NFI GROUP INC.

Annual Information Form

March 14, 2024

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NFI GROUP INC.

General

The information, including any financial information, disclosed in this Annual Information Form is stated as at December 31, 2023 or for the year ended December 31, 2023, as applicable, unless otherwise indicated. Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars and references to "$", "US$" and "U.S. dollars" are to the lawful currency of the United States. References to "C$" are to the lawful currency of Canada. References in this Annual Information Form to "we", "us", "our" or the "Company" refer to NFI Group Inc. ("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"), ARBOC Specialty Vehicles, LLC ("ARBOC"), KMG Fabrication, Inc. ("KMG"), Carfair Composites Inc. and Carfair Composites USA, Inc. (together, "Carfair"), Motor Coach Industries International, Inc. and its affiliated entities engaged in the motor coach and related parts and service businesses (collectively, "MCI") and NFI International Limited, Alexander Dennis Limited and its affiliated entities engaged in the single and double deck buses and related parts and service businesses (collectively, "ADL"). References to "New Flyer" generally refer collectively to NFI ULC, NFAI, and Carfair. References to "NFI Parts" generally refer to TAPC. References to "NFI" refer to NFI Group Inc. References in this Annual Information Form to "management" are to management of the Company.

Certain statements in this Annual Information Form are "forward-looking statements", which reflect the expectations of management regarding the Company's future growth, results of operations, performance and business prospects and opportunities. The words "believes", "views", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates", "guidance", "targets" and similar expressions are intended to identify forward-looking statements. In addition, forward-looking statements can be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. These forward-looking statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". Although the forward-looking statements contained in this Annual Information Form are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this Annual Information Form and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by applicable securities law.

Buses manufactured by New Flyer and ADL's single and double deck buses are classified as "transit buses". ARBOC manufactures body on-chassis or "cutaway" and "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, transit buses, medium-duty buses and cutaways, are referred to as "buses". A "motor coach" or "coach" is a 35-foot to 45-foot over-the-highway bus typically used for intercity transportation and travel over longer distances than heavy-duty transit buses, but 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 underfloor baggage compartments), and (iv) no room for standing passengers.

All of the data presented in this Annual Information Form with respect to market share, the number of transit buses, medium-duty buses, low-floor cutaway buses and motor coaches delivered and in service is measured in, or based on, "equivalent units". One equivalent unit (or EU) represents one production slot, being one 30-foot, 35-foot, 40-foot or 45-foot heavy-duty transit bus, one double deck bus, one medium-duty bus, one low-floor cutaway bus or one motor coach. One articulated transit bus represents two equivalent units. An articulated transit bus is an extra-long 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.

As used herein, "North America" refers to Canada and the United States (or "U.S.") and the "UK" refers to England, Scotland, Wales and Northern Ireland.

Throughout this Annual Information Form all references to "IFRS" are to International Financial Reporting Standards.

Use of Market and Industry Data

This Annual Information Form includes market and industry data that has been obtained from third-party sources, including industry publications, industry associations and customers, as well as industry data prepared by management on the basis of its knowledge of and experience in the industry in which the Company operates (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the industry has been developed through its experience and lengthy participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, neither the Company, nor management have independently verified any of the data from third-party sources referred to in this Annual Information Form or ascertained the underlying economic assumptions relied upon by such sources.

BUSINESS OF THE COMPANY

NFI, together with its subsidiaries, is a leader in zero-emission electric mobility. NFI is a solutions provider with an offering that includes zero-emission vehicles, charging infrastructure installation, telematics, vehicle financing and full parts and service aftermarket support. This approach best positions the Company to serve customers and drive growth as the Company's core markets transition to electric vehicles. Management believes the Company is the market leader in the following areas:

- United States and Canada zero-emission buses ("ZEBs");
- UK ZEBs;
- United States and Canadian deliveries of low-floor cutaway buses (ARBOC);
- United States and Canadian deliveries of motor coaches (MCI); and
- UK's single deck market and global double deck market (ADL).

From its production facilities in Canada, the United States and the UK, the Company has the broadest and most advanced product offering in the North American bus and motor coach markets, plus the leading offering in the UK and Hong Kong, with a growing presence in New Zealand, Singapore, Australia, Ireland and Western Europe. NFI's broad offering includes battery-electric buses and coaches, hydrogen fuel cell-electric buses and electric trolleys. Management anticipates that, based on the Company's leadership position in core markets, broad product offering, historic experience and deep customer relationships, it is well positioned to capitalize on the long-term transition to ZEBs in both core and new markets.

New Flyer designs and manufactures a variety of transit buses from 35-feet to 60-feet in length with diverse propulsion systems, including clean diesel, diesel-electric hybrid, compressed natural gas ("CNG"), battery-electric, electric trolley and hydrogen fuel cell-electric. Under ADL's Alexander Dennis brand, the Company designs and manufactures lightweight single and double deck buses from 27-feet to 45-feet in length with a range of low- and zero-emission propulsions, including clean diesel, diesel-electric hybrid, biogas, battery-electric, and hydrogen fuel cell-electric. ARBOC designs and manufactures a variety of low-floor cutaway and medium-duty buses from 20-feet to 35-feet in length with diesel, natural gas and battery-electric propulsion systems. MCI designs and manufactures a variety of motor coaches, primarily in 35-foot, 40-foot and 45-foot lengths, with clean diesel and battery-electric propulsion systems. Under ADL's Plaxton brand, the Company designs and manufactures motor coaches for the UK and Irish markets. In addition to its engineering, manufacturing and field service capabilities, the Company maintains the industry's leading aftermarket parts organizations, which are responsible for supporting an extensive range of post-sale activities, including parts distribution, telematics, support documentation and training.

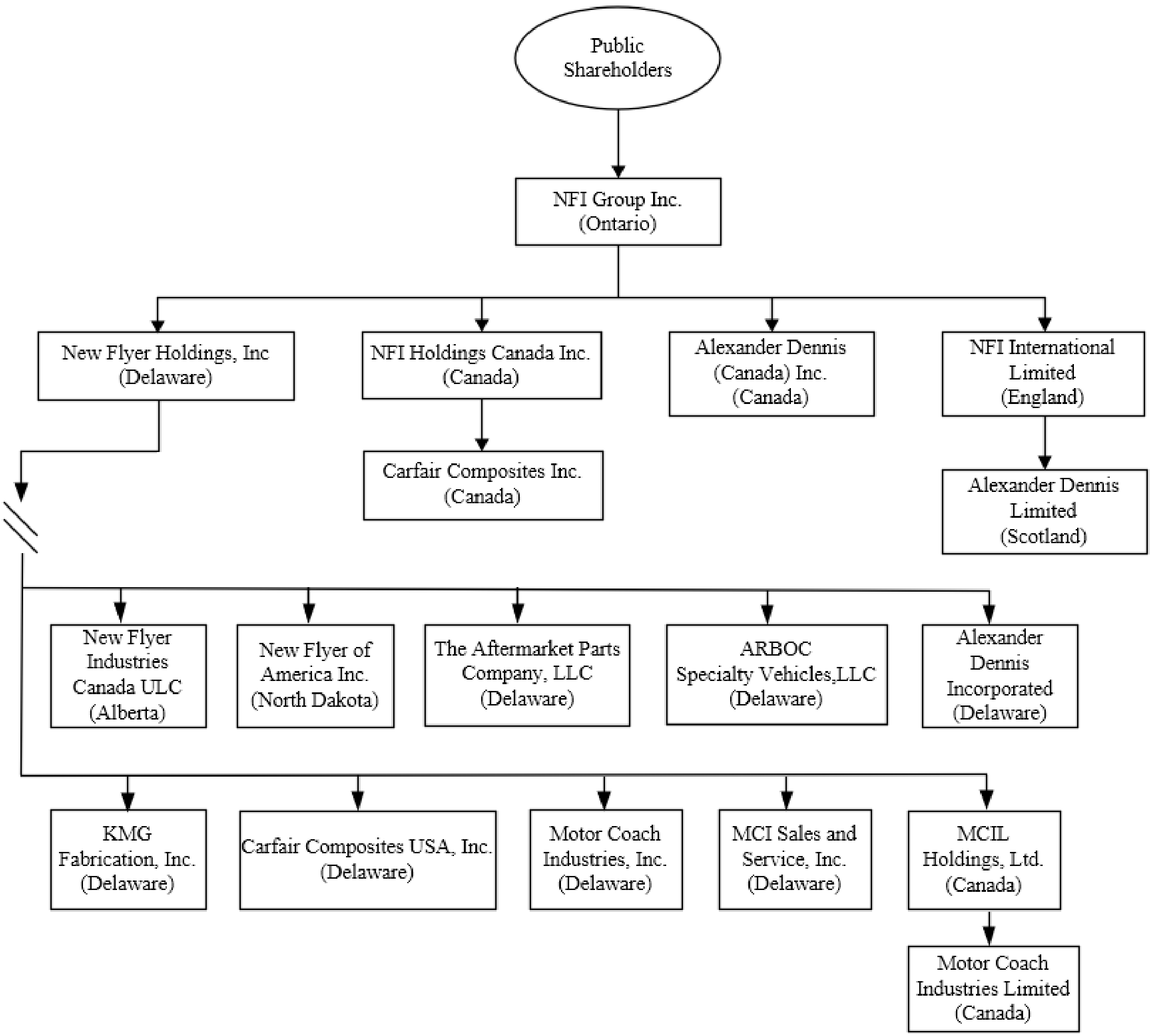
For fiscal 2023, the Company generated revenue of approximately $2.7 billion.

The common shares of NFI (the "Shares") and the 5.0% unsecured convertible debentures of NFI (the "Debentures") are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbols "NFI" and "NFI.DB", respectively.

CORPORATE STRUCTURE

NFI is a corporation established under the *Business Corporations Act* (Ontario) on June 16, 2005. The registered office of NFI is located at Suite 3000, 79 Wellington Street West, Toronto, Ontario, M5K 1N2.

The chart below shows NFI and its principal subsidiaries, all of which are wholly-owned. The principal operating subsidiaries of the Company are: NFI ULC, NFAI, MCI, ADL, ARBOC and TAPC.



GENERAL DEVELOPMENT OF THE BUSINESS

Recent Developments

Fiscal 2021

On January 11, 2021, NFI held its virtual Investor Day 2021, where NFI's senior leadership team and the board of directors of NFI (the "Board") provided detailed presentations regarding NFI's business and strategy, with a focus on NFI's vision to drive the increased adoption of ZEBs, what NFI is calling the ***ZE***volution™. The event also featured an informative discussion by a panel made up of mobility experts from Canada, the United States, and the United Kingdom.

On January 29, 2021, New Flyer unveiled the Xcelsior AV™ – North America's first automated transit bus, following New Flyer's launch of its Automated Technology Program first announced in May 2019, and the subsequent announcement of partnership with artificial intelligence and automation leader Robotic Research, LLC ("Robotic Research") also announced in May 2019. New Flyer and Robotic Research developed the Xcelsior AV™ – North America's first fully operational heavy-duty automated transit bus – to harness the zero-emission power of New Flyer's Xcelsior CHARGE™ battery-electric propulsion while integrating advanced driver-assistance systems ("ADAS") technology to meet Society of Automotive Engineers ("SAE") Standard J3016 Level 4 technology with the automated vehicle.

On March 1, 2021, NFI completed a bought deal offering of 8,446,000 Shares at a price of C$29.60 per Share, for gross proceeds to NFI of approximately C$250 million. NFI used the net proceeds of the offering to reduce the outstanding balances under the credit facilities.

On March 15, 2021, NFI unveiled its next generation battery-electric Xcelsior CHARGE NG™ heavy-duty transit bus, built on the proven Xcelsior® platform. Having surpassed 4.5 million service miles with its battery-electric Xcelsior CHARGE™ and fuel cell-electric Xcelsior CHARGE H2™ buses, New Flyer applied the best of zero-emission design, performance, research, and ingenuity to develop its newest electric bus. The Xcelsior CHARGE NG™ incorporates three distinct technology advancements to deliver a high-performance bus, including next generation high energy batteries that extend range up to 13%, advanced protective battery packaging designed for easy install and simpler serviceability, and a new lightweight electric traction drive system with up to 90% energy recovery. It includes a streamlined design that reduces maintenance, increases energy density, and improves energy recovery while significantly reducing weight – offering a lighter, more energy efficient, and longer-range electric bus.

On March 22, 2021, ADL welcomed the Scottish Government's announcement of £40.5 million of additional funding for bus operators through a second round of the Scottish Ultra Low Emission Bus Scheme.

On March 22, 2021, NFI formally issued a human rights statement recognizing the Company's commitment to respecting the human rights and dignity of individuals within its operations, supply chain, and communities in which it does business, and to promoting and protecting the human rights of its team and communities.

On April 21, 2021, NFI announced that ADL would build two electric buses in New Zealand, as NFI continues to expand its international presence in zero-emission electric mobility. This new order built on NFI's growing electric vehicle ("EV") presence in New Zealand, where the Company had previously delivered 16 battery-electric buses. The three-axle single-deck buses were assembled locally in New Zealand by ADL's partner Kiwi Bus Builders.

In May 2021, MCI unveiled its new zero-emission, battery-electric J4500 CHARGE™ coach. The J4500 CHARGE™ – a zero-emission version of the industry's best-selling J series tour and charter luxury coaches – leverages EV technology from New Flyer and delivers over 200 miles of range, while also delivering enhanced safety features. MCI also unveiled its new zero-emission commuter coach, the D45 CRT LE CHARGE™, and launched its new D series of coaches. Leveraging high-torque electric drive systems for operation at highway speeds and plug-in battery charging to 100 percent in less than three hours, the battery-electric D45 CRT LE CHARGE™ builds on MCI's legacy of reliable mobility and harnesses three major innovations. It exhibits design advancements of the next generation D series, introduces MCI's innovative low entry vestibule, and integrates proven CHARGE technology propulsion from New Flyer.

In June 2021, NFI unveiled its first zero-emission, three-axle double deck bus. The Enviro500EV CHARGE, manufactured by ADL, is the North American all-electric version of the world's best-selling double deck bus. The Enviro500EV CHARGE forms part of NFI's industry leading range of zero-emission buses and coaches.

On July 19, 2021, BYD UK and ADL EV partnership signed a framework agreement with the National Transport Authority of Ireland (NTA) for the delivery of up to 200 BYD ADL Enviro200EV zero-emission battery-electric buses. The agreement has started with an initial firm order for 45 buses, with delivery commencing in 2022. The single supplier framework agreement with the NTA will run for up to five years and covers the delivery of single deck long length battery-electric buses. The BYD ADL partnership, represented by ADL as primary contractor, was selected in a comprehensive and rigorous procurement process in which the company provided the strongest offer. It is the BYD ADL partnership's first contract in Ireland.

In July 2021, ADL entered into a supply agreement to provide a range of ZEBs to the Australian market. Under the agreement, Nexport ("Nexport"), an Australian owned supplier and producer of electric buses, will assemble bodies from the ADL Enviro family on a BYD chassis for the local Australian transit market. Nexport will also lead the customer sales and service relationship. The supply agreement will bring a range of new locally-assembled electric bus products that are currently not available to local bus operators in Australia.

On July 30, 2021, the Company announced it was named as a partner of choice by 9 major transit agencies across the United States for their successful project awards totaling over $40 million in grants through the U.S. Federal Transit Administration ("FTA") 2021 Low or No Emission ("Low-No") Grant Program.

On August 12, 2021, NFAI announced an agreement with Robotic Research to increase the deployment of ADAS in transit agency fleets across North America. The agreement expands the partnership originally announced in 2019 and builds on the unveiling of North America's first automated transit bus, the Xcelsior AV™, to pursue integration of Robotic Research's AutoDrive® technology into new and existing public transit vehicles. The technology, which will incorporate SAE Standard J3016 capabilities up to Level 4, will add ADAS features to help prevent pedestrian and cyclist collisions.

On November 2, 2021, the Company announced that dignitaries from around the world, including UK Prime Minister Boris Johnson and United Nations ("UN") Secretary-General António Guterres, were transported in BYD ADL Enviro400EV electric double deck buses during the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow, Scotland.

In November 2021, NFI attended the APTA TRANSform Conference and EXPO with a 100% zero-emission EV lineup, each equipped with the innovative, proven, and highly effective Clean and Protect Proactive Air and Surface Purification ("PASP") air purification technology from NFI Parts.

On December 2, 2021, NFI completed a bought deal offering of 6,110,000 Shares at a price of C$24.55 per share and C$300 million aggregate principal amount of convertible senior unsecured debentures (the “Debentures”). The Debentures have a coupon of 5.0% per annum, and a conversion price of C$33.15 per Share, subject to adjustments in certain circumstances. The Debentures will mature on January 15, 2027. On December 14, 2021, NFI issued an additional C$38,000,000 aggregate principal amount of Debentures pursuant to the partial exercise of the over-allotment option granted by NFI to the syndicate of underwriters of the bought deal financing. The gross proceeds from the offering, including the proceeds from the exercise of the Debenture over-allotment option, were approximately C$488 million. Concurrent with the bought-deal financing, on December 2, 2021, the Company amended its senior credit facilities to, among other things, provide flexibility with respect to key financial covenants (total leverage ratio and interest coverage ratio) for fiscal 2022 and 2023. The net proceeds of the offering were used to reduce the outstanding balances under NFI’s senior credit facilities.

Fiscal 2022

On May 5, 2022, at NFI’s annual general meeting of the shareholders, John Marinucci retired from the Board and Wendy Kei was elected as a new director of the Board.

On May 19, 2022, the Company announced an update regarding “NFI Forward 2.0”, a series of new projects that are part of the Company’s business optimization and cost reduction initiatives, including the anticipated closure of the MCI coach manufacturing facility in Pembina, North Dakota.

On July 29, 2022, NFI announced certain amendments to NFI’s senior credit facilities to provide the Company with relaxed covenants as it navigates supply chain disruptions, heightened inflation, and other impacts of the COVID19 pandemic.

On August 24, 2022, ADL announced that it was expanding its zero-emission bus portfolio with the addition of new electric bus products fully designed and integrated in-house using its own expertise. Available for customer delivery starting in early 2024, the new small medium-duty bus and new electric double deck bus will complement the highly successful products of the BYD ADL partnership, which will continue to be sold and supported.

On September 8, 2022, New Flyer unveiled its next generation, zero-emission hydrogen fuel cell-electric Xcelsior CHARGE FC™ heavy-duty transit bus. The Xcelsior CHARGE FC™ uses environmentally friendly hydrogen and fuel-cell technology to create electricity and to charge batteries for zero-emission extended-range, saving 85-175 tons of greenhouse gas per year from tailpipe emissions compared to a traditional diesel bus. With a range of over 370 miles, the bus can be refueled in 6 to 20 minutes depending on the model and operating conditions and requires no overnight plug-in electrical re-charging.

On September 28, 2022, MCI unveiled its new zero-emission, battery-electric high-floor commuter coach – the D45 CRT CHARGE™. The D45 CRT CHARGE™ - a zero-emission version of the best-selling D45 Commuter Rapid Transit (“CRT”) series public transit coach - integrates proven CHARGE propulsion from New Flyer, including regenerative braking, and features design advancements of MCI’s next generation D45 CRT commuter transit coaches, including enhanced reliability, efficiency, and high performance.

On November 1, 2022, ADL unveiled the first two vehicles as part of its next generation zero-emission bus portfolio with the Enviro400EV and the Enviro100EV at the UK’s largest trade show Euro Bus Expo in Birmingham, England. Along with a next-generation electric driveline and the new ADL battery system, the new battery-electric buses introduce a striking design language that enhances their curb appeal and makes a bold statement of investment in cleaner transport.

On November 3, 2022, NFI announced that it was named partner of choice by a total of 15 major transit agencies across the United States for its successful project awards from the FTA 2022 Low-No and Buses and Bus Facilities Grant Programs. New Flyer supported the successful applications for almost $200 million in grants awarded to 15 U.S. public transit agencies and was the named partner for two individual agency awards of over $25 million each.

On December 23, 2022, NFI announced proposed amendments to its credit facilities, including relief from existing covenants, and the receipt of non-binding commitments for a financial support package of approximately $187 million from the Government of Manitoba and Export Development Canada ("EDC"), a Canadian federal financial Crown corporation. On December 29, 2022, NFI completed the amendments to the credit facilities.

Fiscal 2023 and Year-to-Date

On January 20, 2023, NFI announced that it finalized agreements for the previously announced financial support package of approximately $187 million with the Manitoba Development Corporation ("MDC"), an entity that provides financial services and financial instruments on behalf of the Province of Manitoba, and EDC. The financial support package included (i) a C$50 million debt facility from MDC to support investments in working capital and general corporate purposes (the "Manitoba Facility"), and (ii) a $50 million debt facility to support supply chain financing (the "EDC Facility") and an up to $100 million surety reinsurance support arrangement for NFI's surety and performance bonding requirements for new contracts (the "EDC Bonding Support"), both provided by EDC.

On January 31, 2023, ADL announced that transport group Stagecoach had placed the first order of its next-generation battery-electric buses, taking 55 Enviro400EV double deckers for its operation in Oxfordshire, England as part of the UK Government's Zero Emission Bus Regional Area ("ZEBRA") scheme.

On April 5, 2023, ADL announced plans to expand its Larbert, Scotland head office and facility into a manufacturing site for the future, expanding ADL's manufacturing footprint from two to three production sites to meet demand for the decarbonization of public transport. The site once completed will focus on the production of the new Enviro400EV zero-emission bus, assembling the next-generation body on the new Alexander Dennis battery-electric chassis. The decision followed a successful pilot program to build Enviro400FCEV hydrogen fuel cell buses in Larbert, Scotland for the Liverpool City Region Combined Authority in England.

On May 4, 2023, at NFI's annual and special meeting of shareholders, the Honourable Brian Tobin retired as Chair of the Board and Jannet Walker-Ford was elected as a new director on the Board. Wendy Kei was named Chair of the Board following Mr. Tobin's retirement.

On May 10, 2023, NFI announced that it was working to complete a comprehensive refinancing plan (the "Refinancing Plan") to improve financial flexibility, strengthen its balance sheet and best position the Company to capitalize on the historic demand for its products and expected financial recovery. As part of the Refinancing Plan, the elements of which are further described below and which was completed on August 25, 2023, NFI amended its existing North American senior secured credit facility (the "North American Facility") and UK senior secured credit facility (the "UK Facility", and together with the North American Facility, the "Secured Facilities"), extended the Manitoba Facility and the EDC Facility and raised additional funds through the sale of new Shares and the Second Lien Financing (defined below). Details of the amendments to these credit facilities and the Second Lien Financing can be found under the heading "Description of Capital Structure – Credit Facilities" in this Annual Information Form.

