to the second anniversary, the Company can exercise its option to prepay a portion of the remaining principal at 106% of the face value. Prior to the third anniversary, the Company can exercise its option to prepay a portion of the remaining principal at 103% of the face value. An option to prepay the remaining principal at par is available from the third anniversary onwards.

At inception, the prepayment option was recognized as a derivative asset with a fair value of $2.1 million. At June 30, 2024, the asset was revalued at $5.9 million. A fair market value gain of $0.6 million was recorded on the Company's unaudited interim condensed consolidated statement of net earnings (loss) and total comprehensive earnings (loss).

The second lien debt is financed by funds and accounts managed by Coliseum Capital Management, LLC. Coliseum Capital Management also participated in an equity transaction with the Company in 2023.

12. CONVERTIBLE DEBENTURES

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

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

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

	Face Value	Unamortized Transaction Costs	**Net Book Value June 30, 2024**	Net Book Value December 31, 2023
Convertible Debt	$ 230,824	$ 5,196	$ 225,628	$ 228,985
Cash Conversion Option	4,968	—	4,968	9,296
	$ 235,792	$ 5,196	$ 230,596	$ 238,281

13. SHARE CAPITAL

		June 30, 2024		December 31, 2023
Authorized - Unlimited				
Issued - 119,021,723 Common Shares (December 31, 2023: 118,961,932)	$	1,241,230	$	1,240,163

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

Shares	Number (000s)		Net Book Value
Balance – December 31, 2023	118,962	$	1,240,163
Director Restricted Share Units (“Director RSU”) exercised	60		1,060
Issuance of Shares	—		7
Balance – June 30, 2024	119,022	$	1,241,230

14. EARNINGS (LOSS) PER SHARE

		2024 Q2		2023 Q2		2024 Q2 YTD		2023 Q2 YTD
Net earnings (loss) attributable to equity holders	$	2,547	$	(48,101)	$	(6,867)	$	(94,065)
Weighted average number of Shares in issue		118,997,650		77,174,517		118,984,904		77,168,014
Weighted average number of Shares for diluted earnings per Share		119,130,066		77,174,517		118,984,904		77,168,014
Net earnings (loss) per Share (basic)	$	0.0214	$	(0.6233)	$	(0.0577)	$	(1.2190)
Net earnings (loss) per Share (diluted)	$	0.0214	$	(0.6233)	$	(0.0577)	$	(1.2190)

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

15. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash inflow (outflow)		2024 Q2		2023 Q2		2024 Q2 YTD		2023 Q2 YTD
Accounts receivable	$	(21,223)	$	(98,178)	$	(20,850)	$	(122,519)
Income tax receivable		(2,793)		(1,679)		(3,192)		(1,252)
Inventories		(48,925)		9,001		(75,877)		(95,378)
Prepaid expenses and deposits		(3,765)		(4,105)		(5,708)		(457)
Accounts payable and accrued liabilities		10,083		52,098		41,591		91,863
Income tax payable		2,333		—		2,333		—
Deferred revenue		49,713		20,065		55,124		74,500
Provisions		(1,325)		10,868		745		(726)
Other		(6,209)		646		(6,704)		941
	$	(22,111)	$	(11,284)	$	(12,538)	$	(53,028)

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

16. 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.

	June 30, 2024		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 77,445	$ 77,445
Long-term restricted deposit (note 5)	Level 1	46,746	46,746
Foreign exchange forward contracts	Level 2	222	222
Derivative financial instrument assets - current		$ 222	$ 222
Interest Rate Swap	Level 2	1,623	1,623
Prepayment Option (note 11)	Level 2	5,863	5,863
Derivative financial instrument assets - long term		$ 7,486	$ 7,486
Financial liabilities recorded at fair value			
Cash Conversion Option (note 12)	Level 2	4,968	4,968
Derivative financial instrument liabilities - long term		$ 4,968	$ 4,968