On May 11, 2023, NFI announced that, as part of the Refinancing Plan, it had entered into an investment agreement (the “Investment Agreement”) with Coliseum Capital Management, LLC (“CCM”), Coliseum Capital Partners, L.P. (“CCP”) and Blackwell Partners LLC – Series A (“Blackwell”), a fund and an account managed by CCM, respectively (collectively referred to herein as “Coliseum”). Pursuant to the Investment Agreement, Coliseum (which was then a 12.4% holder of Shares) agreed to purchase Shares from NFI on the terms and conditions in the Investment Agreement. The issuance of Shares to Coliseum was approved by NFI’s shareholders at a special meeting of shareholders held on June 27, 2023. On closing of the Refinancing Plan on August 25, 2023, Coliseum purchased an aggregate of 21,656,624 Shares, on a private placement basis, at a subscription price of $6.1567 per Share, for aggregate gross proceeds to NFI of approximately $133.3 million (the “Coliseum Private Placement”) and Coliseum became NFI’s largest shareholder holding approximately 26.2% of the Shares. In connection with the Coliseum Private Placement, on August 25, 2023 NFI and Coliseum entered into a registration rights agreement, which governs NFI’s registration obligations in respect of the Shares purchased under the Coliseum Private Placement (the “Registration Rights Agreement”).

On May 16, 2023, ADL announced that it hosted the launch of the Scottish Zero Emission Bus Challenge Fund phase two (“ScotZEB 2”) on behalf of the Scottish Government. The second phase of the Scottish Zero Emission Bus Challenge Fund was launched at the Alexander Dennis global headquarters and factory in Larbert, where it was announced that ScotZEB 2 will have up to £58 million available in grant funding.

On June 5, 2023, NFI announced that the Toronto Transit Commission (“TTC”) had awarded NFI ULC a new five-year contract, which includes a firm order for 186 Xcelsior CHARGE NG™ heavy-duty transit buses, as well as the option for TTC to purchase up to an additional 435 of the same buses, for a total potential order of 621 buses over the duration of the contract.

On June 6, 2023, as part of the Refinancing Plan, NFI completed a bought deal public offering of subscription receipts (the “Subscription Receipts”). A total of 15,102,950 Subscription Receipts were issued at a price of C$8.25 per Subscription Receipt, for aggregate gross proceeds to NFI of approximately C$125 million (the “Subscription Receipt Offering”). On closing of the Refinancing Plan on August 25, 2023, each outstanding Subscription Receipt was exchanged, for no additional consideration or action on the part of the holder, for one Share, resulting in the issuance of 15,102,950 Shares.

On August 24, 2023, ADL announced that Transdev Blazefield had ordered 19 next-generation Alexander Dennis battery-electric Enviro400EV double deck buses for The Harrogate Bus Company. The order was part-funded by the UK Government’s ZEBRA scheme following a successful bid by Transdev’s partner, North Yorkshire Council in England.

In addition, on closing of the Refinancing Plan on August 25, 2023, NFI completed a private placement of an aggregate of 5,000,000 Shares to certain funds managed and/or advised by a leading global asset manager, at a subscription price of C$10.10, for aggregate gross proceeds to NFI of C$50.5 million.

As part of the Refinancing Plan, on August 25, 2023, NFI completed a $180.4 million second lien debt financing (the “Second Lien Financing”) with Coliseum. Details of the Second Lien Financing can be found under the heading “Description of Capital Structure – Credit Facilities” in this Annual Information Form.

On August 25, 2023, NFI completed all elements of its Refinancing Plan. Through the Refinancing Plan, NFI raised total gross proceeds of approximately $444.0 million, added approximately $136.8 million of additional liquidity, completed a $251.2 million permanent repayment to the Secured Facilities and a $25 million permanent repayment of the EDC Facility.

On September 7, 2023, NFI announced that it was named partner of choice in over $207 million in competitive grant awards through the FTA 2023 Low-No and Buses and Bus Facilities programs.

On September 25, 2023, ADL announced the appointment of Big Rig Manufacturing, a subsidiary of Big Rig Collision Group, as its contract manufacturing partner to meet resurging interest in the Enviro500 double decker in North America. The brand-new manufacturing facility is planned to open in Las Vegas, Nevada in 2024.

On October 4, 2023, NFI announced a partnership with American Battery Solutions ("ABS") for the supply of custom battery packs to power NFI's battery-electric transit buses and coaches in North America that will increase capacity and add resiliency to NFI's North American battery supply. NFI entered into a five-year agreement with ABS in 2021 and, following two years of extensive development and testing, NFI launched ABS batteries into bus production for customer deliveries starting in the first quarter of 2024. ABS will act as a second battery supplier to NFI, and will support NFI's significant battery-electric production ramp-up planned for 2024 and 2025.

On October 18, 2023, NFI announced that the Company is a qualified manufacturer for the commercial clean vehicle credit under the U.S. Inflation Reduction Act. NFI's electric vehicles in the United States are eligible for up to $40,000 in tax credits, per vehicle, from the U.S. Internal Revenue Service. There is not currently a limit as to the number of tax credits a business can claim.

On November 1, 2023, ADL launched its next generation of battery-electric buses for the UK and Ireland with the unveiling of the new Enviro100EV small bus and Enviro400EV double decker in Farnborough, England. At the product launch ADL announced further expansions to the wider next-generation family: an international version of the Enviro100EV, an autonomous Enviro100AEV and an open-top variant of the double deck Enviro400EV; as well as a new Enviro200EV single decker.

On December 18, 2023, NFI announced a C$10 million investment from Prairies Economic Development Canada ("PrairiesCan") to support the expansion of NFI's zero-emission heavy-duty modernization upgrades to the MCI facility in Winnipeg. NFI entered into an agreement for up to C$10 million in interest-free financing from PrairiesCan through Canada's Jobs and Growth Fund. The financing is non-interest-bearing and matures on March 1, 2030. The financing matches investments previously made by NFI into its zero-emission vehicle capabilities from late 2021 into 2023, and funds being invested into facility upgrades in 2024.

On February 8, 2024, NFI announced the appointment of Brian Dewsnup as NFI's next Chief Financial Officer ("CFO") effective March 1, 2024. Mr. Dewsnup succeeds Pipasu Soni who has served as CFO since 2020 and is leaving to pursue other opportunities. Mr. Soni will support the transition of the CFO role until the end of June 2024.

On February 28, 2024, NFI announced that Phyllis Cochran was retiring from the Board, effective at NFI's annual meeting of shareholders to be held on May 3, 2024 ("AGM"), and that Anne Marie O'Donovan would be nominated at the AGM to serve as a new director on the Board and the Chairperson of the audit committee.

On March 11, 2024, NFI announced that the New York City Transit Authority had awarded NFAI two new five-year contracts, which include firm orders for 187 Xcelsior Charge NG™ 40-foot buses, 18 Xcelsior Charge NG™ 60-foot buses and 224 Xcelsior 60-foot clean diesel buses, as well as options to purchase 1,661 additional buses (1,935 EUs) of the same models.

DESCRIPTION OF THE BUSINESS

NFI is a leading independent global bus manufacturer providing a comprehensive suite of mass transportation solutions in nine countries under the brands: New Flyer® (heavy-duty transit buses), ADL (single and double-deck buses), Plaxton (motor coaches), MCI® (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses), and NFI Parts™. NFI vehicles incorporate the widest range of drive systems available including: clean diesel, natural gas, diesel-electric hybrid, and zero-emission electric (trolley, battery, and fuel cell). Management believes the Company now supports over 100,000 buses and coaches currently in service around the world.

Leveraging 450 years of combined experience, NFI is leading the battery-electric transition of mass mobility around the world. With zero-emission buses and coaches, infrastructure, and technology, NFI meets today's urban demands for scalable smart mobility solutions. NFI has the largest ZEB production capacity in North America and the UK. NFI is growing its presence in Asia and Europe through a leadership position in Hong Kong double deck buses and cornerstone contracts in Ireland and Germany.

In addition to expertise in manufacturing, NFI also operates bus and motor coach aftermarket parts businesses that provide a recurring revenue stream that supports all of the largest transit agencies and operators in North America and the UK, and NFI's vehicles around the world.

The COVID-19 pandemic has had and continues to have a significant impact on the Company’s business, its end markets, customers and suppliers. On July 27, 2020, NFI responded to the impacts of COVID-19 by launching its transformative cost reduction initiative, “NFI Forward”, to significantly reduce manufacturing overhead and selling, general and administration (SG&A) from 2019 levels.

Industry Overview

Heavy-Duty Transit Buses (New Flyer and ADL)

The Company is the leading manufacturer of heavy-duty transit buses (sometimes referred to in the industry as intra-city buses) in the United States, Canada and the UK and the leading manufacturer of double-deck buses in Hong Kong. Heavy-duty transit buses are the backbone of intra-city urban public transportation systems. They consist of vehicles that are generally between 30 and 60 feet in length, in single-deck or double-deck variations and with seating capacity for up to 90 passengers. These transit buses operate in arduous stop and go conditions, often for up to 16 hours a day, seven days a week. Heavy-duty transit buses use a variety of propulsion systems in addition to clean diesel, including diesel-electric hybrid, CNG, battery-electric, electric trolley, biogas and hydrogen fuel cell-electric.

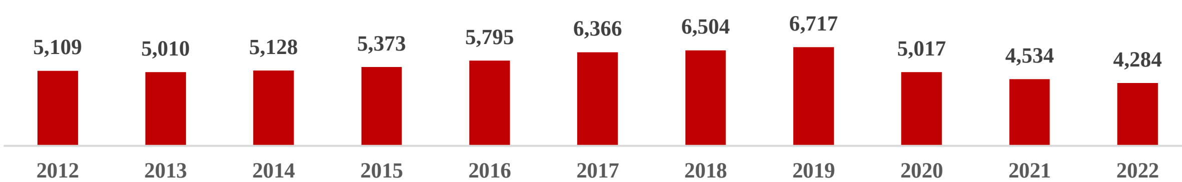
Customer funding models vary significantly by geographic region. In the United States, there are well-established federal funding programs for transit fleet replacements that typically fund approximately 80% of the total purchase, with the remaining 20% coming from local funding contributions. There can be significant pressure on local funding as a result of the effect of general economic conditions on local tax revenues. In Canada, funding is primarily generated from local and provincial governments, with some federal funding provided through specific programs.

The bus market in the UK is dominated by private companies working in a deregulated environment or on franchised contracts with local governments. Traditionally, there has been no general grant funding mechanism for the purchase of new buses, resulting in orders being placed on a purely commercial basis and on short lead times to delivery. In light of COVID-19, the market dynamics have changed, with more government involvement and subsidies materializing to facilitate and accelerate the shift to ZEBs with the decarbonization agenda taking a more central role in government policy. Both the UK and Scottish Governments have completed the first tranches of their respective capital funding programs, with the second round of funding is expected to be financially administered in spring 2024. The UK Government has paused the announcement of the legislative ban to stop the sale of non-ZEBs in England and Wales. The increasing popularity of ZEBs has seen additional finance providers entering the UK market through leasing and battery/vehicle as a service structure. ADL provides leasing and financing solutions to customers through third parties. Funding mechanisms in other geographical markets in which ADL operates vary.

Global macro focus on environmental concerns and climate change continues to grow, and the pressure placed on public transit services to expand and transition to zero-emission vehicles has heightened over the past few years. Within numerous jurisdictions government grants have been made available to organizations and transit agencies to develop or test new technologies, including alternative zero-emission propulsion systems such as battery-electric/hydrogen fuel cell-electric systems.

Management's estimates of total heavy-duty transit deliveries, presented in equivalent units, to customers in North America and the UK are presented in the charts below.

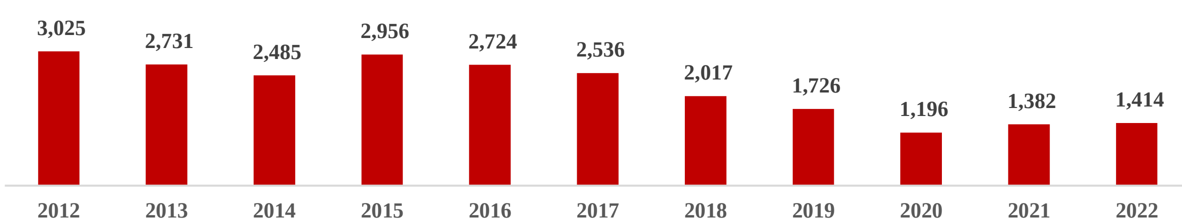
Annual Heavy-Duty Bus Deliveries in Canada and the United States (EUs)



Source: Third-party estimates. 2023 estimates are not yet available.
Notes: Deliveries indicated in number of equivalent units.

As no precise public data source exists regarding industry deliveries in Canada and the United States, management relies on third-party estimates that are typically compiled within the first quarter of the year. At the date of this Annual Information Form, the third-party estimates for 2023 heavy-duty transit industry deliveries have not yet been published. Management, however, expects a further decrease in industry deliveries compared to the estimated total number of equivalent units delivered by the industry in 2022. The decrease is primarily the result of critical supply disruption and labour challenges related to the pandemic and the bankruptcy of a North American competitor.

Annual Bus Registrations in the United Kingdom



Sources: Transport Resources International Ltd. for 2008 to 2018 data; Bus Lists website (www.buslistsontheweb.co.uk) for 2019 – 2022 data (2023 data is not available) and management estimates.
Note: Registrations indicated in number of buses.

In Europe, the market for transit buses is dominated by municipal companies or international transport groups under contract to transport authorities. Procurement by customers of new vehicles on an annual basis is typical with little provision for option purchases in future years. In addition to direct or indirect government funding for the purchase of new transit vehicles in most European countries, additional funding is available from the European Union, primarily through the European Regional Development Fund mechanism.

Low-floor Cutaway and Medium-Duty Buses (ARBOC)

The Company is also the leading manufacturer of low-floor cutaway buses in the United States and Canada. These buses generally range between 20 and 35 feet in length and have average seating capacities from 10 and 37 passengers. The principal purchasers of these buses are municipal transit agencies, universities, entities in the healthcare sector (e.g., nursing homes and assisted living homes), and airport shuttle operators. Buses manufactured by ARBOC are sold through its network of approximately 10 dealers. Commercial terms with the dealers typically require the dealer to pay for the bus in full prior to picking the vehicle up at ARBOC. ARBOC's largest end-user customers are municipal transit agencies who obtain rolling stock funding in the same manner as described for heavy-duty transit buses. For private market sales, the ARBOC dealer, and not ARBOC, may offer leasing or financing options.

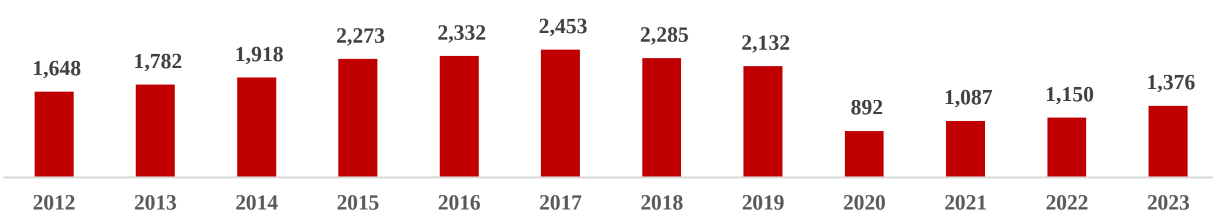
Motor Coaches (MCI) and Plaxton

The Company is also the leading manufacturer of motor coaches (sometimes referred to in the industry as over-the-highway, inter-city or long-haul buses) in the United States and Canada. Coaches generally range between 35 and 45 feet in length and have a seating capacity of approximately 40 to 60 passengers. Most coaches have clean diesel propulsion systems, but the Company also manufactures coaches with diesel-electric hybrid, CNG and battery-electric propulsion systems. The principal purchasers of motor coaches are private tour and charter operators, limousine/livery operators, inter-city line-haul operators, employee shuttle operators, private and public fleet operators and municipal and other local transit agencies.

Funding for public fleet operators in North America follows the same pattern as for heavy-duty transit buses. New coach funding for private fleet operators is provided from their operations or by their financial institutions, with a significant portion of private fleet operators choosing to finance new coach purchases. In some cases, MCI assists in arranging third party financing. Pre-owned coaches are purchased in the same manner by private customers, with a lower percentage of coaches being financed.

Coaches built by Plaxton are assembled in the UK on chassis supplied by Volvo, with clean diesel propulsion systems. Plaxton coaches are sold predominantly in the UK and Irish markets.

Annual Motor Coach Deliveries in Canada and the United States (EUs)



Source: Management estimates.
Notes: Deliveries indicated in number of equivalent units.

Aftermarket Parts and Support

NFI Parts is North America's most comprehensive bus and motor coach parts organization, providing replacement parts, technical publications, training, service, and support.

Outside of North America, ADL, through its "AD24" aftermarket platform, utilizes its global service network to supply parts to customers, ensuring availability and quick delivery. This network is comprised of global part centers and service workshops to provide maintenance and warranty repairs to customers.

Company History

The Company's predecessor was founded in 1930 as a manufacturer of motor coaches and school buses. The name "Flyer Industries Limited" was adopted in 1971, at which time the company began to focus exclusively on heavy-duty transit buses. With its acquisition in 1986 by Den Oudsten, B.V. ("Den Oudsten"), Holland's largest transit bus manufacturer, the company became "New Flyer Industries Limited". Den Oudsten was an innovation leader in the European transit bus manufacturing industry, having been the first manufacturer to introduce the low-floor transit bus concept. Den Oudsten brought the low-floor transit bus to North America in 1988, and it eventually became the transit industry standard.

In 2002, a private investor group acquired a controlling interest in the Company and the Company was sold to another private investor group in 2004. In 2005, NFI and NFI ULC completed their initial public offering.

In 2013, Marcopolo S.A. ("Marcopolo"), a Brazilian manufacturer of transit buses and motor coaches, made a strategic investment to acquire newly issued Shares, representing at that time, a 19.99% stake in NFI. In 2016, Marcopolo sold 4.5 million Shares and continued to own, at that time, 10.8% of the outstanding Shares of NFI. Marcopolo remains a shareholder of NFI, owning less than 10% of its outstanding Shares.

In 2013, NFI ULC acquired certain assets from Daimler Buses North America relating to its Orion aftermarket parts business and shortly thereafter acquired North American Bus Industries, Inc. ("NABI") from an affiliate of Cerberus Capital Management, L.P. In 2015, NFI acquired MCI from KPS Capital Partners, L.P.

On December 1, 2017, NFI acquired ARBOC.

In May 2018, NFI changed its name from "New Flyer Industries Inc." to "NFI Group Inc." to better reflect the multi-platform nature of NFI's business that includes buses and motor coaches built by New Flyer, MCI and ARBOC and parts sold by NFI Parts.

On May 28, 2019, NFI acquired ADL. ADL is the world's leading manufacturer of double deck transit buses, and a significant manufacturer of lightweight single deck transit buses. ADL is also the UK's leading bus and coach manufacturer. ADL offers single and double deck buses under the ADL brand as well as Plaxton coaches, with vehicles in service in the UK, North America, Ireland, Europe, Hong Kong, Singapore, New Zealand, Australia, and Mexico.

Business Strengths

Leading the ZEvolution™

At its January 2021 Investor Day, the Company unveiled its vision to drive the increased adoption of ZEBs, what it is calling the ***ZE***volution™, or the evolution to zero-emission mobility. NFI envisions a consistent adoption of zero-emission vehicles over the next decade as transit agencies and motor coach operators in North America, the UK, Europe and Asia Pacific markets transition their fleets to EVs. NFI has been building electric since 1969 and offers the broadest offering of zero-emission vehicles, including battery-electric buses and coaches, hydrogen fuel cell-electric buses and electric trolleys.

In 2023, the Company delivered 878 ZEBs, which represents approximately 22% of the Company's total vehicle deliveries.

A critical component of NFI's strategy is to provide complete mobility solutions, including vehicle manufacturing, infrastructure installation, telematics, vehicle financing, technical and aftermarket support. NFI has the largest vehicle production capacity in North America and the UK, and can manufacture ZEBs at all of its production facilities. NFI has EVs in service or on order with 21 of the top 25 transit agencies in North America, and the Company's battery-electric and fuel cell electric vehicles have completed over 150 million miles of zero-emission service in North America, the UK and New Zealand. The Company has also installed infrastructure with numerous agencies that saw the Company grow its Infrastructure Solutions™ revenue. Management anticipates that based on the Company's leadership position, product offering, experience and customer relationships it is well positioned to capitalize on the long-term transition to ZEBs in both core and new markets. Management believes the Company possesses the following key business strengths that allow it to maintain its strong competitive position in its industry.

Leading Market Position

The Company has built its leading market position through its broad product offering, innovation, extensive in-house engineering capabilities, timely delivery of buses and motor coaches to specifications, product reliability, high quality and aftermarket parts and service support capabilities.

- **New Flyer** – The Company's market share may fluctuate year-to-year, but management believes that the Company has consistently maintained its leading market share from 2000 through 2021. In 2022, the Company slipped to second place in the North American transit bus market primarily due to incomplete units awaiting parts at its facilities. While market data for 2023 is not yet available, based on deliveries New Flyer made in 2023, management anticipates that New Flyer has remained one of the top two manufacturers by market share in North America. Based on the Company's backlog, current bids and anticipated future bids, management anticipates that New Flyer will regain the leading market share position in 2024 and beyond as it increases its production rate. Management estimates there are approximately 32,000 New Flyer transit buses (of the approximately 52,000 transit buses New Flyer has delivered) and approximately 4,000 NABI transit buses (of the approximately 10,500 transit buses NABI has delivered) currently in service in the United States and Canada.

- **MCI -** Management estimates that MCI had the leading market share of the combined United States and Canadian public and private coach market based on the number of coach deliveries in 2023. Although the coach industry is more cyclical and dependent on economic factors than the heavy-duty transit bus industry and the Company's market share may fluctuate year-to-year, management believes that MCI has consistently maintained its leading market share since 2003. Management estimates that in 2023, there were approximately 16,000 MCI coaches in service in the United States and Canada. This represents approximately 49% of the estimated 33,000 active coaches in the United States and Canada in 2023.

- **ADL -** Management estimates that ADL had the leading market share in UK in respect of buses built on an ADL chassis and third-party chassis in 2023, resulting in a leading market share in the single deck body market and double deck body market in UK. Although ADL's market share may fluctuate year-to-year, ADL has consistently maintained UK market leadership for more than a decade. In addition to being leader in the UK, ADL is a market leader in Hong Kong double-deck buses and strong presence in growth markets including New Zealand, Australia and Singapore. ADL continues to expand its international markets, most recently in Ireland and Germany. Management estimates that there are over 31,000 ADL and Plaxton vehicles in service throughout the UK and international markets.

- **ARBOC -** Management estimates that ARBOC had the leading market share of the combined United States and Canadian low-floor cutaway sector based on the number of equivalent unit deliveries in 2023. Although ARBOC's market share may fluctuate year-to-year, management believes that ARBOC has consistently maintained its leading market share of the combined United States and Canadian low-floor cutaway transit bus sector since 2008. Management estimates there are approximately 3,500 ARBOC low-floor cutaway transit buses currently in service in the United States and Canada.

- **NFI Parts -** NFI Parts is North America's most comprehensive bus and motor coach parts organization, providing replacement parts, technical publications, training, service and support.

Broadest Product Portfolio and Innovation Leader

In North America, management believes the Company has the broadest product and most advanced propulsion systems offering in the industry with the engineering capabilities to meet the diverse needs of its customers. The Company is recognized in the industry for product innovation and has consistently been at the forefront of developing and integrating new technologies. Examples of the Company's innovation include products such as the low-floor transit bus, which has become the industry standard, on-board telematics, bus styling, hybrid drive systems, battery-electric and fuel cell electric propulsion, driver assistance technology, articulated transit buses, low-floor cutaways and double-deck buses. The Company's leadership in innovation is a result of its extensive in-house engineering capabilities that involve many disciplines, such as structural design, powertrain, hydraulic, electrical, HVAC systems, energy storage enclosures and power electronics packaging.

The Company's breadth of product offerings and its demonstrated product development capability allow it to bid on almost any transit bus or motor coach contract in North America.

MCI offers North America's best-selling public and private motor coaches. The D-model coach comprises the largest installed base of motor coaches with public transit agencies in the industry. In 2017, MCI unveiled the new D45 CRT LE which improves accessibility through ground level entry via a vestibule design that permits passengers to self-secure wheelchairs and other mobility devices. MCI's 45- foot coach, commonly known as the J4500, comprises the largest installed fleet of private motor coaches in North America and has undergone several styling refreshes to maintain a market leading appearance. In 2019, MCI began delivering the J4500 and the D45 CRT LE to customers. In 2020, MCI began delivering the D45 CRT to customers. MCI further expanded its zero-emission offering with the 2022 launches of the D45 CRT CHARGE™ battery-electric coach.

The Company's product range outside of North America boasts the widest range of low- and zero-emission technology on ADL's Enviro family of low-floor buses, including the Enviro100 single-deck midibus, the Enviro200 single deck, Enviro400 two-axle double deck and Enviro500 three-axle double deck models. The Enviro's modular design allows it to be tailored to the requirements of transit agencies and bus operators in various jurisdictions.

ARBOC offers innovative low-floor cutaway vehicles, with industry leading mobility and accessibility. In 2017, it introduced the Spirit of Equess®, its low-floor, medium-duty transit bus, commonly referred to as the Equess™. In February 2021, ARBOC launched a battery-electric variant of the Equess™, called the Equess CHARGE™.

High Quality and Large Customer Base

The Company sells buses to all of the 25 largest transit authorities in North America. These agencies operate either New Flyer, Orion or NABI buses, or a combination thereof. New Flyer has active business relationships (which includes the sale of aftermarket parts) with over 500 transit authorities in North America. MCI delivers coaches to the top private motor coach operators in the industry and also sells coaches to certain public transit agencies. Through sales to dealers, ARBOC delivered cutaway and medium-duty transit buses to a diverse end-user base of public transit agencies, universities, airports and other private operators in 2023. ADL leads the bus market in the UK with the majority of new buses produced partly or in full by ADL in 2023. The Company has active business relationships for new vehicles or aftermarket parts sales with all large operators and the majority of smaller bus companies in the United Kingdom and Ireland. The Company also leads the Hong Kong market where it enjoys strong relationships with both major transport companies and is a leading supplier of city buses in New Zealand.

Aftermarket Parts and Support Capability

Aftermarket parts and support is an important element in the purchase criteria of transit bus and coach operators. The Company's leading share of all buses and motor coaches currently in service provides recurring demand for and an opportunity to grow its aftermarket parts business. In North America, the Company provides aftermarket parts and support for products manufactured by New Flyer, NABI, Orion, MCI, ARBOC, ADL as well as other manufacturers through the NFI Parts brand. Outside of North America, ADL provides aftermarket parts and support for its products, including the AD24 digital aftermarket portal offering 24/7 access with a personalized user experience for customers and access to all manuals and service bulletins. The cost of aftermarket support (including warranty and training requirements) is typically included in the customer's transit bus or coach purchase contract, while aftermarket parts are sold separately when required after the initial transit bus or coach purchase. Management believes that the Company provides the most comprehensive aftermarket service and support of all manufacturers in the industry in North America. Aftermarket operations represented approximately 21% of the Company's 2023 revenue.

Experienced and Committed Management Team

The Company's senior management team consists of experienced and committed individuals who have implemented robust processes to manage bidding, contracts management, engineering, strategic sourcing, manufacturing, quality assurance and aftermarket parts and service which have resulted in the Company's growth and profitability. Management brings expertise from a wide range of transportation manufacturing industries, including bus, motor coach, railcar, automotive and aerospace. The Company's management team also has extensive experience in LEAN manufacturing and "Operational Excellence" initiatives and processes. The Company's executive leadership teams participate in NFI's performance unit plan, restricted share unit plan and share option plan, and all of the Company's management and sales teams participate in some form of incentive plan. See "Risk Factors — Risks Related to Operations — 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".

Vertical Integration and Parts Fabrication Capabilities

In North America, the Company has strong parts fabrication capabilities, with the goal of controlling costs, delivery time and quality. Nearly all of the Company's North American production facilities also manufacture certain parts for installation on the Company's vehicles. Carfair produces fibreglass reinforced parts for certain of the Company's subsidiaries. KMG fabricates certain parts for New Flyer and ARBOC vehicles and for NFI Parts.

Corporate Vision, Mission and Strategy

NFI is a leading independent bus and motor coach manufacturer and a leader in electric mass mobility solutions.

The Company's vision is to lead the evolution of sustainable on-road mass transportation and mobility. NFI is leading the ***ZE***volution™ to zero-emission mobility. The Company's purpose is To Move People as its products and services move millions of passengers daily, the world's most precious cargo. The Company also looks to develop its workforce and advance the careers of its team members.

The Company's mission statement is – "To design, deliver and support market leading innovative bus and motor coach solutions that are safe, accessible, efficient and reliable."

The Company's business strategy is to seek long-term success by offering industry-leading transportation solutions, generate profitable growth with a focus on recuring revenue streams, be the employer of choice for its chosen industry, and through a commitment to sustainability and operational excellence to deliver the best products with the lowest total cost of ownership.

Sustainability Focus

As one of the world's leading independent global bus and coach manufacturers, a strong sustainability focus is integral to how the Company conducts business. Our Better Product, Better Workplace, Better World Sustainability Pledge was formalized in 2006, and guides our daily actions and long-term planning. Understanding the sustainability considerations are driving global economic activity and ensuring a robust sustainability strategy is crucial for the Company to create long-term and sustainable value for all of its stakeholders. The Company's sustainability focus covers all aspects of its business, including environmental, health and safety, governance and standards of business conduct, risk management, shared mobility principles, diversity, equity and inclusion ("DEI"), workplace culture advancement and commitment to the communities where we work. In 2022, the Company undertook an in-depth stakeholder materiality and benchmarking assessment. As a result of these sustainability assessments, in 2023 the Company has deepened its focus on climate change, social impact, specifically around its commitment to workforce development, talent acquisition and retention by building strong collaborative relationships with underserved and underrepresented population groups and creating strategies to help attract and retain top talent. As the economy continues to move towards zero-emission mobility, the Company is focused on ensuring its products have significant positive impact on the communities in which they operate, including with respect to emissions, gridlock reduction, accessibility, and economic enablement. NFI's impact in these areas was highlighted by Corporate Knights naming the Company as one of Canada's Best 50 Corporate Citizens for a second consecutive year in 2023.

In 2023, the Company also established a Sustainability Council to give strategic leadership to NFI's ESG and sustainability programs, expanding our sustainability governance approach with an emphasis on risk management and strategic alignment to advance sustainable growth and climate action. The Sustainability Council includes senior members of NFI's leadership team and NFI's Board has direct oversight of the council.

The Company's Environmental, Social and Governance ("ESG") report can be found at its website, www.nfigroup.com.

Operational Excellence

One of the core operating principles of the Company is developing and implementing strategies and tactics to support LEAN manufacturing and operational efficiencies. New Flyer's and MCI's "Operational Excellence" program, for example, is focused on providing and maintaining for all employees a safe, clean and efficient working environment to enable them to be the most efficient bus and coach manufacturers and achieve the highest level of first-time quality in its products through the implementation of well-defined and robust processes and procedures that are sustainable for future growth. Management believes that Operational Excellence improves employee safety and morale, reduces the cost of manufacturing, improves quality, and improves overall customer satisfaction.

Products and Services

The Company derives its revenue and cash flows from the following two segments:

- *OEM Manufacturing Operations* — design, manufacture and sales of transit buses, motor coaches (including the sale of pre-owned coaches), medium-duty buses and cutaways of various body lengths with diverse propulsion systems. Original equipment manufacturers ("OEMs") manufacturing operations, represented approximately 80%, 76% and 79% of the Company's revenue in 2021, 2022 and 2023, respectively.

- *Aftermarket Operations* — support of all post-sale activities, including parts distribution, field services, support documentation, training and special projects. Aftermarket operations represented approximately 20%, 24% and 21% of the Company's revenue in 2021, 2022 and 2023, respectively.

Transit Bus and Motor Coach Manufacturing Operations

The Company has the broadest and most advanced product offering in the North American and UK transit bus and motor coach markets. The Company's sales, reputation, product range, engineering capabilities and product quality position it as the leading manufacturer in the transit bus, coach and low-floor cutaway markets and in specialty transit bus areas such as bus rapid transit vehicles, electric trolleys, hydrogen fuel cell-electric, and battery-electric propulsion system buses. The Company offers the following primary vehicle types, all of which can be modified to meet a wide range of customer specifications:

Model	Lengths	Propulsion System(s)
New Flyer Xcelsior® (heavy-duty transit bus)	35', 40', 60'	Clean diesel, CNG, diesel-electric hybrid, battery-electric, trolley-electric and hydrogen fuel cell-electric
ADL Enviro100	28'	Battery-electric
ADL Enviro200	30', 35', 40'	Clean diesel, battery-electric
ADL Enviro400	35'	Clean diesel, CNG, diesel-electric hybrid, battery-electric and hydrogen fuel cell-electric
ADL Enviro500	40', 45'	Clean diesel, battery-electric

Model	Lengths	Propulsion System(s)
MCI D-model coaches	40’, 45’	Clean diesel, battery-electric
MCI J-model coaches	45’, 35’	Clean diesel, battery-electric
Plaxton coaches	40’, 45’, 50’ and double deck coaches	Clean diesel
ARBOC Spirit of Equess® (medium-duty bus)	29’, 32’, 35’	Clean diesel, CNG, battery-electric
ARBOC Spirit of Mobility® (cutaway bus)	23’, 26’, 28’	Gas, clean diesel, CNG
ARBOC Spirit of Freedom® (cutaway bus)	24’, 27’, 29’	Gas, clean diesel
ARBOC Spirit of Independence® (cutaway bus)	21’, 23’	Gas, clean diesel

Public transit agencies and commercial operators require transit buses and motor coaches to be highly customized to meet specific customer needs and preferences based on geographic and local factors. Each customer contract includes a precise set of technical specifications for the transit buses or motor coaches being ordered. The Company’s sales and engineering departments work directly with the customer to ensure that all specifications are met and that any changes to the specifications are incorporated into the component sourcing and production process.

Motor coaches for private or commercial customers tend to be more standardized than for public customers but may be customized for certain commercial customers. Private customers have fewer options and, for the most part, customizations typically entail exterior livery, interior seats, trim and interior colors.

Medium-duty and cutaway buses typically offer a standard listing of configurations and customer options with fewer customizations than with transit buses or motor coaches sold to public customers.

Product Development and Innovation

The Company continually seeks new solutions and incorporates next generation technology in order to meet the needs of its customers, and many of its product innovations have become the industry standard. The Company ensures that its engineering capacity is appropriately balanced between new product development and ongoing manufacturing operations. Innovation concepts are directed to the Company’s new product development groups (“NPD”) for development and prototyping. NPD’s primary objectives are to implement product design concepts, fabricate, test and certify engineering prototypes, and develop practical solutions to problems identified by the engineering and marketing departments and customers.

Throughout its history, the Company has introduced a variety of product innovations that have driven the transit bus, medium duty bus, motor coach, and low-floor cutaway markets in North America, the UK, Hong Kong and in other international markets in which the Company operates. These innovations include the introduction of the first low-floor bus and the first 60-foot articulated bus in North America, the development of hydrogen fuel cell-electric transit buses and the development of battery-electric variants of its single-deck, double-deck and motor coach products.

The Company's track record of innovation was on display with the launch of North America's first automated transit bus on the New Flyer Xcelsior CHARGE platform on January 29, 2021. The battery-electric vehicle integrates ADAS technology to meet SAE Standard J3016 Level 4 technology.

The Company's track record for innovation was furthered in the UK through ADL's Enviro200AV autonomous bus. The Enviro200AV operates at the highest level of autonomous vehicle technology currently permissible on public roads in the UK, SAE Level 4. A joint initiative between private and public sector, the CAVForth project is the UK's first full-size autonomous bus service. The second stage of the project is in development for a ZEB variant, through the Enviro100AEV.

Aftermarket Parts and Support Services

Aftermarket parts and support have become increasingly important to transit bus and coach operators in their purchase decisions. The increasing complexity of the technologies of transit buses and coaches, combined with operators' increasingly constrained operating budgets and high transit bus and coach utilization levels, have driven demand for aftermarket parts and support. The Company's leading share of transit buses, and motor coaches currently in service provides recurring demand for and an opportunity to continue to grow its aftermarket parts and service business. The Company, under the brand NFI Parts, provides parts and support not only for products manufactured by the Company, but for products manufactured by competitors. Management believes that NFI Parts provides the most comprehensive aftermarket parts support of all manufacturers in the industry. Internationally, ADL's aftermarket division supports the UK, Ireland, Hong Kong, Singapore, New Zealand, Australia, and specific customers in a number of markets that are being developed by ADL (i.e., Mexico and Germany).

The Company performs commercial work on MCI coaches and New Flyer buses, as well as on competitors' coaches and buses, from seven service centers in North America. These centers also support the sale of motor coaches providing locations for new coach acceptance and warranty work. In addition, these service centers hold pre-owned coach inventory and perform work on these pre-owned coaches to ready them for resale into the market. ADL operates two service centers in the UK that perform commercial and warranty work on ADL and Plaxton vehicles and one service center in Mexico that provides service work on ADL vehicles.

Aftermarket parts and support services consist of the following components:

Parts

The aftermarket parts team is recognized as a leader in its area, both in size, variety of parts and service quality. From its many parts distribution centers, the Company distributes a wide assortment of service parts for a variety of models of transit buses, coaches and cutaway vehicles including products built by other manufacturers. The Company provides the following competitive advantages over its competition: widest original equipment product assortment, a wide network of distribution centers in North America, robust industry knowledge and the ability to cross reference products to create solutions for customers.

Part of the Company's strategy is to have warehousing and distribution capability to provide industry-leading response times to all of the Company's customers in North America. This network of strategically located parts distribution centers has significantly improved the response times to the customers and minimizes transportation costs. This industry-leading network also provides a solid logistics infrastructure to facilitate planned growth in the new and additional areas of customer life cycle support. Beyond North America, ADL's aftermarket division sells body and chassis parts to bus and coach operators in the UK and in the Asia-Pacific markets with over 35,000 active parts lines held in stock for immediate delivery. ADL supplies an all makes parts line permitting a larger number of operators to be targeted. ADL also offers an online platform (AD24) offering a full range of spare parts, training videos, service bulletins, customer forum, and chat functionality.

Infrastructure Solutions™

In early 2019, the Company introduced NFI Infrastructure Solutions™, a service dedicated to providing safe, reliable, smart, and sustainable charging solutions that will support mobility projects from start to finish and will focus on energy management optimization as well as infrastructure planning and development, providing a cohesive transition of bus fleets to ZEB technology. The Infrastructure Solutions™ team is based at the Company's Vehicle Innovation Center ("VIC") in Anniston, Alabama, which is the first innovation lab in North America dedicated to the advancement of bus and coach technology. New Flyer is the first North American bus manufacturer to offer a comprehensive infrastructure service to its customers. Since its inception, the Company's Infrastructure Solutions™ has installed over 415 plug-in and 35 overhead chargers for a total of 72 Megawatts of charging capacity.

Service Support

The customer service team is responsible for product acceptance, field support, field engineering and warranty management. Management believes the Company has the highest density of service representatives per transit bus or coach in the field, to help ensure a timely and complete response to each customer request throughout the operating life of the transit bus or coach.

New Flyer and MCI have service centers in North America to provide warranty, technical and integrated supply chain services and commercial repair work for their products and, in the case of MCI, to provide pre-owned coach sales. There is also a large team of mobile field service representatives who can address issues in the field across North America. In the UK, ADL has two dedicated facilities to provide minor and major commercial repair work, as well as warranty support for bus and coach operators and a team of mobile engineers to address issues in the field.

Product Training

Operator and maintenance training is a key area of focus for the Company and can be provided as part of a purchase contract or separately as an aftermarket service. While New Flyer and ARBOC offer a variety of training programs, MCI and ADL deliver comprehensive training programs through their respective training academies. MCI also offers technical certificate programs.

Workforce Development and e-Learning

The Company is focused on workforce development and training, including in-person and virtual training programs. Special focus is placed on creating opportunities for a diverse, equitable and inclusive workforce through the Company's internal programs and external partnerships. The Company offers significant training and development through the VIC.

New Flyer offers in person and internet-based training modules, or e-learning, to its heavy-duty transit customers using a web hosted learning management system that stores and provides courses and maintains the training records of the students. This technology allows students to be trained using consistent course content and delivery methods. In addition, courses are taken on an individual basis and on a schedule that fits the student's needs. Course offerings can include topics ranging from bus maintenance to driver self-defence training.

MCI's in-person training is supplemented by an industry leading internet-based Learning Management System ("LMS"). More than 400 training classes are available online with thousands of coach technicians already enrolled in the program. Students can achieve the MCI certified technician status with LMS. To ensure the integrity of MCI's training, a portion of the training is also hands-on training. Management plans to expand the LMS program to include inventory management, parts ordering and other workshop management topics.

ADL customers receive product familiarization upon vehicle acceptance and can access additional training material in the video library on AD24. ADL also offers technician and apprenticeship training plus in-person training at its Farnborough training center.

New Flyer Connect®

The New Flyer Connect® system is an on-board telematics system licensed by the Company and integrated into New Flyer and MCI vehicles that includes a modem, GPS unit and a driver interface. The system permits real-time monitoring of the driver and vehicle performance on an individual vehicle basis and on a fleet-wide basis through a web-based portal that customers can access. New Flyer Connect® integrates this data and provides monitoring and prognostic performance information to the customer which can be used to improve driver safety, improve driving and fuel efficiency and predict maintenance events.

In January 2019, New Flyer introduced Connect 360™, a real-time, cloud-based business analytics dashboard for the Xcelsior CHARGE™ battery-electric buses. Connect 360™ is an enhanced and added feature, specifically engineered to track battery-electric, ZEB performance using secure cloud-based technology. Connect 360™ analytics can be retrieved 24 hours a day, seven days a week. In November 2021, NFI introduced its all new, enhanced connected technology, NFI Connect™, a 5G-capable and secure telematics solution that provides real-time oversight of fleets, ultimately improving bus uptime, driver safety, and operational costs.

ADL offers connected technology on its vehicles through the AD24 and NFI Connect platforms.

Customers

Heavy-Duty Transit Buses

Management has divided the North American heavy-duty transit bus industry into three customer segments: the Metropolitan segment (represented by 22 of the largest transit agencies), the Urban segment (represented by mid-size transit agencies, comprising approximately 100 agencies) and the Municipal segment (represented by smaller transit agencies, comprising over 1,000 agencies).

The Company sells buses to all of the 25 largest transit authorities in North America. These agencies operate New Flyer, Orion and NABI transit buses and MCI motor coaches. The Company has active business relationships (which include the sale of parts) with over 500 transit authorities in North America. The Company's leading share of all heavy-duty transit buses currently in service gives it an advantage in bidding for new contracts, as operators are increasingly seeking to standardize fleets to minimize the cost of parts and maintenance.

Management has divided the UK market for single and double deck buses into customer segments: Groups (five major groups representing approximately 48% of ADL's volume), London (bus companies providing services under contract to Transport for London) and the retail market (including major independent operators and smaller companies). ADL leads the market in each of these customer segments, being the top supplier to four out of the five major groups and regularly supplying the companies providing bus services to Transport for London. ADL has business relationships for new vehicles with all but one of the major independent companies and leads the retail market for smaller bus companies. In Hong Kong, ADL has close business relationships with both major bus companies.

Cutaway and Medium-Duty Transit Buses

Cutaway and medium-duty buses are sold by ARBOC dealers to end-user public and private market customers. ARBOC's dealer network in 2023 comprised of approximately 10 dealers, each of whom are assigned a territory within North America to sell ARBOC buses. The ARBOC dealer network maintains over 40 locations across North America, providing a broad reach for sales opportunities and customer support.

ARBOC dealers delivered buses to customers in the Municipal, Urban and Metropolitan heavy-duty transit bus segments, as well as various institutions, airports, shuttle operators and healthcare providers. ARBOC, however, is not always aware of the identity of the end-user customer as the sale of stock and demonstration buses are made through dealers.

Motor Coaches

Management has divided the motor coach market into six segments: the Tour and Charter segment, the Fixed-Route/Line-Haul segment, the Transit segment, Limousine/Livery Segment, Employee Shuttle and the Conversion segment.

MCI has long-standing relationships with most of the major public and private coach operators in the United States and Canada. MCI's motor coaches have a reputation for reliability and durability that make them the preferred motor coaches across the industry. In addition to the motor coach product, MCI's reputation for technical support, field service and aftermarket parts help to build customer loyalty. One significant difference between the heavy-duty transit bus and motor coach industries is the importance of the residual value of a coach and a secondary market for its sale. Private operators typically sell or trade in motor coaches after 5 to 10 years of ownership in an effort to keep their product fresh. The residual value of the coach thus becomes an important factor in the total cost of a new motor coach purchase. Historically, MCI accepted coaches in trade for between 50% to 60% of new coach sales. Since 2020 however, this trade-in activity has decreased as operators either hold older coaches for parts, sell the older coaches on their own or park them as a result of the decline of market values and demand for older coaches. In 2023 approximately 25% of new coach sales involved the trade-in of an older coach, but management expects this percentage to increase as the private coach sector continues to recover. Vehicle financing is also important to the selling process as the vast majority of all new motor coach sales to private operators are financed by the customer.

Forward Visibility of Orders and Backlog

The Company has some forward order visibility in its public markets in North America due to the fleet planning, budgeting and funding application processes its transit customers undertake in order to purchase transit buses and motor coaches. Public and private orders of heavy-duty transit buses and public motor coach orders are often made six months to more than one year in advance of delivery, due to the customized nature of the vehicles and the sophisticated procurement processes.