	December 31, 2023		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 49,615	$ 49,615
Long-term restricted deposit (note 5)	Level 1	45,441	45,441
Prepayment Option (note 11)	Level 2	2,767	2,767
Derivative financial instrument assets - long term		$ 2,767	$ 2,767
Financial liabilities recorded at fair value			
Foreign exchange forward contracts	Level 2	1,481	1,481
Derivative financial instrument liabilities - current		$ 1,481	$ 1,481
Cash Conversion Option (note 12)	Level 2	9,296	9,296
Derivative financial instrument liabilities - long term		$ 9,296	$ 9,296

(b) Risk Management

At June 30, 2024, the Company had $66.8 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from July 2024 to December 2024. The related asset of $0.2 million (December 31, 2023: $1.5 million liability) is recorded on the statements of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive earnings (loss).

On January 26, 2024, NFI entered into an agreement for a new interest rate swap to hedge its exposure to changing interest rates. The contract has a notional value of $500 million until October 25, 2024, and thereafter a notional value of $450 million until its expiry on April 25, 2025. The swap carries an interest rate of 4.6%.

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Liquidity[5,NG] Management

The Company's principal sources of funds are cash generated from its operating activities, share and other issuances and borrowing capacity remaining under the NA Facility and UK Facility (collectively the "Secured Facilities").

The Company's approach to managing liquidity[NG] risk is to ensure, as far as possible, that it will always have sufficient liquidity[NG] to meet liabilities when due. At June 30, 2024, the Company had a cash balance of $77.4 million (December 31, 2023: $49.6 million), $535 million drawn under the North American Facility due in 2026 (December 31, 2023: $526 million), and $93.9 million of outstanding letters of credit (December 31, 2023: $96.6 million). As at June 30, 2024 the Company had $39 million drawn under the UK Facility (December 31, 2023: $21.0 million). The total liquidity[NG] position as at June 30, 2024 is $178.7 million, without consideration given to the minimum banking liquidity[NG] requirement under the Secured Facilities of $50.0 million. In addition, as at June 30, 2024 the Company had $49.2 million of the letters of credit outstanding outside of the North American Facility. The North American Facility has a total borrowing limit of $761 million, which includes a $150 million letter-of-credit facility. The UK Facility has a total borrowing limit of £30.4 million.

The details of the covenants under the Secured Facilities are as follows:

	Total Leverage Ratio[1,NG]	Interest Coverage Ratio[2,NG]	Total Net Debt to Capitalization[3,NG]	Minimum Cumulative Adjusted EBITDA[4,NG]	Minimum Banking Liquidity[5,NG]	Senior Secured Net Leverage Ratio[6,NG]
2024 Q2	Waived	Waived	<0.65:1.00	>$105,000	$50,000	Waived
2024 Q3	<6.00x	>1.25x	N/A	N/A	$50,000	<4.50x
2024 Q4	<4.75x	>1.50x	N/A	N/A	$50,000	<3.50x
2025 Q1	<4.75x	>1.75x	N/A	N/A	$50,000	<3.50x
2025 Q2	<4.25x	>2.00x	N/A	N/A	$50,000	<3.25x
2025 Q3	<4.25x	>2.25x	N/A	N/A	$50,000	<3.25x
2025 Q4 and after	<3.75x	>2.50x	N/A	N/A	$50,000	<3.00x

1. Total Leverage Ratio ("TLR")[NG] is calculated as aggregate indebtedness of the Company not including the Company's 5.0% convertible debentures and certain non-financial products, but including any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The TLR[NG] is will be in effect in the third quarter of 2024.

2. Interest Coverage Ratio ("ICR")[NG] is calculated as the same trailing twelve month Adjusted EBITDA[NG] as the TLR[NG] divided by trailing twelve-month interest expense on the Secured Facilities, the Debentures, any senior unsecured or second lien indebtedness and other interest and bank charges.

3. Total Net Debt to Capitalization ("TNDC")[NG] is calculated as borrowings on the Secured Facilities and any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by shareholders' equity (as shown on the Company's balance sheet) plus borrowings on the Secured Facilities. The TNDC[NG] covenant excludes the impact of any actual goodwill write-downs up to a maximum of $100 million.