Forward visibility into the new private coach industry is rather limited. Management, however, is in constant contact with motor coach operators to discuss their fleet replenishment and growth plans. Management also uses trend analysis to predict medium- to long-term demand and to set production rates. Visibility with respect to pre-owned coach sales is more limited, with purchases often being initiated and completed within a very short period of time. MCI also manufactures some "stock" units to enable it to sell coaches to private customers who require quick delivery.

The bus market in the UK is led by private companies working in a deregulated environment or on franchised contracts with local governments. Traditionally, there is no general grant funding mechanism for the purchase of new buses, resulting in orders being placed on a purely commercial basis and on short lead times to delivery. Customers place orders with manufacturers frequently, instead of making provisions for future purchase options under the purchase agreements. Government policy to increase the number of zero-emission buses in service in the UK has resulted in greater government subsidies being made available to operators, and as a result, there may be greater forward visibility over time.

Sales of ARBOC buses are to a mix of public and private customers. The sales cycle for cutaway and medium-duty buses is typically shorter than heavy-duty transit buses and motor coaches. Through its dealer network and internal sales team, ARBOC works closely with end-user public transit agencies to understand their fleet replacement needs and forecast demand. As with private coach sales, forward visibility into end-user private cutaway and medium-duty buses is limited. In addition to setting annual sales targets with its dealers, ARBOC also requires dealers to maintain minimum levels of demonstration and stock vehicles in inventory, which are replenished with new vehicles upon dealers' sales to end-users.

Many public customer purchase contracts, and some private customer contracts, include options to purchase additional transit buses or coaches in the future. These purchase options are typically exercisable over a period of three to five years and, in certain situations, are transferable to other transit authorities, provided the assignee of the options meets certain federal criteria for funding.

The assignment of options is however limited by FTA rules such that an option is applicable to a specific transit bus or coach length and fuel type. Minor changes to the transit bus or coach specification under an option may be made by the assignee agency, but "cardinal" changes are not permitted by the FTA.

New Flyer has also entered into contracts where the customer is a state or consortium of buyers and the contract is a "standing offer" under which any U.S. transit agency may purchase transit buses. As these types of contracts are not for a specific stated amount of transit buses and represent a "standing offer", the Company does not record any of the buses available under these contracts in its backlog until actual purchase orders are received.

Bus and Motor Coach Sales and Marketing

New Flyer, MCI and ADL sell and market their products primarily through their experienced internal sales forces. These individuals have geographic coverage responsibilities in North America, the UK and other international markets. The Company's senior leadership team is also responsible for developing and maintaining sales strategies and relationships with key contacts at certain of the Company's major customers. Further, the Company's sales teams regularly discuss customers and their needs to ensure that cross-selling opportunities for all of the Company's products are acted upon, as appropriate. As part of NFI Forward, the New Flyer and the MCI Public Sector sales teams have merged to enable single account ownership for North America public transit customers.

The majority of the Company's North American vehicles are sold through public solicitations, including an invitation for bid or request for proposal process, while in the UK and Hong Kong markets procurements are completed on a mix of public solicitations and private tenders. Private coach sales are generally completed through private negotiations and purchases and transactional contracts.

Public Agency Bid Stage and Contract Award

There are generally two types of solicitation processes that public agencies use to purchase transit buses or coaches. An invitation for bid ("IFB" or "low bid") requires manufacturers to submit a bid and the contract is awarded to the lowest priced bidder who has met the bid specifications. The second type of solicitation is the request for proposal ("RFP" or "negotiated bid") process in which manufacturers submit proposals that address specific criteria for evaluation such as past history, financial capability, quality, reliability, maintenance, aftermarket parts and service and price. Bids are negotiated on the basis of all relevant criteria, which allows manufacturers to win contracts on factors other than price alone.

Management believes that public customers prefer the RFP process because it enables them to factor the lifetime cost of the transit bus or motor coach into their purchase decision, taking into account maintenance costs, aftermarket support and warranties and fleet standardization objectives, rather than merely the initial capital purchase cost. While proposals are evaluated on many of the factors described above under the RFP process, customers still place a significant emphasis on price.

In preparing its bid, the Company will cost most elements of the product, factoring in labour, component and conversion costs and production slot availability and targeting a minimum dollar contribution to margins. The Company seeks to obtain cost and delivery commitments from suppliers for major components and systems in order to lock in as much of the cost as possible.

As the transit industry continues to migrate to electric bus fleets, special programs and grants have increased over the past few years. In North America, various federal, provincial and state programs have provided special funding for ZEB acquisition. Many of these grants are administered through the grant application process. New Flyer, MCI and ADL have worked to partner with North American customers with respect to various grant applications that have yielded orders which have introduced the first ZEB vehicles into many North American transit fleets.

In October 2023, the American Public Transportation Association ("APTA"), with the support of the FTA, created a Bus Manufacturing Task Force to recommend immediate actions that can support a more competitive and stable bus manufacturing capacity in the U.S. The recommendations of this task force may have an impact on future bus procurement structures with additional focus placed on deposits and progress payments to manufacturers as they meet certain production milestones.

Issuance of Purchase Order

Once a bid has been awarded, there is usually a one- to three-month period of documentation negotiation prior to a purchase order being issued by the transit customer. In the case of most United States public customers, a purchase order is issued once all required funding is arranged, a "Buy America" audit is complete and applicable insurance and bonding are in place. See "Legal and Regulatory Matters — Rules of Origin (Buy-America) Legislation".

Pre-Production

Once a transit bus or motor coach contract is signed or a commitment expressed, the Company initiates the pre-production process that ideally begins between four to six months prior to production of the bus or coach. This period is often compressed, as transit agencies continue to face pressures in obtaining funding on time for the production build of their transit buses or coaches. Over the course of the pre-production period, the Company and the customer review the specifications in the contract to confirm their mutual understanding and expectations. Typically, this process yields changes to the original specifications, but permits customers to independently make changes at their own expense.

Private New Motor Coach Sales

The sale of motor coaches to private customers is a much less complex process than the sale process to public customers. Private customers will not generally request complex customizations to be made to the coach. Private customers typically purchase coaches on MCI's standard terms and conditions. MCI will enter the coach into its schedule for delivery a few months later. In some cases, customers will purchase coaches that have already been manufactured as “stock” or “fast track” units. In a majority of cases, new motor coach sales are financed by the customer and in some cases, MCI will assist in arranging the financing as a broker.

Private Pre-owned Motor Coach Sales

The pre-owned motor coach market operates on a compressed timeline. Coaches are procured exclusively as trade-ins as part of the sale of new coaches. These pre-owned motor coaches may be MCI branded coaches or may be a competitor’s brand. The pre-owned coaches are then resold by MCI. Typically, once a customer for the pre-owned motor coach is identified, the sales team works with the customer to decide what type of refurbishment the customer requires to the coach. MCI will complete the refurbishment to the pre-owned coach before it is delivered to the customer. Similar to private new motor coach sales, some of these units are financed. See “Risk Factors – Risks Related to Operations – The Company may have difficulty selling pre-owned coaches and realizing expected values”.

Cutaway and Medium-Duty Bus Sales

All ARBOC cutaway and medium-duty buses are sold through dealers. ARBOC’s products are configured with a limited number of customer options and customization by customers is minimal. For sales to public transit agencies, the ARBOC dealer, assisted by ARBOC’s internal sales team, will respond to solicitations in a similar manner as described for heavy-duty buses. If a solicitation is awarded to an ARBOC dealer, a purchase order is placed by the dealer to ARBOC and is entered into backlog and production scheduling. The public agency contract between the public transit agency and ARBOC dealer may contain optional purchase quantities. Since ARBOC is not a party to the purchase contract, the ARBOC backlog does not reflect any options and only reflects orders which have been placed through a firm purchase order from a dealer.

Sales of cutaway and medium-duty buses to private end-user customers typically occur in lower order quantities than to public transit agencies. If a dealer is not able to satisfy the order with stock on hand, a purchase order is placed with ARBOC and the unit is scheduled for production. If the dealer is able to satisfy the order with their existing inventory, the dealer will sell to the customer from their inventory and then issue a purchase order to ARBOC for replacement inventory to maintain required stock levels.

Aftermarket Sales and Marketing

The sales and marketing of the Aftermarket parts group for the public market is primarily driven by customer requests for parts quotation. These requests are either sent directly to NFI Parts and ADL by the customer or placed in the public domain via the internet for NFI Parts and other bidders to access. These requests range from one-time opportunities for small quantities of parts to long-term commitments for large volumes of parts. Each public customer’s approach to procuring parts is typically driven by their local purchasing policies and guidelines. In addition to responding to customer requests for quotation, the Company employs parts sales managers who visit customers on a regular basis, marketing products and collecting feedback on performance. NFI Parts and ADL also utilize e-commerce websites to sell aftermarket parts to customers.

Private market customers typically buy parts using annually negotiated pricing or a discount from the list price. Customers can place parts orders via the online store, by phone via the call center or through email.

Facilities and Manufacturing Process

Facilities

The Company's production facilities are well-equipped and are regularly upgraded in terms of safety systems, paint, lighting and the removal of waste and scrap. The Company is continuing to streamline the ARBOC facilities to bring them to a standard consistent with the New Flyer facilities.

The Company's heavy-duty and medium-duty transit bus and motor coach manufacturing facilities, in North America have been registered to the ISO 9001 (quality) certification. New Flyer's heavy-duty transit bus manufacturing facilities have also been registered to ISO 14001 (environmental) and ISO 45001 (safety) certifications[1]. The Company is the only North American bus or coach manufacturer to achieve all three ISO certifications and has been recognized for outstanding occupational health and safety management.

The graphics on the next two pages indicate the locations of the Company's major facilities:

[1] ISO 9001 (Quality), ISO 14001 (Environmental) and ISO 45001 (Health & Safety) certifications confirm that New Flyer's manufacturing management system has been assessed by accredited bodies, which found the Quality, Environmental, and Health and Safety components of the system to be in conformance with applicable standards.

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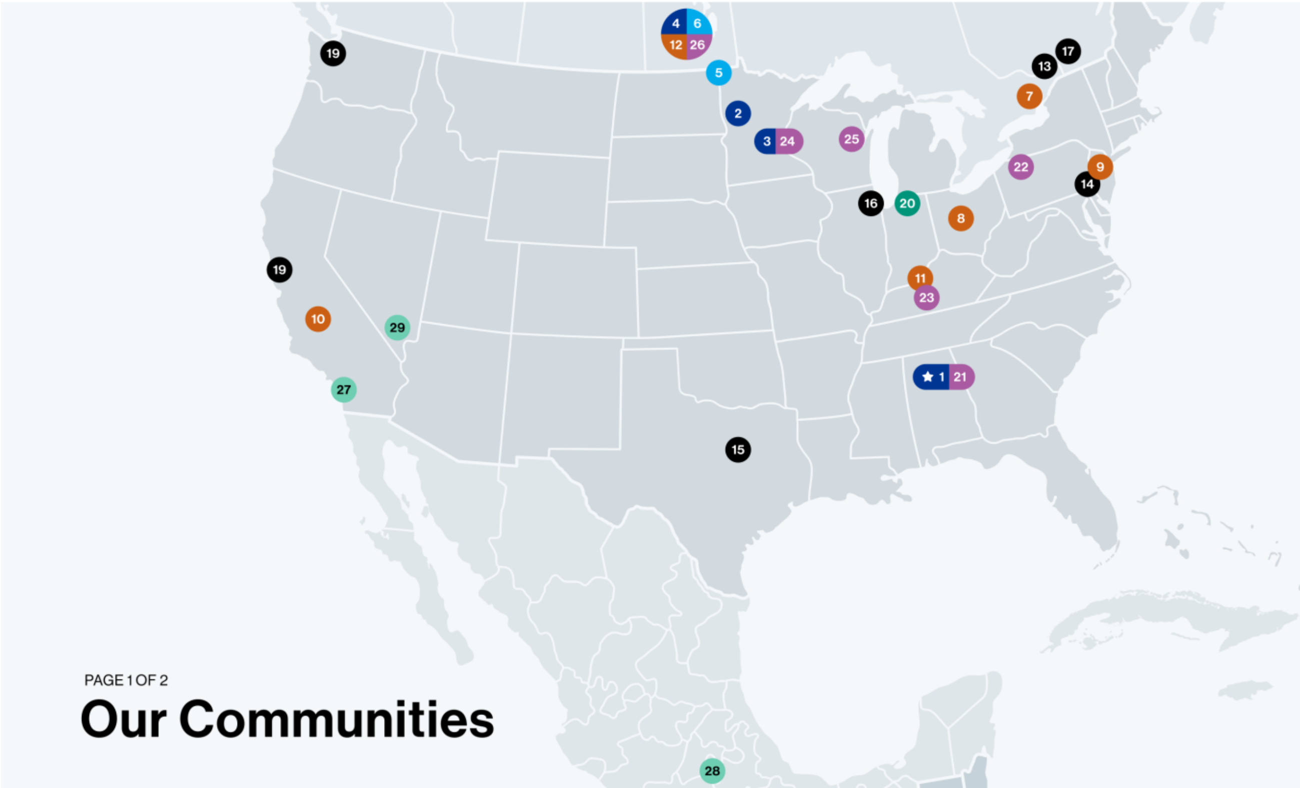
Our Communities



NEW FLYER

1 **Anniston, AL**
Bus Manufacturing
★ Vehicle Innovation Center

2 **Crookston, MN**
Bus Completion

3 **St. Cloud, MN**
Bus Manufacturing

4 **Winnipeg, MB**
Bus Shell Assembly
New Product Development

MCI

5 **Pembina, ND**
Coach Completion

6 **Winnipeg, MB**
Coach Shell Assembly
Coach Manufacturing
New Product Development

nfi.parts

7 **Brampton, ON**
Distribution Center

8 **Delaware, OH**
Customer Service

9 **East Brunswick, NJ**
Customer Training
Distribution Center

10 **Fresno, CA**
Distribution Center

11 **Louisville, KY**
Customer Service
Distribution Center
National Customer Training Center
North America Call Center
Product Support

12 **Winnipeg, MB**
Customer Service
Customer Training
Distribution Center
Product Support
Publications

MCI NEW FLYER

13 **Arnprior, ON**
Collision and Refurbishment Center

14 **Blackwood, NJ**
Service Center

15 **Dallas, TX**
Service Center

16 **Des Plaines, IL**
Service Center

17 **Montreal, QC**
Service Center

18 **Renton, WA**
Service Center

19 **San Francisco, CA**
Service Center

ARBOC SPECIALTY VEHICLES

20 **Middlebury, IN**
Cutaway & Medium Duty
Bus Manufacturing

CARFAIR KMG

21 **Anniston, AL**
Fiberglass Fabrication
Parts Fabrication

22 **Jamestown, NY**
Parts Fabrication

23 **Shepherdsville, KY**
Parts Fabrication

24 **St. Cloud, MN**
Fiberglass Fabrication
Parts Fabrication

25 **Wausaukee & Gillett, WI**
Fiberglass Fabrication

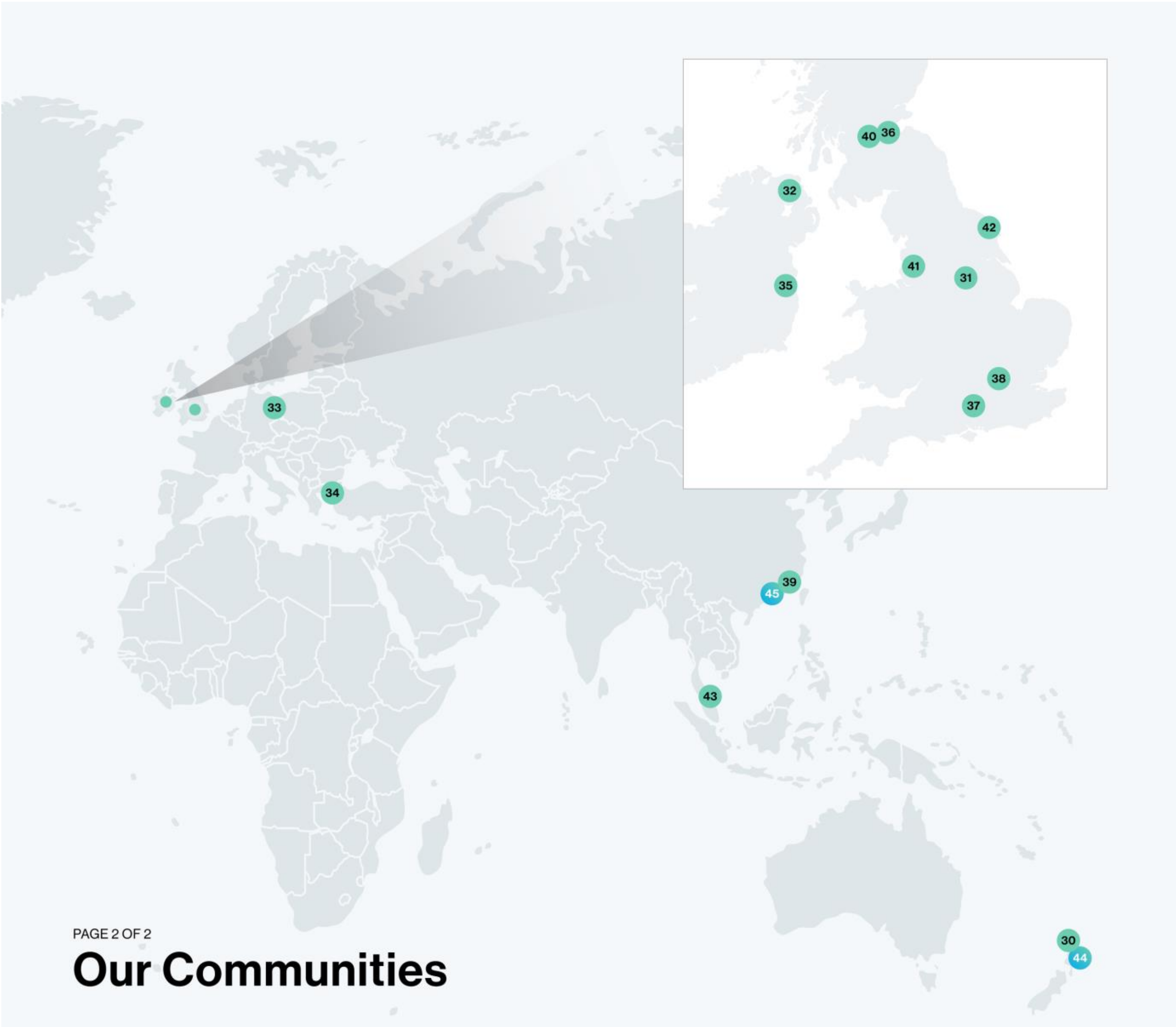
26 **Winnipeg, MB**
Fiberglass Fabrication
Parts Fabrication

ALEXANDER DENNIS

27 **Canyon Lake, CA**
Commercial

28 **Ciudad de Mexico, Mexico**
Commercial, Parts Distribution and Service Center

29 **Las Vegas, NV**
Build Partner Manufacturing Plant



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Our Communities

ALEXANDER DENNIS

- **30 Auckland, New Zealand** — Commercial, Parts Distribution and Service Center
- **31 Anston, England** — Parts Distribution and Service Center
- **32 Ballymena, Northern Ireland** — Engineering Hub
- **33 Berlin, Germany** — Commercial, Parts Distribution and Service Center
- **34 Bursa, Türkiye** — Procurement Hub
- **35 Dublin, Ireland** — Parts Distribution Center
- **36 Falkirk, Scotland** — Bus Manufacturing
- **37 Farnborough, England** — Design and Engineering
- **38 Harlow, England** — Service Center
- **39 Hong Kong** — APAC Head Office; Commercial, Parts Distribution and Service Center
- **40 Larbert, Scotland** — Bus Manufacturing; Head Office
- **41 Skelmersdale, England** — Parts Distribution and Service Center
- **42 Scarborough, England** — Bus and Coach Manufacturing
- **43 Singapore** — Commercial, Parts Distribution and Service Center
- **44 Tauranga, New Zealand** — Build Partner Manufacturing Plant
- **45 Zhuhai, China** — Build Partner Manufacturing Plant

Manufacturing Process

The manufacturing planning process begins well in advance of actual fabrication or assembly.

The New Flyer Winnipeg production facility operates one production line with a number of off-line component and small parts assembly stations and a pre-production fabricating group that creates materials for assembly on the production line. In Winnipeg, a transit bus goes through the structure weld, shell assembly and painting phases of production. The partially completed shell is then shipped to New Flyer's Crookston, MN facility for final assembly.

The New Flyer Crookston production facility is a final assembly plant. Running two identical production lines in parallel, the facility completes transit bus shells delivered from the New Flyer Winnipeg facility and tests the finished products. In order to facilitate compliance with "Buy America" legislation, New Flyer installs most major components such as the engine, axles, transmission, driver and passenger seating and air conditioning systems at the Crookston facility.

The New Flyer St. Cloud, MN and Anniston, AL production facilities produce complete transit buses, from frame welding to final assembly.

MCI's Winnipeg coach facility produces the J-model coach, from the initial weld of the chassis to completion ready for sale. In addition to the J-model coach, the Winnipeg facility produces the D-model coach shell, starting from weld to the completion of shell assembly and paint. The shell is then shipped to the Company's Pembina, ND facility for final assembly.

The MCI Pembina production facility is a final assembly plant for the D-model coach. The plant completes the production process of the shell that was started in the Winnipeg coach facility and tests the finished product. In order to comply with the "Buy America" requirements for public customers, MCI installs most major components such as the engine, axles, transmission, driver and passenger seating and air conditioning systems at the Pembina facility.

The ARBOC Middlebury, IN manufacturing facility produces the ARBOC products. All ARBOC cutaway bodies are bolted and bonded (as opposed to welded) onto chassis that are manufactured by third-party suppliers. The Spirit of Equess® chassis, however, is a proprietary chassis that is supported by third-party welding providers.

ADL has several production facilities. After consolidation of its manufacturing footprint in 2020 and 2022, ADL now manufactures out of its facilities in Scarborough, England and Falkirk, Scotland, as well as from its recently upgraded facility in Larbert, Scotland. Its head office is located in Larbert and it has a design and engineering center in Farnborough, England. In addition to its own facilities, ADL uses third-party manufacturers for bus manufacturing in China, New Zealand and in Las Vegas, Nevada. This global manufacturing footprint was developed by ADL in seeking to capitalize on multiple efficiencies by manufacturing in closer proximity to its major customers.

Due to the assembly nature of the Company's manufacturing process and the high cost of the major components incorporated into transit buses and motor coaches, approximately 85% of the total cost structure of its transit bus and coach manufacturing operations is variable, based on the Company's 2023 financial results.

The chart below provides a breakdown of the Company's total cost structure allocated between bus and coach manufacturing operations and aftermarket operations:

Cost Structure: NFI Group Inc.

Expense Category	Financial Statement Account	Percentage of Manufacturing Segment Total Operating Costs	Percentage of Aftermarket Segment Total Operating Costs
Materials	Cost of sales	63.6%	76.2%
Labour	Cost of sales	11.2%	0.1%
Warranty	Cost of sales	2.2%	0.0%
Other Direct Costs	Cost of sales	4.0%	6.3%
Variable Overhead	Cost of sales	4.0%	0.5%
Fixed Overhead	Cost of sales	7.4%	0.9%
Operating Expenses	SG&A and other operating expenses	7.6%	16.0%
		100%	100%

Note: Shared corporate costs have been allocated to each segment based on a percentage of total revenue.

Delivery and Acceptance

Once the vehicles have been manufactured, customers often conduct a final inspection of the vehicle. The public customer generally sends a representative to the Company's facilities to inspect and test the vehicles before taking delivery. Third-party drivers then deliver the transit buses or coaches to public customers who are then given a final opportunity to inspect and accept the vehicle.

Public agency contracts often contain holdback or retainage provisions for a defined period following acceptance to ensure that any minor deficiencies are corrected. The Company is also subject to holdback arrangements with some of its customers in lieu of providing warranty bonds. In many cases, the holdback typically is in the amount of the expected warranty provision, less any extended warranties purchased, for the warranty period. The customer will often then charge any warranty claims against the holdback account once such claims are approved by the Company. Any money remaining from the holdback or retainage is returned to the Company.

Product Warranty and Other Contractual Provisions

Transit Buses and Public Motor Coaches

For all United States federally funded contracts, the FTA stipulates a minimum service life, which drives certain warranty levels for the transit bus or coach and their structure and major subsystems. In addition to a base bumper-to-bumper warranty (typically for a one- to two-year period), New Flyer generally provides its customers with a 12-year corrosion warranty on the transit bus structure. MCI generally provides a seven- to 12-year structural warranty on the coach (depending on the customer specification). With the introduction of battery-electric transit buses, New Flyer has offered its customers battery warranties ranging from six to 12 years.

ADL provides a base two-year bumper-to-bumper warranty on buses and coaches, as well as a 12-year structural warranty. Battery and hybrid system warranties are provided on a back-to-back basis with the relevant suppliers. With respect to the ADL and BYD partnership vehicles, ADL's base hybrid warranty is for three years and an electric-battery warranty for seven years in the UK (which is provided by BYD, the manufacturer of the battery propulsion system). As part of ADL's next-generation of vehicles, the vehicles are provided with a five-year warranty as standard and the electric battery with an eight-year warranty as standard and an option to extend to 12 years.

Transit agencies will often request additional coverage as part of the initial capital purchase to minimize their operational costs. The Company prices extended warranty costs into its bids. Extended warranties for major subsystems such as engines, transmissions, axles and air conditioning, are normally purchased for the customer from the component supplier. For certain other extended warranties, including those covering brake systems, lower level components, fleet defect provisions and engine-related components, the Company is responsible for warranty costs during a warranty period of approximately one to five years, depending on the contract. The Company also frequently provides a parts supply guarantee in its transit bus or motor coach purchase contracts, under which the Company guarantees that parts will be available to the customer for a certain period of time, usually 15 years following delivery of the vehicle.

See “Risk Factors — Risks Related to Operations — The Company may incur material losses and costs as a result of product warranty costs, recalls and remediation of transit buses and motor coaches”.

Private Motor Coaches

For private customers, the typical warranty period is 24 to 30 months, depending on the model, which covers most items, excluding “wear” items. Most private customer coach warranties do not have a maximum mileage threshold, because motor coaches typically accumulate significantly more miles than heavy-duty transit buses and mileage varies depending on the use of the motor coach. There is no structural warranty beyond the base warranty.

See “Risk Factors — Risks Related to Operations — The Company may incur material losses and costs as a result of product warranty costs, recalls and remediation of transit buses and motor coaches”.

Cutaway and Medium-Duty Buses

The typical warranty period for cutaway and medium-duty buses is the lesser of 36 months or 50,000 miles, which is consistent with the chassis manufacturer’s warranty. The administration and servicing of warranty claims is the responsibility of the ARBOC dealer.

See “Risk Factors — Risks Related to Operations — The Company may incur material losses and costs as a result of product warranty costs, recalls and remediation of transit buses and motor coaches”.

Liquidated Damages and Suspensions and Termination for Convenience

Public customer transit bus and motor coach manufacturing contracts typically include liquidated damages provisions, which result in monetary penalties on a per vehicle per day basis when the transit buses or coaches are not delivered to the customer by the deadline specified in the contract. The Company actively manages these terms with its customers in the event of specification changes that impact production timing. The Company does not expect to incur material liquidated damages penalties in the normal course of its operations and liquidated damages incurred by the Company in fiscal 2023 were not material. See “Risk Factors — Risks Related to Operations — Production delays may result in liquidated damages under the Company’s contracts with its customers”.

In addition, public customer purchase contracts typically include rights of the customer to suspend or terminate the contract for convenience. Although the exercise of these rights have been rarely used, the Company’s customers may, with notice, suspend the contract or terminate their relationship with the Company. See “Risk Factors — Risks Related to the Business Environment — Absence of fixed term customer contracts, exercise of options and customer suspension on termination for convenience”.

Bonding Requirements

Most municipalities, transit authorities, and some international customers, require suppliers to obtain performance bonds from surety companies or letters of credit to protect against non-performance by suppliers. Management believes that the Company's current surety and letter of credit capacity is sufficient to meet such requirements.

Performance guarantees are generally valid from contract award to completion of the contract. Contract completion is generally defined as customer acceptance of all transit buses or coaches in a given contract and generally excludes warranty obligations. Contracts can stipulate single- or multi-year procurements, and performance guarantee requirements are structured accordingly. Where contracts include options to acquire additional transit buses or coaches, performance bonds and letters of credit are issued as the options are exercised.

The surety bonding market does not provide for committed bonding facilities. Surety companies issue bonds on an as-needed basis and take into account current financial performance and the state of the surety market in making their credit decisions. Surety companies provide limits on the maximum coverage they will provide. Management believes the Company currently has sufficient capacity to meet the performance guarantee needs of its business through both its arrangements with its primary surety provider and its letter of credit facility. See "Risk Factors — Risks Related to Operations — The Company may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds or letters of credit required for new contracts".

Bonding is not required by customers in the cutaway, medium-duty bus and private motor coach markets.

Materials and Suppliers

Materials represented 64% of the cost structure of the Company's transit and motor coach manufacturing operations in 2023. The Company has long-standing relationships with a diverse group of established suppliers and generally has a number of sources of supply for many of its raw materials and components. For many components, however, supply is dependent upon a single supplier or a limited number of suppliers either to meet unique customer specifications under a contract or as a result of the Company selecting, validating and engineering a component into a particular bus or coach model. In addition, for certain components, such as engines for transit buses, the Company and the other manufacturers in the heavy-duty and medium-duty transit industry are dependent on a single source of supply that is certified to industry requirements and standards. The Company has established strategic relationships with its suppliers and actively monitors and manages the risks associated with supply continuity. Management believes the Company can continue to leverage these relationships through its market leadership position. See "Risk Factors — Risks Related to Operations — Dependence on limited sources or unique sources of supply" and "Risk Factors — Risks Related to the Business of the Company — 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 has historically negotiated fixed price contracts on an annual or multi-year basis with many of its suppliers. Additionally, the Company seeks to negotiate fixed prices and contractual requirements for the supply of special customer specified materials and parts at the time of the bid. As a result of the pandemic and impact of heightened inflation on the price of components however, many of these fixed price contracts now include provisions to mitigate inflation or are subject to additional surcharges as suppliers seek to reduce the risk of unexpected increases in the cost of their components. See "Risk Factors — Risks Related to Operations — The Company's profitability can be adversely affected by increases in raw material and component costs".

Capital Expenditures

The Company generally has predictable ongoing maintenance capital expenditure requirements related to its assembly operations. Capital expenditure requirements for new tooling, machinery and equipment may fluctuate from period to period depending on the Company's requirements for in-house fabrication and manufacturing of parts instead of outsourcing them from third parties. Management will also consider capital expenditures where there is an opportunity to grow or diversify the business. ADL's business is generally less capital intensive than New Flyer and MCI due to lower levels of insourcing.

In 2023, the Company incurred capital expenditures of approximately $37 million related to investments for new tooling to support continuous improvement initiatives, investments in information technology, maintenance and improvements to facilities, purchase of equipment and investments in new product development. The Company funded all capital expenditures from operating cash flows.

People and Labour Relations

As at December 31, 2023, the Company had a total of approximately 8,500 employees, of which approximately 6,000 were paid hourly and approximately 2,500 were salaried.

Occupational Health and Safety

The Company's focus on occupational health and safety has resulted in strong and continuous improvements over the past decade. Management believes that the Company's dedicated commitment to safety and health improvements is not only a competitive advantage for the organization, but is also essential to the creation of a safe and healthy working environment for the Company's employees and its operations.

Workplace Environment and Training and Development

In order to fully support the Company's commitment to its employee-focused workplace culture, the Company continues to enhance its training and development function and has developed a robust training framework that will enable it to meet the needs of the business and its team members. The NFI Learning Institute is dedicated to implementing leading training, learning and development practices across the Company, including creating and maintaining relationships with local, regional and national organizations to support learning and workforce readiness initiatives, as well as working with educational institutions and government agencies to recognize and give credit for NFI certifications, pre-apprenticeship and apprenticeship development. ADL has well-established apprenticeship and graduate development programs. The Company also focuses on leadership and professional development of all of its employees with managerial and specialized responsibilities. Additionally, there is outreach and engagement with students at various levels in local schools, colleges, and national universities through hosting visits, career fairs, all to develop an interest in the Company and a sustainable pipeline of future employees.

NFI conducts comprehensive employee surveys in order to provide all employees with an opportunity to present feedback on their jobs, work environment and views of the Company. Management believes that this information is essential to improving business performance and is a critical enabler to its workplace strategy. The results are a means to guide action planning and measure improvements to support the Company's overall business performance through initiated organizational action planning and improvement measurement processes.

Workforce Development and DEI Strategies

The Company is committed to supporting workforce development efforts across the organization. The Community Benefits Framework creates a foundation to support initiatives taken in various jurisdictions. The main goal of this framework is to support individuals from underrepresented and underserved populations in finding employment in advanced manufacturing. By building meaningful relationships within the communities in which the Company's employees work, the Company remains committed to identifying and reducing the many barriers to employment which are faced by these historically disadvantaged groups. DEI efforts continue to be a focus throughout the organization. By tracking employee demographics, the Company can identify areas in which it can focus efforts to improve diversity and encouraging inclusion in relation to the regions in which the Company operates.

Pensions

The Company sponsors retirement plans for employees in North America and the UK, which include a combination of defined contribution, group registered retirement savings plans and defined benefit plans with varying contribution formulas.

Competition

The business segments in which the Company is active are highly competitive. Although the Company believes it has a leading position all the segments in which it competes, it is subject to competitive pressures from a wide range of large and small competitors.

At its January 2021 Investor Day, the Company unveiled its vision to drive the increased adoption of ZEBs, what it is calling the ***ZE***volution™, or the evolution to zero-emission mobility. NFI envisions a consistent adoption of zero-emission vehicles over the next decade as transit agencies and motor coach operators in North America, the UK, Europe and Asia Pacific markets transition their fleets to EVs. NFI has been building electric vehicles since 1969 and offers the broadest offering of zero-emission vehicles, including battery-electric buses and coaches, hydrogen fuel cell-electric buses and electric trolleys. NFI is the leader in North America and the UK for ZEBs and is expected to be a significant beneficiary from the acceleration to ZEBs.

Heavy-Duty Transit Buses

Price, custom engineering to customer specification, product quality, on-time delivery, established track record, strong customer relationships and experience are key factors in winning manufacturing contracts in the heavy-duty transit bus industry globally. The Company differentiates itself by having a broad and diverse product offering in North America and the UK, a strong reputation for quality and innovation globally, a history of on-time delivery and by being a leading provider of aftermarket parts and support. It also actively engages in industry advocacy, focusing on battery-electric bus interoperability, bus quality and safety, and adhering to local and national operating regulations. Due to these factors and overall market conditions, management believes that New Flyer and ADL are both well positioned to continue to compete successfully and maintain their leading market positions in North America and the UK.

The Company's competitors in North America include El Dorado (part of REV Group, Inc.), Gillig LLC, NOVA Bus Inc. (owned by Volvo Bus Corporation) Proterra Inc. and BYD. In 2023, Proterra Inc. entered Chapter 11 bankruptcy protection and its transit bus business was subsequently sold to Phoenix Motor Cars. It is unclear whether the new owner will continue to sell heavy-duty transit buses. Also in 2023 NOVA Bus announced it was exiting the U.S. market by the first quarter of 2025 with its focus shifting entirely to the Canadian market. In 2024, REV Group, Inc. announced that it would be winding down El Dorado at the end of 2024.

In the UK, ADL's primary competitors are Switch Mobility (previously called Optare PLC), part of Ashok Leyland, the Hinduja Group, and Wrightbus. Management believes the market dynamics in its international markets are changing as a result of the shift to ZEBs and new ZEB offering entrants, such as Yutong and Volvo, are beginning to emerge and gain market share. This has particularly been the case in the UK where Yutong has continued to secure additional contracts.

Medium-Duty Transit Buses

In addition to competing with heavy-duty transit bus and large cutaway manufacturers, competitors to the Company offering comparable medium-duty buses include Vicinity Motor Corp. and REV Group Inc.

Cutaways

The cutaway bus segment has two major competitors, Forest River Inc., who is the largest player in the market, and Turtle Top, who is a smaller operator.

Motor Coaches

Motor coach customers have diverse needs and criteria that they use to decide on motor coach purchases. Public transit authorities procure coaches in a similar manner as they procure heavy-duty transit buses.

MCI distinguishes itself from its competitors primarily through its products and history of supporting customers and its products on the road. MCI products are known as reliable coaches with well-established residual values. Management believes that the Company's ownership of MCI and its values and processes enhance the attractiveness of MCI's products.

Competitors to MCI include Prevost (owned by Volvo Bus Corporation), Mercedes (owned by Daimler), Van Hool, Temsa, Irizar, CAIO and BYD.

Aftermarket Parts

NFI Parts and ADL Parts both compete in their respective geographic regions in highly competitive parts markets, which are comprised of other bus and coach OEMs and a number of non-OEM aftermarket parts companies. The Company sells aftermarket parts and components primarily for the Company's vehicle platforms, but also sells aftermarket parts for vehicles that are not made by the Company. While the majority of the parts on the Company's vehicles can be sold by competitors, a small portion of parts are "proprietary" to the Company's vehicles, where design or scale makes it impractical for other companies to sell such parts.

The Company's parts customers generally make sourcing decisions based upon pricing and availability, but management believes that recent supply chain issues resulting from the pandemic have made availability the primary decision metric for customers over pricing.

Legal and Regulatory Matters

In North America, government regulation has had a significant impact upon the transit bus and coach manufacturing industry. These legislative and regulatory requirements continue to affect the structure of the industry, the location of manufacturing facilities, the sourcing of parts and materials and the source of funding for public transit bus and motor coach purchases. Regulation represents a barrier to entry in the industry. A description of each of the major areas of regulation follows.

Funding for New Transit Bus and Motor Coach Purchases

Public transit infrastructure is considered an "essential service" by, and is a key priority of, governments and public authorities due to the significant population base that is highly dependent on public transportation and the importance of reducing inner city and suburban traffic congestion.

United States

The United States federal government has provided funding for the purchase of new heavy-duty transit buses since 1964. Purchases are now largely funded through the FTA funding allocations derived from gasoline taxes. Under these programs, municipal and local transit authorities in the United States receive up to 80% of the funding for new bus purchases from the federal government for (i) the replacement of buses that have operated for the FTA minimum service life, and (ii) new buses to support fleet growth based on population and ridership trends. In order to receive federal funding for new bus purchases, a minimum 20% contribution commitment from local transit authorities must be in place and the new bus purchase must comply with "Buy-America" legislation. See — "Rules of Origin (Buy-America) Legislation".

Federal funding for public transit in the United States is provided under surface transportation legislation covering highway, rail and marine transport.

In January 2021, U.S. President Biden took office and during his campaign had promised to rebuild a cleaner and more resilient economy through investments in zero-emission and low-carbon public transportation. A specific campaign priority of the new Biden Administration was to "provide every American city with 100,000 or more residents with high-quality zero-emission public transportation options through flexible federal investments." In November 2021, U.S. President Joe Biden signed the $1.2 trillion bipartisan Infrastructure Investment and Jobs Act ("IIJA"). The IIJA provides $91.2 billion in funding for the FTA over five years, and also authorizes an additional $15.8 billion in supplemental appropriations from general revenues, for a total of $107 billion. The increases in the size and scale of FTA funding is aimed at addressing the backlog in U.S. transit that has identified more than 24,000 buses and over 200 stations for upgrades and replacement. The IIJA replaces the Fixing America's Surface Transportation Act ("FAST Act"), which had previously been the primary federal funding mechanism for transportation programs. Under the new IIJA, baseline transit funding levels have increased by 43% over the FAST Act, and when combined with supplemental appropriations, the IIJA provides up to an 83% increase for transit.

In January 2023, the Biden-Harris Administration, U.S. Transportation Secretary Pete Buttigieg and FTA Administrator Nuria Fernandez announced the availability of approximately $1.7 billion in competitive grant funds under the IIJA to help modernize bus fleets and facilities across the U.S. The grant funds included approximately $1.22 billion under the FTA's Low or No Emission ("Low-No") Grant Program and $469 million under the FTA's Buses and Bus Facilities Program. Eligible FTA grantees were invited to submit grant applications for consideration. In June 2023, after a competitive grant evaluation and award process, FTA announced the award of nearly $1.7 billion in 2023 Low-No and Bus and Bus Facilities grants, supporting 130 projects for people and communities in 46 states and territories.

The Company's Bid Universe metric estimates active public competitions in Canada and the United States and attempts to provide an overall indication of anticipated heavy-duty transit bus and motor coach public sector market demand. It is a point-in-time snapshot of: (i) EUs in active competitions, defined as all requests for proposals received by the Company and in process of review plus bids submitted by the Company and awaiting customer action, and (ii) management's forecast of expected EUs to be placed out for competition over the next five years. See "Risk Factors — Risks Related to General Economic and Market Factors — 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".

APTA reports that the average fleet age of transit buses in the U.S. was approximately 8.2 years in 2023, a decrease from 7.4 years in 2020 [2]. Management believes that other than the Company's Bid Universe (discussed above), and lack of reduction in fleet age, there are no reliable high-level indicators of the health of funding for transit bus purchases.

While procurement of transit buses and coaches by the public sector is typically accomplished through formal multi-year contracts, procurement of transit buses and coaches by the private sector is typically accomplished through transactional sales of small orders of vehicles. As a result, the Company is unable to develop longer range forecasts for private sector transit buses and motor coaches.

Canada

Historically, purchases of new transit buses in Canada have been funded primarily by provincial and municipal governments. Unlike in the U.S., in Canada there is no central source of funding for transit bus or motor coach procurements. Instead, funding of bus purchases comes largely from a patchwork of provincial funding, municipal funding, fare box revenue, various federal programs, and other smaller sources. Across Canada the funding approach varies widely from province to province and even from city to city within a single province.

Recognizing, however, the infrastructure deficit in Canadian cities and the role transit can play to fight climate change, reduce congestion and increase quality of life, successive federal governments have funded transit capital projects. Some cost share funding for public transit projects and new bus purchases has been provided by federal programs such as the Canadian Strategic Infrastructure Fund, the Infrastructure Canada Program and the federal Gas Tax Fund.

On October 1, 2020, the federal government announced C$1.5 billion in financing through the Canada Infrastructure Bank, to support the adoption of ZEBs and charging infrastructure. In addition, the federal government also announced Canada's strengthened climate plan which includes the government's plan to help electrify public transit systems, and to provide permanent public transit funding.

The Canadian government followed this with a landmark announcement in February 2021 that will see C$14.9 billion invested in Canadian public transit. The program includes C$5.9 billion in dedicated project funds starting in 2021, and ongoing permanent funding of C$3 billion per year beginning in 2026-2027. On March 4, 2021, it was announced that C$2.75 billion of the C$14.9 billion in transit funding would be dedicated to zero-emission transit and school buses, to help electrify fleets from 2021 through 2026.

Throughout 2021 and 2022, Canadian funding announcements for ZEB procurements and/or projects were made in cities such as Ottawa, Brampton, Quebec City, Winnipeg, Toronto, and Calgary.

In February 2022, the Government of Canada announced an investment of up to C$750 million to support municipalities facing transit operating shortfalls, in collaboration with provinces and territories. This investment was a one-time payment intended to help cities maintain service levels despite decreased ridership as a result of the pandemic.

There continues to be significant lobbying efforts by the industry to provide longer-term Canadian federal funding for public transit, including new transit bus purchases and development of alternative fuel technologies.

[2] APTA, Public Transportation Vehicle Database

The Canadian Urban Transportation Association had reported an increase in average fleet age of heavy-duty transit buses from 8.3 years in 2020 to 8.6 years in 2021. Management believes that there is no high-level indicator of the health of funding for the industry other than fleet age statistics.

Other Geographic Markets

ADL's customer base (outside of Canada and the United States) varies by territory and by type of customer (which are a mix of private, public and government-supported businesses) and the funding mechanisms vary across all sectors. In the UK, transit bus operators do not typically receive direct government funding, other than grant funding for cleaner vehicles awarded on a competitive basis (similar to the Low-No program in the U.S.). Hong Kong has private operators which do not receive government funding. In Singapore, vehicles are procured by the transport authority and assigned to contracted operators to operate them (this differs from North America where agencies typically buy, own and run their fleets). This approach is also adopted in Republic of Ireland. In addition, UK customers generally pay upon delivery of a product (although this is changing, particularly where government funding applies), while in international markets milestone payments are customary.

The UK, despite numerous headwinds faced in 2020, saw an increase in government support and more subsidies available to bus operators than ever before. The UK government's Ten Point Plan for a Green Industrial Revolution, announced on November 18, 2020, is a follow-up to the UK government's original plan to invest £5 billion for buses, cycling and walking, including a commitment to introduce 4,000 more British-built ZEBs into service. The UK Zero Emission Bus Regional Areas (ZEBRA) scheme distributed £295 million in 2021 and 2022, and 2022-2023 financial years. The 4,000 bus commitment has been amended from "build" to "fund" by early 2024.

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

In April 2022, the UK Government announced a £7 billion funding target to overhaul and level-up major transport routes that would cover thirty-one counties, city regions and unitary authorities outside of London. The funding is aimed at supporting both operations and capital expenditures.

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

The Hong Kong government continues to advance trials and applications for electric commercial vehicles.

Environmental and Emissions Legislation

The Company is subject to numerous environmental and health and safety laws, including statutes, regulations, bylaws and legal requirements contained in approvals or that arise under common law. These laws relate to the generation, use, handling, storage, transportation and disposal of regulated substances, including hazardous substances, dangerous goods and waste, emissions or discharges into soil, water and air, including noise and odours (which could result in remediation obligations), and occupational health and safety matters, including indoor air quality. These legal requirements vary by location and can arise under federal, provincial, state or municipal laws.