4. The Minimum Cumulative Adjusted EBITDA[NG] covenant is first tested with the month ending September 30, 2023, but includes results from the period May 1, 2023 to September 30, 2023. The covenant continues on a cumulative basis until April 30, 2024, at which point it becomes a trailing-twelve month test for the second quarter of 2024. The Minimum Adjusted EBITDA[NG] tests are based on calendar month-end dates from September 2023 to March 2024.

5. Banking Liquidity[NG] is calculated as unrestricted cash and cash equivalents plus the aggregate amount of credit available under the North American Facility.

6. Senior Secured Net Leverage[NG] will include the Secured Facilities and is calculated as indebtedness with respect to those facilities, less unrestricted cash and cash equivalents up to a maximum of $50 million, divided by Adjusted EBITDA[NG] (calculated on a trailing twelve-month basis). The Senior Secured Net Leverage[NG] is reintroduced in 2024 Q3.

The calculation of the banking liquidity[NG] position, without consideration given to the minimum banking liquidity[NG] requirements under the Secured Facilities at June 30, 2024 is provided below. Calculation of the cumulative Adjusted EBITDA[NG] commenced with 2023 Q3 results. The calculation is adjusted for the impact of the adoption of IFRS 16 in Fiscal 2019.

As at June 30, 2024, the Company was in compliance with all covenant requirements.

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

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

		June 30, 2024		December 31, 2023
Banking Liquidity[NG] Position (must be greater than $50 million)	$	178,744	$	170,131
Minimum Cumulative Adjusted EBITDA[NG] (must be greater than $105,000 [2023: ($3,000)])		125,974		53,516
Net Debt to Capital Ratio[NG] (must be less than 0.65:1.00 [2023: 0.65:1.00])		0.39		0.39

Compliance with financial covenants under the Secured Facilities is reported quarterly to the Board. Other than the requirements imposed by letters of credit collateral (note 5) and borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise.

Under the terms of the Secured Facilities, the Company is not permitted to declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with Secured Facility covenants.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at June 30, 2024:

	Total	2024	2025	2026	2027	2028	Post 2028
Leases	$ 213,113	$ 13,989	$ 23,021	$ 20,223	$ 18,422	$ 12,437	$ 125,021
Accrued benefit liability	3,143	3,143					
	$ 216,256	$ 17,132	$ 23,021	$ 20,223	$ 18,422	$ 12,437	$ 125,021

(d) Credit risk

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

		June 30, 2024		December 31, 2023
Current, including holdbacks	$	454,214	$	438,165
Past due amounts but not impaired				
1 - 60 days		21,137		20,123
Greater than 60 days		12,445		8,669
Less: Allowance for doubtful accounts		(593)		(604)
Total accounts receivables, net	$	487,203	$	466,353

As at June 30, 2024, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

(e) Capital management

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

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

17. SEGMENT INFORMATION

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

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

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

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 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:

	2024 Q2			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 689,567	$ 161,666	—	$ 851,233
Operating costs and expenses	679,974	131,520	34,975	846,469
Earnings (loss) before income tax expense	9,593	30,146	(34,975)	4,764
Total assets	1,987,360	511,732	308,426	2,807,518
Addition of capital expenditures	6,008	263	—	6,271
Addition of intangibles assets	4,375	—	—	4,375
Indefinite-life intangible assets	245,559	18,540	—	264,099
Goodwill	223,470	189,274	—	412,744

	2024 Q2 YTD			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 1,252,452	$ 321,530	—	$ 1,573,982
Operating costs and expenses	1,262,249	258,600	63,812	1,584,661
(Loss) earnings before income tax recovery	(9,797)	62,930	(63,812)	(10,679)
Total assets	1,987,360	511,732	308,426	2,807,518
Addition of capital expenditures	14,220	263	—	14,483
Addition of intangibles assets	7,231	—	—	7,231
Indefinite-life intangible assets	245,559	18,540	—	264,099
Goodwill	223,470	189,274	—	412,744