The Company believes that it is in substantial compliance with all material environmental and health and safety legal requirements. The Company is not aware of any breach of such requirements or other similar liabilities the resolution of which would have a material adverse effect on the Company and its operations.

The Environmental Protection Agency (the "EPA") mandates compliance with United States emissions standards for engines and Environment Canada mandates such compliance in Canada. To the knowledge of management, only one engine manufacturer sells engines for use in heavy-duty transit buses in North America.

The California Air Resources Board ("CARB") requires a dual certification for emission compliance for engines used in a hybrid configuration. This requires separate annual certifications from the engine supplier as well as the hybrid system supplier, but not the transit bus or coach manufacturer, such as New Flyer. These certifications are required to supply transit buses or motor coaches with a diesel-hybrid electric engine configuration to agencies operating in California and in certain states that follow the CARB regulations. Both of the Company's suppliers of hybrid propulsion systems have received certification from CARB. The EPA does not require this dual certification and, therefore, these regulations only affect transit buses purchased by transit agencies in states that follow CARB regulations. See "Risk Factors — Risks Related to Operations — Dependence on supply of engines that comply with emission regulations".

The European Union defines emissions standards for engines installed into heavy-duty vehicles, the latest standard being "Euro VI". Current jurisdictions in which ADL operates mandate compliance with "EPA" or "Euro" requirements. Most heavy-duty vehicles manufactured by ADL for supply outside of North America comply with "Euro VI" requirements, although "Euro V" and earlier engine series have been installed into vehicles supplied in small volumes to regions where fuel infrastructure does not meet the diesel quality required for "Euro VI" engines.

Rules of Origin/Final Assembly (Buy America) Legislation

Buy America regulations require that heavy-duty transit buses and motor coaches meet the following fundamental requirements to be eligible for United States FTA funding: (i) final assembly/manufacture must occur within the United States, and (ii) the bus or coach must contain a minimum of 70% United States content, calculated by cost of components. The Company is compliant with the current 70% Buy America content requirement. Customers regularly conduct audits to validate such compliance for buses and coaches purchased with federal funds. To date, the Company has not failed a Buy America compliance audit.

See "Risk Factors — Risks Related to the Business Environment — Current requirements under 'Buy America' regulations may change and/or become more onerous or suppliers' 'Buy America' content may change".

Policies Regarding Canadian Content

The Ontario provincial government has implemented a policy requiring that all transit vehicles procured by Ontario municipalities using sources of provincial funding must contain a minimum 25% Canadian content by cost. Transit buses sold by the Company to these Ontario municipalities comply with this policy.

Solicitations originating from certain Quebec transit agencies also have a Canadian content requirement. In March 2021, Quebec provincial legislation went into effect requiring contracts for the acquisition of public transit vehicles that involve an expenditure equal to or greater than the threshold decreed by the province to require that the contractor subcontract up to 25% of the total value of the contract to Canada and that this subcontracting include the final assembly of these vehicles. See “Risk Factors — Risks Related to the Business Environment — Requirements under Canadian Content policies may change and become more onerous”.

U.S. Disadvantaged Business Enterprise Program

The goal of the Disadvantaged Business Enterprise (“DBE”) Program, overseen by the United States Department of Transportation, is to provide small businesses owned and controlled by socially and economically disadvantaged individuals a fair opportunity to compete for federally-funded transportation contracts. In accordance with the DBE program requirements, the FTA, which funds rolling stock procurements for transit agencies, requires its grantees to establish goals for the participation of DBEs in their transit vehicle procurements and also requires transit vehicle manufacturers (which includes both transit bus and motor coach manufacturers) that bid on federally-assisted vehicle procurements to submit annual goals to support qualified DBEs (as defined in the DBE program regulations) and to certify that they have complied with the requirements of the DBE program. The FTA reviews and approves transit vehicle manufacturers’ DBE goals on an annual basis and maintains a certified list of transit vehicle manufacturers that are eligible to bid on federally-assisted vehicle procurements. See “Risk Factors — Risks Related to the Business Environment — Failure of the Company to comply with the DBE program requirements or the failure to have its DBE goals approved by the FTA”.

Motor Vehicle Safety Standards

All heavy-duty transit buses and motor coaches sold in the United States and Canada must comply with federal, state and provincial motor vehicle safety standards. In both the United States and Canada, vehicles that meet or exceed all federally mandated safety standards are certified under the federal regulations. Rigorous testing and the use of approved materials and equipment are among the requirements for achieving federal certification. The Company’s entire product offering has been certified under applicable federal standards in both the United States and Canada and the Company certifies each new transit bus and motor coach model before its market launch. The Company also agrees to comply with state and provincial motor vehicle safety regulations in its customer contracts. Management believes that the Company is in material compliance with all current federal, state and provincial motor vehicle safety regulations.

All heavy-duty passenger service vehicles sold in the European Union must comply with the European Whole Vehicle Type Approval (“ECWVTA”) framework. Vehicles that meet or exceed mandated UN ECE Regulations and EU Regulations are issued with approval certificates by a national body responsible for ongoing conformity assessment, allowing sale in unlimited series across Europe, or in limited series to a specific EU Member State under a national scheme which gives allowances to suit national infrastructures. ADL’s products sold in the UK and Ireland are approved to the national scheme, whereas those sold into mainland Europe are fully ECWVTA compliant so far as customer specification and local certification requirements permit. Management believes that ADL is in material compliance with all applicable European safety regulations.

All heavy-duty passenger service vehicles sold in Hong Kong, Singapore and New Zealand must comply with National Construction and Use requirements, with reference to UN ECE Regulations. All of ADL’s products for these markets have been certified to these requirements before being introduced in the regions, and are inspected by national bodies as part of product introduction and on an ongoing basis. Management believes that ADL is in material compliance with all applicable national safety standards for these regions.

Motor Vehicle Road Use Standards

Transit bus and coach operators are subject to federal, state/provincial and/or local government motor vehicle road use regulations. Although it is the responsibility of the transit bus or coach operator to comply with such regulations, the Company is typically required to comply with applicable regulatory requirements under its customer contracts. The Company must also comply with regulatory requirements whenever it drives its transit buses or coaches over the roadways from its facilities to its customers. Management believes that the Company's buses and coaches are in material compliance with such motor vehicle regulations. However, there are some heavy-duty transit buses in the industry, including certain types of transit buses manufactured by New Flyer that do not currently comply with regulations governing maximum axle weight or length in certain jurisdictions. Transit bus operators often obtain waivers from the applicable regulator for vehicles that do not comply with the applicable requirements. However, such waivers are discretionary and as such, there is no assurance that transit operators will continue to be able to obtain them in the future. Management believes that this is an industry-wide problem related, in part, to industry trends including evolving environmental, disabled-access and other regulations which have resulted in the production of heavier or longer transit buses throughout the industry. Management believes that many of the governmental weight or length regulations have not yet caught up with the other aspects of the overall regulatory regime applicable to buses and coaches and that such regulations need to be re-examined in light of developments in the industry. Management intends to address axle weight or length restrictions with its customers on a contract-by-contract basis, and expects that the industry and transit operators will lobby the government for changes to these regulations. See "Risk Factors — Risks Related to Operations — The Company may incur costs in connection with regulations relating to axle weight restrictions and vehicle lengths".

Outside of North America, ADL ensures that vehicles transported between its facilities and its customers are in material compliance with applicable motor vehicle regulations and applicable certificates of conformity or equivalent. Where vehicles are transported through regions or via non-road delivery services, transport logistics specialists are engaged to ensure compliance with all applicable legislations. Vehicles moved between facilities for test and not yet validated against regulations are subject to risk assessment, and where applicable, vehicles are transported by means other than driving.

United States Bus and Motor Coach Testing

All applicants for United States federal funding must certify to the FTA that any heavy-duty transit bus or motor coach acquired with such funding has been tested in accordance with an endurance test conducted at Altoona, Pennsylvania ("Altoona"), to simulate 500,000 miles or 12 years of operation. The following tests are conducted at Altoona: safety, structural integrity and durability, reliability, performance, maintainability, noise and fuel economy. The Company's entire heavy-duty transit bus and motor coach product offering for the North American market has been tested at Altoona, and additional testing occurs regularly with the introduction of new products, or in the case of substantial changes to existing products. Medium-duty and cutaway buses undergo endurance testing to lower thresholds than heavy-duty transit buses and motor coaches.

In 2016, U.S. federal legislation included major changes to the transit bus and motor coach testing requirements performed at Altoona to include pass/fail criteria for all new bus model testing. Most of the New Flyer Xcelsior bus models completed baseline New Bus Model Testing prior to the introduction of the "Pass/Fail" Bus Testing Final Rule, which became effective on October 31, 2016. Partial testing requirements have been grandfathered, as applicable under the rule. The Company needs to meet "Pass/Fail" testing on a go-forward basis, as required.

The U.S. National Highway Transportation Safety Administration has introduced roll-over testing requirements for most types of motor coaches and for certain transit buses sold to private customers, effective December 2024. The Company is modifying and testing the structures of its vehicles to which the new regulations apply and intends to be compliant with the new regulations.

Certain major cities in Canada and the United States require a 500,000 mile/12-year shaker table test. This static test simulates revenue service life under challenging conditions to test durability.

Private bus and motor coach customers typically do not require any testing of coaches and leave structural design decisions to the bus and motor coach manufacturers and to applicable governmental regulations.

Disability Access Legislation

The Americans with Disabilities Act (the "ADA") prescribes certain minimum accessibility standards for vehicles that are purchased with United States federal funding. All of the Company's transit buses and motor coaches have been designed and/or tested to be compliant with the ADA. Although there is currently no equivalent federal legislation in Canada, most transit buses and motor coaches in Canada are also manufactured to provide access to persons with disabilities.

Outside of North America, UN ECE Regulations define vehicle interior layout and safety requirements and ADL products comply with applicable requirements. In regions that do not apply UN ECE regulations, ADL products comply with the National Construction and Use requirements (or equivalent) for accessibility, including Public Service Vehicle Accessibility Regulations (PSVAR) in the UK.

Vehicle Cyber Security

UN ECE Regulations 155 and 156 set out provisions for vehicle cybersecurity and software updates as well as management systems for both. The Regulations will be mandatory for all ADL vehicles in the EU by July 2024. ADL Management is currently working towards compliance with these regulations.

Litigation

The Company is subject to litigation from time to time in the ordinary course of its business. The Company is not aware of any pending or threatened litigation that is expected to have a material adverse effect on the Company and its operations. See "Risk Factors — Risks Related to Operations — 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".

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The authorized share capital of NFI consists of an unlimited number of Shares. As at December 31, 2023, 118,961,932 Shares were issued and outstanding.

Holders of Shares are entitled to receive dividends as and when declared by the Board and are entitled to one vote per Share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of NFI, the holders of Shares are entitled to share ratably in the remaining assets available for distribution, after payment of liabilities.

Shareholder Rights Plan

The shareholder rights plan of NFI (the "Amended and Restated SRP"), approved by the shareholders of NFI at the annual and special meeting of shareholders held on May 4, 2023, confirms the issuance of one right in respect of each Share outstanding at the close of business on August 29, 2011 and one right in respect of each Share issued thereafter. The rights will separate from the Shares to which they are attached and will become exercisable upon the occurrence of certain events in accordance with the terms of the Amended and Restated SRP. Generally, if a person, or a group acting jointly or in concert, acquires (other than pursuant to an exemption available under the Amended and Restated SRP) beneficial ownership of 20% or more of the Shares (except, among other exceptions, pursuant to a permitted bid under the Amended and Restated SRP), the rights will separate from the Shares and permit holders of rights (other than the acquiring person) to purchase Shares at a substantial discount to market price. At any time prior to the rights becoming exercisable, the Board may waive the operation of the Amended and Restated SRP with respect to certain events before they occur. The Amended and Restated SRP is designed to provide the Board additional time to assess an unsolicited take-over bid for NFI and, where appropriate, to give the Board additional time to pursue alternatives for maximizing shareholder value. The Amended and Restated SRP also encourages fair treatment of all shareholders by providing shareholders with an equal opportunity to participate in a take-over bid. A copy of the Amended and Restated SRP is available on SEDAR+ at www.sedarplus.ca.

Debentures

General

As at December 31, 2023, C$338,000,000 aggregate principal amount of Debentures were issued and outstanding. The Debentures were issued under a trust indenture dated December 2, 2021 (the "Indenture") between NFI and Computershare Trust Company of Canada, as trustee (the "Trustee"). The following summary of certain provisions of the Indenture is subject to, and is qualified in its entirety by reference to all the provisions of the Indenture. A copy of the Indenture is available on SEDAR+ at www.sedarplus.ca.

Interest Rate

The Debentures bear interest at a rate of 5.0% per annum.

Maturity Date

The Debentures will mature on January 15, 2027.

Conversion Privilege

The Debentures are convertible at the holder's option into Shares at any time prior to the close of business on the earliest of (i) the business day immediately preceding the maturity date; (ii) if called for redemption, the business day immediately preceding the date specified by NFI for redemption of the Debentures; or (iii) if called for repurchase pursuant to a Change of Control (described below), the business day immediately preceding the payment date, at the conversion price of C$33.15 per Share. Holders converting their Debentures will receive all accrued and unpaid interest to the date immediately prior to the date of conversion.

Upon conversion of the Debentures, in lieu of delivering Shares, NFI may elect, in its sole discretion, by written notice delivered to the Trustee within one business day of the of the conversion date, to exercise the Cash Conversion Option. Pursuant to the Cash Conversion Option, NFI will pay cash to the holders that converted their Debentures as soon as practicable and, in any event, no later than the third business day following the last day of the applicable Observation Period (as described in the Indenture).

Principal Repayment

On maturity, NFI will repay the indebtedness represented by the Debentures by paying the Trustee, on behalf of the holders, an amount equal to the principal amount of the outstanding Debentures, together with accrued and unpaid interest.

NFI may, at its option, on not more than 60 and not less than 40 days' prior notice and subject to applicable regulatory approval and provided that no event of default has occurred and is continuing and certain other conditions are satisfied, elect to satisfy its obligation to pay the principal amount of the Debentures which are due on the maturity date by issuing freely-tradeable Shares to the holders of the Debentures. The number of Shares to be issued will be determined by dividing the principal amount of the outstanding Debentures which have matured by 95% of the Current Market Price (as described in the Indenture) on the fifth trading day preceding the maturity date. No fractional Shares will be issued on maturity but, in lieu thereof, NFI shall satisfy fractional interests by a cash payment.

Optional Redemption

On and after January 15, 2025 and prior to the maturity date, NFI may redeem the Debentures, in whole or in part from time to time, at its option on not more than 60 days' and not less than 30 days' prior written notice at a price equal to the principal amount of the Debentures plus accrued and unpaid interest to, but excluding, the date of redemption, provided that the Current Market Price on the date on which the notice of redemption is given is not less than 125% of the conversion price.

Change of Control

Within 30 days following the occurrence of a Change of Control (as defined in the Indenture), NFI will be required to make an offer to purchase the Debentures at a price equal to 100% of the principal amount of the Debentures plus all accrued and unpaid interest thereon up to, but excluding, the date of purchase. Holders of Debentures may accept this offer in whole or in part.

If holders of 90% or more in aggregate principal amount of the Debentures outstanding on the date NFI gives notice of the Change of Control to the Trustee accept the offer to purchase, NFI will have the right to redeem all the remaining Debentures at the same price. Notice of such redemption must be given to the Trustee within 10 days following the date of purchase, and promptly thereafter, by the Trustee to the holders of the Debentures not tendered pursuant to the offer to purchase.

Cash Change of Control

Upon the occurrence of Cash Change of Control (as defined in the Indenture), then, during the period beginning 10 trading days before the anticipated date on which the Cash Change of Control becomes effective and ending 30 days after NFI delivers notice to the Trustee of the occurrence of a Cash Change of Control, holders of Debentures are entitled to convert their Debentures and receive, in addition to the number of Shares they would otherwise be entitled to receive as set forth under "— Conversion Privilege" above, an additional number of Shares per $1,000 principal amount of Debentures as set forth under the Indenture.

Interest Payment Election

Unless an Event of Default (as defined in the Indenture) has occurred and is continuing, NFI may elect to satisfy all or part of its obligation to pay interest on the Debentures, (i) in cash; (ii) by delivering Shares to the Trustee, for sale, to satisfy the interest obligations in accordance with the Indenture in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Shares; or (iii) any combination of (i) and (ii) above.

Rank and Subordination

The Debentures are general unsecured obligations of NFI and rank equally with one another and subordinate to all other existing and future senior secured and senior unsecured indebtedness of NFI and rank senior to all existing and future subordinated unsecured indebtedness of NFI. The Debentures do not restrict NFI or its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its properties to secure any indebtedness or liabilities.

Book-Entry Settlement and Clearance

CDS acts as securities depository for the Shares and the Debentures, which are referred to collectively as the "Securities". The Securities are represented by one or more global certificates (each, a "Global Certificate"), some of which are in electronic form. The Global Certificates for the Securities are issued as fully-registered in book-entry only form in the name of CDS or its nominee, CDS & Co.

If an investor intends to purchase or sell Securities, an investor must do so through direct and indirect CDS participants. All interests in the Securities are subject to the operations and procedures of CDS. NFI is responsible for and makes payments on the Shares to CDS and the Trustee makes payments on the Debentures to CDS. CDS is responsible for the disbursement of those payments to its participants, and the participants are responsible for disbursements of those payments to beneficial owners.

Dividend Policy

NFI intends to have a dividend policy that is consistent with its 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. 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. Under the terms of NFI's credit facilities, the Company is not permitted to declare or pay dividends.

Previously, in March 2020, given the impact of the pandemic on the Company's operating businesses, the Board reduced the Company's quarterly dividend to C$0.2125 per Share. In March 2022, given the continuing supply and logistics disruptions affecting the Company, the Board reduced the Company's quarterly dividend to C$0.0531 per Share, which was paid until the third quarter of 2022.

Future decisions on the resumption of dividend payments will be made by the Board and depend on the Company's financial performance and compliance with credit facilities covenants, among other considerations. There can be no assurance that dividend payments will resume.

Dividends on the Shares

The following tables illustrate the quarterly dividends paid on the Shares for the period from January 1, 2021 to December 31, 2022. As described above, no dividends were paid during the period from January 1, 2023 to the date of this Annual Information Form. All dollar amounts in the table below are in Canadian currency.

2021 Record Dates	Dividend per Share ($)	2022 Record Dates	Dividend per Share ($)
March 31, 2021	0.2125	March 31, 2022	0.0531
June 30, 2021	0.2125	June 30, 2022	0.0531
September 30, 2021	0.2125	September 30, 2022	0.0531
December 31, 2021	0.2125		
Total Dividends	**0.85**	**Total Dividends**	**0.1593**

Credit Facilities

Secured Facilities

In 2023, as part of the Refinancing Plan, NFI completed amendments, including financial covenant waivers, to the Company's Secured Facilities. Through the Refinancing Plan: (i) 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) and (ii) 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). The maturity date of both facilities was extended to April 30, 2026. The amendments also provide adjustments to key financial covenants (such as Total Leverage Ratio, Minimum Adjusted EBITDA and Interest Coverage Ratio) and the Company is also subject to a Total Net Debt to Capitalization ratio. The terms and covenants of the UK Facility are similar to those of the North American Facility, with some specific modifications for local UK laws and regulations. A copy of the North American Facility can be found on SEDAR+ at www.sedarplus.ca.

Each of the North American Facility and UK Facility is guaranteed by certain subsidiaries of NFI, and the obligations in respect of the North American Facility and the UK Facility are currently secured by certain of the assets of the borrowers and those guarantors. NFI receives its cash distributions from the borrowers (other than NFI) and the guarantors of the North American and the UK Facility, and as a result (among other requirements), the amounts owing under the North American Facility and any interest thereon will be payable in priority to any cash distributions to holders of Shares and Debentures.

Loans under the North American Facility bear interest at a rate equal to 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.

Manitoba Facility and EDC Facilities

In January 2023, the Company entered into the Manitoba Facility with MDC to support investments in working capital and general corporate purposes. In addition, the Company entered into the EDC Facility to support supply chain financing and the EDC Bonding Support to support NFI's surety and performance bonding requirements for new contracts, both provided by EDC. The EDC Bonding Support is for a one-year term for each new contract, subject to annual renewals.

Interest payments under the facilities are based on a base rate plus applicable margin structure. While the Manitoba Facility is in place, NFI must maintain its headquarters and senior management in Manitoba, and, while the EDC Facility and Manitoba Facility are in place, NFI cannot pay a dividend.

In connection with the Refinancing Plan, NFI extended the maturity of the Manitoba Facility and the EDC Facility to April 30, 2026. In addition, NFI effected a US$25 million permanent repayment of the EDC Facility.

Second Lien Financing

As part of the Refinancing Plan, on August 25, 2023, NFI completed a Second Lien Financing with Coliseum. The Second Lien Financing (i) has a five-year term and a 97% original issue discount, generating net proceeds of US$175.0 million, before fees and commissions, (ii) has an annual coupon of 14.5%, payable semi-annually and (iii) is non-callable 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 Financing is senior secured second lien obligations of NFI and its material subsidiaries, which ranks behind the Secured Facilities and all other first lien secured indebtedness of NFI and such subsidiaries, rank ahead of any subordinated obligations of NFI and its subsidiaries, and, by virtue of being secured, rank ahead of any unsecured obligations. A copy of the agreement governing the Second Lien Financing (the "Second Lien Debt Facility") can be found on SEDAR+ at www.sedarplus.ca.

DIRECTORS AND OFFICERS

Directors and Officers

NFI's articles of incorporation provide for a minimum of three and a maximum of 20 directors. NFI's Board consists of ten individuals and is comprised as follows:

- Paul Soubry, Krystyna Hoeg and Wendy Kei, each of whom is a Canadian resident. Wendy Kei serves as the chairperson of the Board;
- Colin Robertson, who is a UK resident, serves as vice chairperson of the Board;
- Larry Edwards, Adam Gray, Phyllis Cochran, Katherine Winter and Jannet Walker-Ford, each of whom is a U.S. resident; and
- Paulo Cezar da Silva Nunes, who is a Brazilian resident.

The following table sets out the name, municipality of residence, position(s) with the Company and principal occupation of the directors of NFI.

Name and Municipality of Residence	Position(s)	Director Since	Principal Occupation If not with the Company
Wendy Kei ………………..…………… Toronto, Ontario, Canada	Director (Chairperson of the Board)	2022	Corporate Director
Larry Edwards ………………………… Tulsa, Oklahoma, USA	Director (Chairperson of the human resources, compensation and corporate governance committee)	2008	Corporate Director
Paul Soubry ……………………………. Winnipeg, Manitoba, Canada	Director	2009	President and Chief Executive Officer of the Company
Adam Gray ……………………………. Greenwich, Connecticut, USA	Director	2012	Managing Partner, Coliseum Capital Management, LLC
Phyllis Cochran …………………...…… Bluffton, South Carolina, USA	Director (Chairperson of the audit committee)	2015	Corporate Director
Krystyna Hoeg ……………………….. Toronto, Ontario, Canada	Director	2015	Corporate Director
Paulo Cezar da Silva Nunes………...…… Porto Alegre, Rio Grande do Sul, Brazil	Director	2015	Corporate Director

Name and Municipality of Residence	Position(s)	Director Since	Principal Occupation If not with the Company
Katherine Winter………..……………… Palatine, Illinois, USA	Director	2019	Chief Operating Officer, May Mobility (2022-Present) Vice President and General Manager, Autonomous Transportation & Infrastructure Division, Intel Corporation (2020 – 2022) Vice President and General Manager, Automated Driving Solutions Division, Intel Corporation (2016 – 2020)
Colin Robertson, CBE………..………… Edinburgh, Scotland, UK	Director (Vice Chairperson of the Board and Chairperson of the operations and technology committee)	2020	Corporate Director CEO, ADL (2007 - 2020)
Jannet Walker-Ford……………………... Jacksonville, Florida, USA	Director	2023	Senior Vice President and National Transit and Rail Market Lead, WSP USA (2021-Present)

Each of the directors has had the principal occupation referred to opposite his or her name during the past five years, except for Ms. Winter, Mr. Robertson and Ms. Walker-Ford.

The term of office for each of the directors of NFI expires at the time of the next annual meeting of shareholders of NFI. Directors will be elected at each annual meeting of shareholders of NFI.

A director may be removed by a resolution passed by a majority of the shareholders or may resign. The vacancy created by the removal of a director must be filled at the shareholder meeting at which he or she was removed. A vacancy not so filled at a shareholder meeting, or created by the resignation of a director, may be filled by a quorum of the remaining directors. A quorum for meetings of directors is a majority of the directors, provided that a majority of directors present (or one director, where a quorum is two directors) must be residents of Canada. If there is no quorum of directors, a special shareholder meeting must be called to fill vacancies.

The directors supervise the activities and manage the affairs of NFI.

Audit Committee

NFI's audit committee is comprised of a minimum of three directors. In 2023, the audit committee was comprised of four members, being Phyllis Cochran (Chair), Adam Gray, Krystyna Hoeg and Wendy Kei. Effective March 1, 2024, Mr. Gray ceased being a member of the audit committee and was appointed to the operations and technology committee ("OT Committee") and Mr. Edwards was appointed to the audit committee. All of the members of the audit committee are independent within the meaning of National Instrument 52-110 *Audit Committees* ("NI 52-110").

The audit committee is responsible for the oversight and supervision of the accounting and financial reporting practices and procedures of NFI, the adequacy of internal accounting controls and procedures, the quality and integrity of financial statements of NFI and the oversight of NFI's enterprise risk management framework. In addition, the audit committee is responsible for directing the auditors' examination of specific areas and for recommending to the Board the selection of independent auditors of NFI. The committee annually reviews the Chief Financial Officer's goals and objectives for the upcoming year and conducts regular reviews of the Chief Financial Officer's performance.

Human Resources, Compensation and Corporate Governance Committee

NFI has a human resources, compensation and corporate governance committee comprised of four directors. The members of the committee are Larry Edwards (Chair), Paulo Nunes, Katherine Winter and Wendy Kei. All of the members of the human resources, compensation and corporate governance committee are independent within the meaning of NI 52-110. The committee reviews and makes recommendations to the directors concerning the appointment of officers of NFI and its subsidiaries and the hiring, compensation, benefits and termination of officers of NFI and its subsidiaries. The committee annually reviews the Chief Executive Officer's goals and objectives for the upcoming year and conducts quarterly reviews of the Chief Executive Officer's performance. The committee also makes recommendations concerning the remuneration of directors of NFI and its subsidiaries. The committee administers and makes recommendations regarding the operation of any employee bonus or incentive plans, including the performance and restricted share unit plan and the stock option plan, and administers the deferred share unit plan and restricted share unit plan for non-management directors. The committee is also responsible for developing NFI's approach to corporate governance issues, advising NFI's Board on filling vacancies on the Board and the boards of NFI's subsidiaries and periodically reviewing the composition and effectiveness of each board and the contribution of individual directors, considering questions of management succession and considering and approving proposals by the directors of NFI to engage outside advisors on their behalf. The committee also reviews and recommends to the Board the Company's health, safety and environmental guidelines and practices and monitors the Company's performance against those practices and guidelines, and oversees the Company's approach to ESG related issues, including climate change and corporate social responsibility, for which the Board has ultimate authority.

Operations and Technology Committee

The OT Committee is a new committee of the Board that was formed in mid-2023. In 2023, the OT Committee was comprised of four members: Colin Robertson (Chair), Larry Edwards, Katherine Winter and Jannet Walker-Ford. Effective March 1, 2024, Mr. Edwards ceased being a member of the OT Committee and was appointed to the audit committee and Mr. Gray was appointed to the OT Committee. The OT Committee is responsible for providing oversight and guidance to management in operational areas of the business, including organization, business unit and functional structure; monitoring and assessment of key performance, supply and operating metrics; reviewing principal operating methodologies and policies of the businesses (such as LEAN manufacturing) and reviewing NFI's technology roadmap, new product development and technical project management approach, scope and capability. The OT Committee also reviews and recommends to the Board the businesses' requests for material capital expenditures relating to operational and technology projects.

Executive Officers

Paul Soubry is the President and Chief Executive Officer, Brian Dewsnup is the CFO and Colin Pewarchuk is Executive Vice President, General Counsel and Corporate Secretary of NFI. Prior to Mr. Dewsnup being appointed as CFO of the Company, effective March 1, 2024, Pipasu Soni had been the Company's CFO since March 2020.

Each of the executive officers has had the principal occupation referred to above during the past five years, except for Mr. Dewsnup who, prior to his appointment as CFO, was the President of both The Aftermarket Parts Company, LLC (doing business as NFI Parts™) since 2017 and ARBOC Specialty Vehicles, LLC since 2022, both of which are subsidiaries of NFI. Prior to his appointment as President of NFI Parts™, Mr. Dewsnup served in roles as NFI's Executive Vice President of Business Development and Vice President and General Manager of North American Bus Industries, Inc. ("NABI") after NABI was acquired by NFI in 2013. Prior to NABI's acquisition by NFI, Mr. Dewsnup served as Chief Financial Officer and Corporate Controller of NABI from 2006 to 2013. Mr. Dewsnup served as Controller of Johns

Manville's Waterville operations (a Berkshire Hathaway Company) from 2005 to 2006 and prior to that held various finance positions at Ford Motor Company and at Visteon Corporation.

The following table shows the number and percentage of Shares that were beneficially owned, or controlled or directed, directly or indirectly, by the directors and executive officers of NFI and of its subsidiaries as a group as of December 31, 2023. The table also shows such shareholdings, but excluding the shareholdings of Coliseum, of which Mr. Adam Gray, a director of NFI, is a managing partner and co-founder.

	Number of Shares	**Percentage of issued and outstanding Shares**	**Number of Shares (excluding the Shares of Coliseum)**	**Percentage of issued and outstanding Shares**
Directors and executive officers of NFI	32,151,522	27.0%	947,074	0.8%
Directors and executive officers of NFI and its subsidiaries	32,645,616	27.4%	1,441,168	1.2%

Cease Trade Orders, Bankruptcies, Penalties and Sanctions

Mr. Gray was a director of APP Winddown, LLC (formerly known as American Apparel, LLC) ("AA") from February 1, 2016, when AA exited bankruptcy through a plan of conversion with its former creditors, until his resignation from the board on March 31, 2017. AA was an apparel manufacturer and retailer. On November 14, 2016, AA (along with certain related entities) filed a second voluntary petition for relief under chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court in Wilmington, Delaware and subsequently agreed to sell its intellectual property and other assets to Gildan Activewear. Since then, AA has been in wind down and the majority of its estate has been distributed to creditors.

Mr. Edwards was a director of Red Fork Energy Limited ("RFE") from May 2013 to April 2015. In December 2014, KordaMentha Pty Ltd. was appointed as receivers and managers over the assets of RFE under the terms of the security provided to Guggenheim Corporate Funding LLC. As a consequence of this appointment, the directors of RFE appointed Ferrier Hodgson as joint and several voluntary administrators and the powers of RFE's directors were suspended. In March 2015, Ferrier Hodgson concluded that RFE was not insolvent for a material time leading to their appointment and that the directors had a reasonable expectation they would be able to refinance the Guggenheim facility. In April 2015, the creditors of RFE resolved that the company execute a deed of company arrangement for purposes of reconstruction and recapitalization of RFE (to be renamed Brookside Energy Limited). In July 2015, the deed was effectuated and control of Brookside Energy Limited reverted to a new board of directors.

Mr. Robertson was a director of Custom Coaches Pty Ltd. and Custom Coaches (Sales) Pty Ltd., two Australian corporations which were purchased by ADL in 2012. The businesses were placed into voluntary administration in May 2014 and Deloitte Restructuring Services was appointed administrator. The entities were sold by the administrator to a third party in August 2014.

Except as described above, to the knowledge of NFI, no director or executive officer of NFI or a shareholder holding a sufficient number of securities of NFI to affect materially the control of NFI is, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including NFI) that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of NFI, no director or executive officer of NFI or a shareholder holding a sufficient number of securities of NFI to affect materially the control of NFI has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Insurance Coverage and Indemnification

Insurance policies have been obtained for directors and officers of NFI and for the directors and officers of its subsidiaries. Under the policies, each entity has reimbursement coverage to the extent that it has indemnified directors and officers. The policies include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against NFI and its subsidiaries. The total limit of liability will be shared among NFI and its subsidiaries and their respective directors and officers so that the limit of liability will not be exclusive to any one of the entities or their respective directors and officers.

The by-laws of NFI provide for the indemnification of its directors and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations.

AUDIT COMMITTEE AND AUDITOR'S FEES

In 2023, NFI's audit committee consisted of four directors: Phyllis Cochran (Chair), Adam Gray, Krystyna Hoeg and Wendy Kei. Effective March 1, 2024, Mr. Gray ceased being a member of the audit committee and Mr. Edwards was appointed to the audit committee. The members of the audit committee are independent of NFI and "financially literate" within the meaning of NI 52-110. The audit committee is responsible for the oversight and supervision of the accounting and financial reporting practices and procedures of NFI, monitoring the adequacy of internal accounting controls and procedures, reviewing the quality and integrity of financial statements of NFI and the oversight of NFI's enterprise risk management framework. The independent auditors of NFI report directly to the audit committee. In addition, the audit committee is responsible for reviewing and approving the auditors' audit plan and for recommending to the Board the selection of independent auditors of NFI. The charter of the audit committee is attached hereto as Appendix "A".

Relevant Education and Experience of Audit Committee Members

The following is a brief summary of the education and experience of each member of the audit committee that is relevant to the performance of his or her responsibilities as a member of the audit committee, including any education and experience that has provided the member with an understanding of the accounting principles used by NFI to prepare its annual and interim financial statements:

Name of Audit Committee Member	Relevant Education and Experience
Phyllis Cochran (Chair)	Ms. Cochran is an audit financial expert who is a CPA and has worked as an auditor in an international accounting firm. Ms. Cochran worked as the Controller and Vice President, and prior to that, the Assistant Controller of Navistar Financial Corporation. She was also the President, Parts Group of Navistar International Corporation. Ms. Cochran also served on the audit committee of the board of directors of The Mosaic Company for seven years.

Name of Audit Committee Member	Relevant Education and Experience
Krystyna Hoeg …………………………………………………	Ms. Hoeg is an audit financial expert who is a CPA and has worked in senior financial positions, including Vice President, Finance, for a number of organizations. Ms. Hoeg was also the President and CEO of Corby Distilleries Limited. Ms. Hoeg has served on, and has chaired, a number of audit committees of both private and publicly-traded corporations.
Wendy Kei …………………………………………………..…	Ms. Kei is an audit financial expert who is a FCPA and has previously served as CFO of Dominion Diamond Corporation. Ms. Kei has served on, and has chaired audit committees for a number of publicly-traded corporations. She also serves on a number of advisory committees for CPA Canada.
Adam Gray (until March 1, 2024) ….………………………….	Mr. Gray has an undergraduate business school education with a major in finance. He has worked in several investment banks, has served as Investment Manager for several investment funds and has served on other audit committees.
Larry Edwards (from March 1, 2024).…………………………	Mr. Edwards holds an MBA and was the President and CEO of a NYSE-listed public company.

Non-Audit Services

The audit committee has adopted specific policies and procedures for the engagement of external auditors for all services, including non-audit services. In particular, the audit committee is required to pre-approve the appointment of the auditor for any permitted non-audit service to be provided to NFI or any of its subsidiaries. Before the appointment of the auditor for any non-audit service, the audit committee will consider the compatibility of the service with the auditor's independence.

The audit committee may delegate to one or more members the authority to pre-approve the appointment of the auditor for any non-audit service to the extent permitted by applicable law. The pre-approval of non-audit services by any member to whom authority has been delegated must be reported to the full audit committee at its first scheduled meeting following such pre-approval.

External Auditor Service Fees

The following table summarizes the Audit, Audit Related, Tax Related and Other Fees (excluding expenses and taxes) of NFI's external auditor for the last two fiscal years:

	Fiscal 2023	Fiscal 2022
Audit Fees	C$2,847,517	C$2,701,288
Audit-Related Fees	C$2,497	C$0
Taxation Fees	C$362,004	C$311,544
All Other Fees	C$3,212,018	C$50,997

Audit Committee Oversight

At no time since the commencement of NFI's most recently completed fiscal year has a recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the Board.

Risk Management

Risk management practices are a part of the Company's regular business operations to help enhance decision-making and resource allocation. The Company's risk management process focuses on the identification of risks associated with the Company's business and its operational and strategic objectives, and the assessment and mitigation of those risks. The alignment of risk mitigation efforts has been enhanced across the Company while taking into account both internal and external risk factors. The Company continues to evaluate its risk tolerances for specific strategies and objectives. In order to support management's commitment to enhancing risk management practices and enhanced accountability, the Company continues to deploy risk assessment education to employees involved in the risk management processes. The Company has embedded risk management practices within the annual budget and annual operating planning process and determination of management objectives. The Company's risk management program is managed by an enterprise-wide risk committee in conjunction with the Company's Director of the Audit and Risk Management Services ("ARMS") department, and with executive level participation. The Company retains independent contractors and consultants to assist the ARMS department from time to time, as requested by management or the Audit Committee, in performing audits of various functions or processes within the Company's operating departments in order to assess whether their processes and procedures take into account significant risks and whether such risks have been adequately mitigated. See "Risk Factors — Risks Related to Operations — The Company's risk management policies and procedures may not be fully effective in achieving their intended purposes".

Information Security Systems and Risks

One of the many areas for which the Company's Information Technology group is responsible is the design implementation and testing of appropriate information security protocols and procedures to protect the Company's IT infrastructure, networks, edge devices and data. The IT group is also responsible for monitoring the Company's IT systems for information security issues and, in the event any information security incident occurs, for responding to and mitigating such incident in accordance with the Company's Privacy and Data Security Incident Response Plan. The IT group monitors the nature and volume of attempted intrusions to the Company's IT infrastructure, networks and devices, conducts post-incident reviews of successful attempts, and makes or recommends adjustments to the Company's information security protocols and procedures as appropriate in response to those risks. As part of its information security posture, the Company maintains network security and privacy liability insurance, which includes coverage to assist the Company in defraying the costs of responding to an information security incident. The IT group also provides general information security awareness training to employees at least twice a year, specialized information security training for certain functional groups, such as the Finance and Human Resources organizations, and regularly conducts phishing email tests of employees.

The Company's executive level risk committee regularly reviews, monitors and discusses information security issues and the ARMS department regularly performs audits of various information technology processes, procedures and controls within the IT group to assess whether any significant or systemic risks exist and whether they have been adequately mitigated. At the Board level, the Audit Committee is responsible for oversight of IT information security matters and related risk and senior management reports to the Audit Committee with respect to information security issues at least semi-annually, and more frequently, if requested or required.

RISK FACTORS

An investment in the Shares and the Debentures involves a number of risks. The risks described below are not the only risks facing the Company. Additional risks and uncertainties not currently known or that are currently considered to be immaterial may also materially and adversely affect the Company. If any of these risks actually occur, the business, financial condition, liquidity and operating results of the Company could be materially and adversely affected, in which case the amount of cash available for dividends and the trading prices of the Shares and the Debentures may materially decline.

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 challenges, inflationary effects, and labour supply challenges.

The COVID-19 pandemic and its effects continue to have a significant impact on the Company's business, its end markets, customers and suppliers. In connection with the pandemic, the second half of 2021 saw quickly escalating supply chain and logistics challenges that continued into 2022 and 2023. These challenges have created bottlenecks and significant disruptions to NFI's operations. In response to these issues, NFI has taken steps (some of which remain in effect) to reduce new vehicle input rates, temporarily idle certain facilities and adjust production rates in others. In addition, as a result of the supply-constrained environment and the general economic conditions, the Company has experienced pricing pressure from suppliers and inflationary price increases of parts and components, as well as increases in the costs of freight, energy and other consumables used in the manufacturing processes, as well as an increase in the cost of labour. The Company has been working closely with its suppliers and customers but there is no guarantee that the Company will be able to recover some or any increased costs. These pandemic related factors and impacts together had a significant negative impact on the Company's business, operating results, financial condition and liquidity during 2020-2023.

As the impacts of the pandemic on global and local economies continue, the Company's operations may be materially adversely affected by ongoing economic and social disruptions as well as ongoing and future supply delays, shortages of parts and components, shipping and freight delays, disruption to or shortage of labour supply, which may continue or worsen. While NFI has experienced significant improvement in supplier performance, the supply of parts and components by suppliers continues to be challenged and may deteriorate. The Company's vehicle production rates and deliveries may not increase as planned and may decrease. There can be no assurance as to if or when production operations will return to pre-pandemic production rates or deliveries. The pandemic has adversely affected operations of suppliers and customers and those effects may continue or worsen, which may cause deferrals or cancellations of orders (which may lead to lower production and delivery rates). For example, similar to the Company, suppliers have been and continue to be impacted by shortages of labour supply. While the Company has been experiencing an increase in customers' purchase of Company's products, there is no guarantee that such increase will continue and it may reverse. The recovery of the Company's markets in the future may not continue and demand may be lower than expected. 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.

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. In addition, as an increasing percentage of the Company's orders are ZEBs that have a larger manufacturing cost, the Company's working capital requirements have increased compared to prior years. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period or have access to additional capital or government financial support when required in such circumstances 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.

The Company cautions that it is not possible to predict the future impact that these factors may continue to have on the Company's business, operating performance, financial condition and ability to generate sufficient cash flow and maintain adequate liquidity. These impacts may significantly reduce the Company's cashflow, liquidity and its ability to maintain compliance with covenants under its credit facilities and could potentially expose the Company to liquidated damages penalties under certain transit bus and motor coach purchase contracts if it is unable to meet the applicable delivery deadlines under such contacts. The impact of these factors could have a further material adverse effect on the Company's business, operating results, financial condition and liquidity. The Company cautions that the pandemic may return 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.

Risks Related to General Economic and Market Factors

Funding may not continue to be available to the Company's customers at current levels or at all

The Company's principal customers in North America are municipal and other local transit authorities that rely on funding from various levels of government to purchase heavy-duty transit buses, medium-duty transit buses and motor coaches. There can be no assurance that this funding will continue to be available at current levels, on the same terms or at all. Generally, 80% of the total eligible funding for purchases of new transit buses and coaches by municipal and other local transit authorities in the United States is provided by the federal government through allocations to the FTA.

The Company also has exposure to the private market as the majority of ADL's products, MCI's motor coaches, and, to a lesser extent, ARBOC's cutaways, are predominantly sold to private customers. The private market is likely to be more adversely affected during periods of recession or slower economic growth due to the buying cycle being much shorter than the public market cycle. Private customers also have different buying habits on bus replacement than the public market.

Any decline in or changes in the terms of governmental and local funding for purchases of new heavy-duty transit buses, medium-duty buses, coaches and/or purchases of aftermarket parts or services and any decrease in access to financing for private bus, cutaway and coach customers could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

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

In addition, management's estimates have not been independently verified (e.g. Bid Universe) and are based on certain assumptions that may not prove to be accurate. As a result, these estimates could differ materially from actual demand and future sales may lag behind improvements in general economic conditions.

A decrease in employment levels, consumer confidence or other adverse economic events, or the failure of actual demand for the Company's products to meet management's estimates, could negatively affect the demand for the Company's products. In addition, as transit authorities and other customers transition from internal combustion propulsion system buses and coaches to ZEBs, there may be a reduced demand for aftermarket parts that form part of and support buses and coaches that have those traditional internal combustion engine propulsion systems. Any decline in overall customer demand in markets in which the

Company operates could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Currency fluctuations could adversely affect the Company's financial results or competitive position

The Company reports its results in United States dollars. The Company generates cash flows and earns income in U.S. dollars, pounds sterling and Canadian dollars, and to a lesser extent, currencies of other countries in which it does business internationally. The currency mix of cash flows and earnings depends on the geographic source of orders for buses, motor coaches and parts, as well as production and other costs and other factors which vary from period to period. As a result, the Company is exposed to fluctuations in the exchange rates between these currencies and the U.S. dollar and such fluctuations will have an effect on the Company's reported results. However, the impact of changes in foreign exchange rates on the Company's reported results differs over time depending on whether the Company is generating a net cash inflow or outflow of those different currencies.

The Company implements an active hedging strategy to minimize the effects of these fluctuations during this period. However, there can be no assurance that the Company will be able to successfully implement this hedging strategy and actual revenues, expenses and resulting cash flows may vary from management's estimates and such variance may be material. The Company reviews its currency hedging policy on an ongoing basis.

In addition, the Company competes with American manufacturers and may be less competitive in the event foreign currencies strengthen relative to the United States dollar. To the extent the Company has borrowings that are denominated in Canadian dollars or in pounds sterling, its results of operations are also negatively affected by a strengthening in the Canadian dollar or pounds sterling, or both compared to the United States dollar.

Interest rates could change substantially, materially impacting the Company's revenue and profitability

The Company's borrowings under its Secured Facilities are at variable rates of interest and expose the Company to interest rate risk. The Company's attempts to mitigate this risk through interest rate hedges or swaps could become materially more expensive if interest rates increase or become more volatile. If the cost of hedging interest rates increases, the Company's debt service obligations on its variable rate indebtedness would increase even though the amount borrowed remained the same, and the Company's net income and cash available for servicing its other indebtedness would decrease. In addition, the use of interest rate hedges or swaps may not be sufficient to mitigate interest rate risk.