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

17. SEGMENT INFORMATION (Continued)

	2023 Q2			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers (note 2.6)	$ 522,723	$ 137,569	—	$ 660,292
Operating costs and expenses (note 2.6)	555,352	112,544	49,103	716,999
(Loss) earnings before income tax recovery	(32,629)	25,025	(49,103)	(56,707)
Total assets	2,005,998	485,809	312,257	2,804,064
Addition of capital expenditures	4,978	111	—	5,089
Addition of intangibles assets	2,583	—	—	2,583
Indefinite-life intangible assets	244,668	18,398	—	263,066
Goodwill	223,532	189,438	—	412,970

	2023 Q2 YTD			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers (note 2.6)	$ 908,775	$ 276,651	—	$ 1,185,426
Operating costs and expenses (note 2.6)	990,465	226,811	78,383	1,295,659
(Loss) earnings before income tax recovery	(81,690)	49,840	(78,383)	(110,233)
Total assets	2,005,998	485,809	312,257	2,804,064
Addition of capital expenditures	7,899	177	—	8,076
Addition of intangibles assets	4,044	—	—	4,044
Indefinite-life intangible assets	244,668	18,398	—	263,066
Goodwill	223,532	189,438	—	412,970

The Company's revenue by geography is summarized below:

	2024 Q2	2023 Q2 (note 2.6)	2024 Q2 YTD	2023 Q2 YTD (note 2.6)
North America	$ 693,143	$ 520,349	$ 1,255,763	$ 935,712
UK and Europe	150,387	131,321	299,710	233,585
Asia Pacific	7,703	8,622	18,509	16,129
Total	$ 851,233	$ 660,292	$ 1,573,982	$ 1,185,426

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

	2024 Q2	2023 Q2 (note 2.6)	2024 Q2 YTD	2023 Q2 YTD (note 2.6)
Transit buses	$ 547,630	$ 421,313	$ 997,109	$ 692,384
Motor coaches	113,064	81,048	200,689	172,839
Medium-duty and cutaway buses	19,205	9,153	36,960	23,567
Pre-owned coach	2,206	5,783	5,441	11,629
Infrastructure solutions	4,402	3,521	7,115	3,972
Fiberglass reinforced polymer components	3,060	1,905	5,138	4,384
Manufacturing revenue	$ 689,567	$ 522,723	$ 1,252,452	$ 908,775

18. COMMITMENTS AND CONTINGENCIES

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

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

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at June 30, 2024 range from August 2024 to December 2039.

At June 30, 2024, outstanding surety bonds guaranteed by the Company totaled $318.1 million (December 31, 2023: $312.7 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 $150.0 million as part of the North American Facility (December 31, 2023: $150.0 million). As at June 30, 2024, letters of credit totaling $93.9 million (December 31, 2023: $96.6 million) remain outstanding as security for contractual obligations of the Company under the North American Facility.

The EDC facility includes up to $125 million of surety reinsurance support ("surety reinsurance support") for NFI's surety and performance bonding requirements ("bonding support facility"). The bonding support facility is made up of account performance security guarantee ("PSG") up to $50 million and surety reinsurance support up to $75 million.

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

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

As at June 30, 2024, there was $100.4 million (December 31, 2023: $74.2 million) outstanding under the bonding support facility.

As at June 30, 2024, letters of credit in the UK totaling $11.2 million were outstanding as security obligations of the Company outside of the UK facility (December 31, 2023: $18.7 million). Additionally, there are $38.0 million (December 31, 2023: $45.8 million) of letters of credit outstanding outside of the UK Facility.

As at June 30, 2024, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

(d) Through the normal course of operations, the Company has guaranteed payments and residual values to third-party lenders on behalf of customers. As at June 30, 2024, the Company had guaranteed $2.3 million (December 31, 2023: $2.4 million) of these arrangements. The Company has not provided for any of these costs, as it does not believe they will have to pay out on any of these arrangements.

19. SUBSEQUENT EVENTS

On July 17, 2024, NFI entered into an amended agreement with EDC to increase the size of its Guarantee Facility from $125 million to $145 million. The amended Guarantee Facility is made up of an Account Performance Security Guarantee of up to $90 million (previously $50 million) and Surety Reinsurance Support up to $55 million (previously $75 million).