A significant portion of the private sales of new and pre-owned motor coaches is financed. An increase in interest rates would increase the cost of financing and the effective total purchase price of coaches and buses to the customer. This effective increase in the cost of the coach or bus may decrease the size of the private motor coach and bus market and as a result, may reduce the volume of motor coaches and buses sold by the Company.

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

Although the Shares and the Debentures are listed on the TSX under the symbol "NFI" and "NFI.DB", respectively, an active trading market for such securities may not be sustained. A public trading market having the desirable characteristics of depth, liquidity and orderliness depends upon the existence of willing buyers and sellers at any given time, such existence being dependent upon the individual decisions of buyers and sellers over which neither the Company, its management, its Board nor any market maker has control.

The failure of an active and liquid trading market to continue would likely have a material adverse effect on the value of the Shares and/or the Debentures. An inactive market may also impair the ability to raise capital to continue to fund operations by issuing Shares and/or Debentures and may impair the Company's ability to acquire other companies or technologies by using securities as consideration for such acquisition.

The market price for the Shares and/or the Debentures may be volatile

The market price of the Shares and/or the Debentures may change in response to fluctuations in the Company's operating results in future periods and may also change in response to other factors, many of which are beyond the control of management, the Board or the Company. As a result, the price of the Shares and/or the Debentures may experience significant volatility and may not necessarily reflect the value of management's expected performance. Other factors that could affect the prices of the Shares and/or the Debentures, include, but are not limited to, the following:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in the Company's quarterly or annual financial and operating results;
- introduction of new products or services by the Company or its competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- sales, or anticipated sales, of large blocks of Shares and/or Debentures;
- additions or departures of key personnel;
- legal, regulatory, political or geo-political developments;
- litigation and governmental investigations;
- market and industry perception of the Company's success, or lack thereof, in pursuing management's growth strategy;
- changing economic conditions; and
- exchange rate fluctuations.

In addition, future sales or the availability for sale of substantial amounts of Shares and/or Debentures in the public market could adversely affect the prevailing market price of such securities and could impair NFI's ability to raise capital through future sales of its securities.

The perceived creditworthiness of the Company may affect the market price or value and the liquidity of the Shares and/or the Debentures.

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

Management believes the trading market for the Shares has been and will continue to be influenced by the research and reports that industry or securities analysts publish about the Company or its business. Management and the Board do not have any control over these analysts. If one or more of these analysts cease coverage of the Company or fail to publish regular reports regarding the Company, the Company could lose visibility in the financial markets and demand for the Shares could decrease, which could cause the Share price and trading volume of the Shares to decline. Moreover, if one or more of the analysts who cover the Company downgrade the Shares or issue "sell" recommendations, or if the Company's results of operations do not meet their expectations, the Share price could decline.

Risks Related to the Business Environment

Competition in the industry and entrance of new competitors

There is significant competition in the public transit bus markets in Canada, the United States and the UK. Although the Company is the current market leader, its principal competitors may gain market share. New competitors may also emerge in the industry. There can be no assurance that the Company will maintain its current leading position. There is also strong competition in the aftermarket parts and service markets where the Company sells parts and services to transit agencies. New Flyer is one of few publicly-traded companies selling transit buses in the United States and Canada and is subject to certain legal disclosure requirements. These disclosure requirements may put the Company at a competitive disadvantage. In addition, funding pressures on public agencies for capital purchases and operating funds have increased the importance of price in the evaluation criteria for replacement buses and aftermarket parts and services and have resulted in aggressive pricing among competitors in the heavy-duty transit bus industry.

There is a high-level of competition in both the medium-duty bus and cutaway bus sectors and the Company also faces indirect competition from heavy-duty transit competitors.

There is also significant competition in the private motor coach industry. Mercedes-Benz (owned by Daimler) has entered the market with coaches produced in Turkey. New entrants from lower cost countries such as China, Mexico, Brazil and Turkey continue to have interest in the North American market.

There can be no assurance that the Company will be able to compete successfully against its current or future competitors or that such competition will not have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Current requirements under "Buy America" regulations may change and/or become more onerous or suppliers' "Buy America" content may change

Manufacturers of new transit buses and motor coaches must comply with "Buy America" requirements in order for new transit bus and coach purchases to qualify for United States federal funding. "Buy America" regulations currently require that transit buses and motor coaches purchased with federal funds contain a minimum of 70% United States content by component cost and that "final assembly" take place in the United States. There can be no assurance that the "Buy America" regulations will not change and/or become more onerous or that the Company will continue to meet the "Buy America" requirements.

In addition, should "Buy America" requirements become less stringent, foreign competitors without significant U.S. operations may be able to penetrate the United States market and gain market share. Also, suppliers may change the source of the components or subcomponents comprising their products thereby potentially reducing the "Buy America" content of their products. Any changes in U.S. Buy America legislation or the reduction of "Buy America" content of suppliers' products may have a material adverse effect on the Company's business, financial condition, liquidity and operating results. See "Description of the Business — Legal and Regulatory Matters — Rules of Origin (Buy America) Legislation".

Failure of the Company to comply with the DBE program requirements or the failure to have its DBE goals approved by the FTA

In accordance with the DBE program requirements, the FTA requires vehicle manufacturers (which includes both transit bus and motor coach manufacturers) that bid on federally-assisted vehicle procurements to submit annual goals to support qualified DBEs (as defined in the DBE program regulations) and to certify that they have complied with the requirements of the DBE program. The FTA reviews and approves transit vehicle manufacturers' DBE goals for the upcoming year and maintains a certified list of transit vehicle manufacturers that are eligible to bid on federally-assisted vehicle procurements. The Company's failure to comply with the DBE program requirements or the failure to have its DBE goals approved by the FTA would result in the Company being ineligible to bid on federally assisted transit vehicle procurements. The inability to bid on U.S. federally assisted procurements would have a material adverse effect on the Company's business, financial condition, liquidity and operating results. See "Description of the Business – Legal and Regulatory Matters – U.S. Disadvantaged Business Enterprise Program".

Absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience

As is general industry practice, the Company does not typically enter into long term supply agreements with its customers. Transit authorities typically undertake significant procurement of new transit buses and coaches once every few years. Customers may, without notice or penalty, suspend or terminate their relationship with the Company at any time. Even if customers should decide to continue their relationship with the Company, there can be no guarantee that they will purchase the same volume of products as in the past or that they will pay the same price for those products as they have in the past. Moreover, many public customer contracts include options to purchase transit buses and motor coaches in the future and a large portion of the Company's order book is represented by options as opposed to firm orders. Although the Company actively seeks to grow its North America option backlog as options represent a significant source of potential orders for the Company, there can be no assurance that customers will continue to exercise such options at the same rate or at all in the future. In addition, customer contracts in the heavy-duty transit bus and public sector coach industries generally give transit authorities the right to suspend the contract or terminate the contract for convenience (or without any reason). As such, customers may, without notice and for no reason, suspend or terminate their relationship with the Company during the term of the contract. Any loss of customers, or decrease in the volume purchased or price paid by them for products, could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Local content bidding preferences in the United States may create a competitive disadvantage

Certain locally-funded transit agencies in the United States have implemented procurement rules which increase the valuation scores of bids submitted by bidders based on the amount of local state content by cost that the vehicle contains. Any changes in legislation or procurement rules that mandate giving preference to bidders based on the amount of local content their vehicles contain may put the Company at a competitive disadvantage if it is unable to include a sufficient number of components that are sourced locally. The proliferation of these types of procurement rules may also increase the costs of the Company conducting business. To the extent that this prevents the Company from winning a material number of solicitations, or materially increases the cost of doing business, these procurement rules may have a material adverse effect on the Company's business, financial condition, liquidity and operating results. See "Description of the Business – Legal and Regulatory Matters – Local Content Bidding Preference in the United States".

Requirements under Canadian content policies may change and/or become more onerous

Manufacturers selling new buses to municipalities in Ontario, Canada that use provincial funding to purchase the buses or to certain transit agencies in Quebec, Canada, must comply with certain policies that require the buses to contain a minimum percentage of Canadian content by cost and/or to be manufactured using a minimum percentage of Canadian labour costs. There can be no assurance that these "Canadian content" requirements will not change and/or become more onerous or that other provinces or municipalities will adopt or enact similar or more onerous policies or legislation that have similar effect. Many major and/or high-cost components such as engines, axles, transmissions, heating and air conditioning units and seats are not manufactured in Canada and are not considered "Canadian content" under these policies. In the event that the "Canadian content" requirement increases or additional components or subcomponents cannot be sourced in Canada or the Canadian labour content requirement increases to such a level where the Company is not able to manufacture the bus primarily or solely in Canada, the Company may not be able to comply with these policy requirements and will not be able to sell buses to customers to which these policies apply. This may have a material adverse effect on the Company's business, financial condition, liquidity and operating results. See "Description of the Business – Legal and Regulatory Matters – Policies Regarding Canadian Content".

The Company's business may be materially impacted by climate change matters, including risks related to the transition to a lower-carbon economy

Generally, the promulgation of climate change laws or regulations restricting or regulating greenhouse gas ("GHG") emissions increases the costs to operate the Company's businesses. Certain jurisdictions have promulgated laws and regulations to limit GHG emissions through requirements of specific controls, carbon levies, cap and trade programs or other measures. Comprehensive GHG legislation or regulation, including carbon pricing, may affect not only the Company and its businesses, but also its customers and suppliers. Complying with such GHG laws and regulations and related bid requirements has added and will continue to add to the Company's operating costs and, while the Company believes that it is in compliance in all material respects with such current GHG laws and regulations, there can be no assurance that the Company and its businesses will not be materially impacted by the increase in costs and resources required to manage and comply with any such laws and regulations that may be adopted in the future.

Risks Related to Operations

Operational Risk

The Company is exposed to many types of operational risks that affect all companies. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and/or systems or from external events. Operational risk is present in all of the Company's business activities, and incorporates exposure relating to fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, floods, technology failures, processing errors, business integration, damage to physical assets, employee safety and inability to obtain surety bonds or insurance coverage. Such risks also include the risk of misconduct, theft or fraud by employees or others, unauthorized transactions by employees, operational or human error or not having sufficient levels or quality of staffing resources to successfully achieve the Company's strategic or operational objectives. The occurrence of an event caused by an operational risk that is material could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

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

Many municipalities and local transit authorities require suppliers to obtain performance bonds from surety companies or letters of credit to ensure that suppliers will perform under purchase agreements. The surety bonding market does not provide for committed bonding facilities. Surety companies provide limits on the maximum facility they will provide. Surety companies issue bonds on an as-needed basis and take into account the Company's current financial performance and the state of the surety market in making their credit decisions. In order to ensure continued performance guarantee availability, the Company has entered into a letter of credit sub-facility as part of its North American Facility in order to have letters of credit issued to either backstop surety bonds or to directly secure obligations with municipalities and local transit authorities.

There can be no assurance that the Company's customers will not require additional performance security in the future or that either letters of credit or performance bonds will continue to be available to the Company as security for performance of its contracts or, if available, on favourable terms (including cost) to the Company. If the amount of performance security the Company is required to provide significantly increases or if adequate performance security is not available or if the terms or costs of such security are too onerous, the Company may lose existing contracts and may not be able to bid on new contracts, which could result in a material adverse effect on the Company's business, financial condition, liquidity and operating results. See "Description of the Business — Bonding Requirements".

International operations subject the Company to additional risks and costs and may cause profitability to decline.

As of December 31, 2023, the Company's revenues from operations outside of North America represented 21% of total revenue. As a result, the business is exposed to risks inherent in foreign operations. These risks, which can vary substantially by market, include the following:

- the effects of legal and regulatory changes (including tax reforms) and the burdens and costs of compliance with a variety of foreign laws;
- governmental laws, regulations and policies adopted to manage national economic conditions, such as increases in taxes, austerity measures that impact government or consumer spending, monetary policies that may impact inflation rates and currency fluctuations;
- trade regulations and procedures and actions affecting production, pricing and marketing of products, including policies adopted by countries that may champion or otherwise favour domestic companies and technologies over foreign competitors;
- import, export or other business licensing requirements or requirements relating to making foreign direct investments, which could increase the cost of doing business in certain jurisdictions, prevent the shipping of products to particular countries or markets, affect the ability to obtain favorable terms for components, increase operating costs or lead to penalties or restrictions;
- the risks of operating in developing or emerging markets in which there are significant uncertainties regarding the interpretation, application and enforceability of laws and regulations and the enforceability of contract rights and intellectual property rights;
- risks arising from the significant and rapid fluctuations in currency exchange markets and the decisions and positions that the Company takes to hedge such volatility; and
- changing labour costs and conditions and difficulties in staffing international operations and managing a geographically dispersed workforce as well as labour issues in developing or emerging markets (e.g., relating to forced labour, labour unrest and child labour).

Compliance with international trade regulations, tariffs and duties

The Company's business involves operating, obtaining materials and components and selling finished and partially completed products in multiple jurisdictions and across borders, which requires compliance with various laws and regulations relating to international trade, tariffs and duties. These laws and regulations are numerous, complex and involve detailed compliance and reporting requirements. There is a risk that from time to time the Company may not be in full compliance with these requirements. The Company's subsidiaries MCI and New Flyer have filed disclosures with the U.S. customs authorities that are seeking information to verify the accuracy of their respective declarations in respect of the import into the United States from Canada of completed and partially completed motor coaches and transit buses for the period 2014-2019 and 2016-2021, respectively. U.S. customs is reviewing the disclosures. An adverse determination could potentially lead to significant duties and/or compliance penalties being owed by the Company. Failure to comply with international trade regulations, tariffs, duties and compliance requirements could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Dependence on limited sources or unique sources of supply

The Company only enters into long-term agreements with certain of its suppliers, and typically purchases supplies on an order-by-order basis depending on the material requirements to build customers' buses and coaches. Certain raw materials and components used in the bus and coach manufacturing industries are obtained from a limited group of suppliers. In some cases, there is only a single or extremely limited sources of supply of components to the industry, such as engines and batteries for battery-electric buses. In other cases, for example, the supply of transmissions, axles, heating and air conditioning units, doors, brakes or structural steel tubing, the Company's raw materials and components are not readily available from alternative sources of supply, may be available in limited supply, a particular component may be specified by a customer, the Company's products have been engineered or designed with a component unique to one supplier or a supplier may have limited or no supply of such raw materials or components or sells such raw materials or components to the Company on less than favourable commercial terms.

The Company's reliance on a sole supplier, limited groups of suppliers or raw materials and components that may be available in limited supply and purchasing components from suppliers that have been specifically named by customers involves several risks, including increased risk of inability to obtain adequate supplies (for example, due to pandemics, accidents, catastrophic events, strikes, shortage of raw materials or components or other events affecting a supplier or its sub-suppliers, including a supplier in the supply chain having financial or operational issues or discontinuing to supply a product, component or subcomponent), costs arising from poor quality of the materials or components supplied, increased risk of being forced to suspend production of certain of its products, and reduced control over pricing and timely delivery. Although the availability, timeliness, quality and pricing of deliveries from the Company's suppliers have historically been acceptable and although management believes that additional sources of supply for most components and materials should be available on an acceptable basis, there are no assurances that this dependence on a sole supplier or a limited group of suppliers or on certain raw materials and components that may be available in limited supply will not have a materially adverse effect on the Company's business, financial condition, liquidity and operating results.

Dependence on supply of engines that comply with emission regulations

The United States EPA, CARB, and other countries' emissions regulations mandate stringent emission standards in respect of engines. To the knowledge of management, only one engine manufacturer sells engines that comply with these emissions requirements for use in buses and motor coaches in North America. There can be no assurance that engine suppliers will continue to be able to meet current or future emissions requirements. If the Company was unable to procure such engines, that will have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

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

ARBOC's products depend on the supply of manufactured vehicle chassis and other critical components such as engines, transmissions and axles from OEMs, including Cummins, Allison Transmission, Chrysler, Ford, Freightliner and General Motors, among others. ARBOC converts the vehicle chassis purchased from OEMs into cutaway buses that it then sells to its dealers and end customers. ARBOC is therefore reliant on a consistent supply of chassis from OEMs in order to maintain its sales. In the event these OEMs experience production delays or otherwise determine to lower or restrict the supply of chassis to ARBOC, ARBOC may receive a lower allocation of chassis than anticipated. ARBOC could incur significant costs or disruptions to its business, which may have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

The Company's profitability can be adversely affected by increases in raw material and component costs

Raw materials and components represent a significant majority of the Company's production cost structure. The Company's operating results may be affected by the cost of carbon and stainless steel, aluminum, copper, palladium, resins and oil-based products that are the primary raw material and component inputs for its products. Although certain raw material and component prices may be fixed on a quarterly basis, or for longer periods if possible, if raw material or component prices increase significantly, there may be a resulting increase in the Company's supply costs and it may not be able to pass on these higher costs to its customers. Commencing early in 2021, the Company experienced pricing pressure from suppliers (including those with fixed price arrangements) and inflationary price increases and surcharges in respect of materials and components. These prices are now beginning to stabilize. In addition, the ongoing conflicts in Ukraine, Russia, Israel and Palestine, and other global supply chain challenges have further exacerbated general industry-wide price increases for components and raw materials used in vehicle production. The conflict between Russia and Ukraine has led to the imposition of broad economic sanctions and various other actions by governments, including increases in tariffs on certain raw materials and components that may be necessary for the Company's operations. These geo-political crises have caused additional delays in deliveries of certain materials and components by the Company's suppliers.

Increases in the prices paid for raw materials and components that are beyond the costs forecasted at the time bids have been submitted to customers by the Company or when contracts are entered into with customers and that are not recoverable by the Company, could materially adversely affect the Company's profit margins and impair the Company's ability to compete. These unmitigated price increases could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

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

The Company is subject to product warranty claims in the ordinary course of its business. The Company provides what management believes are reasonable warranties in respect of its products and attempts to adequately price ongoing warranty costs into its purchase contracts. If the Company produces products with defects or deficiencies, develops new products with deficiencies or receives defective materials or components, it may incur material unforeseen costs in excess of what it has provided for in its contracts or reserved in its financial statements. In addition, the Company may not be able to enforce warranties and extended warranties received or purchased from its suppliers if such suppliers refuse to honour such warranties or go out of business. Also, a customer may choose to pursue remedies directly under its contract with the Company over enforcing such supplier warranties. In such a case, the Company may not be able to recover its losses from the supplier.

The Company is also potentially subject to recalls of its products to cure design or manufacturing defects or in the event of a failure to comply with customers' order specifications or applicable regulatory standards. The Company is also potentially subject to recalls made by the suppliers of components or parts which the Company purchased and incorporated into transit buses and coaches. The Company may also have to remedy or retrofit transit buses and coaches in the event that an order is not built to a customer's specifications or where a design or manufacturing error occurs or where failure to comply with applicable legislation or regulation has been made. Significant warranty claims, retrofit and remediation costs or product recalls and regulatory fines and penalties could have a material adverse effect on the Company's business, financial condition, liquidity and operating results. Moreover, the adverse publicity or damage to reputation that may result from a product warranty claim, product remediation or retrofit or product recall or perceived or actual defect with the Company's products could have a material adverse effect on the Company's ability to successfully market and sell its products. See "Description of the Business — Product Warranty and Other Contractual Provisions".

Production delays may result in liquidated damages under the Company's contracts with its customers

Transit bus and motor coach purchase contracts in the public sector transit bus and public sector coach industries typically include liquidated damages provisions that result in monetary penalties on a per vehicle per day basis when vehicles are not delivered to the customer by the deadline specified in the contract. Although the Company actively manages such deadlines, the Company may incur monetary penalties as a result of production delays or interruptions or otherwise, and such monetary penalties may have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Catastrophic events, including those related to impacts of climate change, may lead to production curtailments or shutdowns

The Company's facilities are subject to the risk of catastrophic loss due to unanticipated events and natural disasters, such as earthquakes, tornados, hurricanes, floods, droughts or water shortages, fires, explosions, pandemics or other violent weather conditions, and other potential events, risks and costs that may be exacerbated by or associated with the potential effects of climate change. Unexpected interruptions in the Company's production capabilities would adversely affect its productivity and results of operations. Some customer contracts do not have force majeure provisions and if there are unexpected interruptions or long-term disruptions to the production and delivery of transit buses or coaches due to catastrophic losses or unanticipated events, liquidated damages payable to customers may be significant. Moreover, any interruption in production capability may require the Company to make significant capital expenditures to remedy the problem, which would reduce the amount of cash available for its operations. The Company's insurance may not cover its losses. In addition, longer-term business disruption could harm the Company's reputation and result in a loss of customers. The occurrence of any of these events could materially adversely affect the Company's business, financial condition, liquidity and operating results.

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 is subject to the risk of work stoppages and other potential labour relations issues because a significant portion of its production workforce is unionized. Approximately 53% of the Company's total employees in North America and the UK are represented by unions under collective bargaining agreements. The Company may be unable to successfully negotiate new collective bargaining agreements for these employees. Any labour disruption could, depending on the operations affected and the length of the disruption, have a material adverse effect on the Company's business, financial condition, liquidity and operating results. Labour relations problems and work stoppages could also occur at other companies upon which the Company is dependent for raw materials, components or services. The Company is also subject to the risk that sufficient skilled and unskilled labour may not exist in and around its locations. Such occurrences could result in a significant loss of production and revenue and have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

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's business is generally subject to a number of risks and hazards, including pollution and other environmental risks and changes in the regulatory environment. Although the Company maintains general liability insurance and property and business interruption insurance, including insurance for certain extreme weather conditions, it is possible that liabilities for occurrences such as pollution and other environmental risks, property and equipment damage or injury or loss of life arising from a major or unforeseen occurrence, including claims resulting from natural disasters or extreme weather conditions, claims for breach of contract, fraud or employee or corporate theft may not be covered by the Company's insurance policies or could be limited by large deductibles or exceed insurance coverages or policy limits. Any significant claims or losses which are not covered or are not adequately covered by insurance could materially adversely affect the Company's business, financial condition, liquidity and operating results.

The Company may be adversely affected by rising insurance costs

The Company's cost of maintaining liability, personal injury, property damage, workers' compensation and other types of insurance is significant. The Company could experience materially higher insurance premiums as a result of adverse claims experience or because of general increases in premiums by insurance carriers for reasons unrelated to its own claims experience. Generally, the Company's insurance policies must be renewed annually. The Company's ability to continue to obtain insurance at affordable premiums and reasonable deductibles or self-insured retentions also depends upon its ability to continue to operate with an acceptable safety record and claims history. A significant increase in the number or value of claims against the Company, the assertion of one or more claims in excess of its policy limits or the inability to obtain adequate insurance coverage for reasonable premiums, with reasonable deductibles or self-insured retentions or at acceptable levels, or at all, could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

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

In the ordinary course of business, the Company is subject to various claims and litigation. Any such claims, whether with or without merit, could be time consuming and expensive to defend, could divert management's attention and resources and damage the Company's reputation. In addition, the Company faces an inherent risk of exposure to product liability claims if the use of its products result, or are alleged to result, in personal injury and/or property damage. If the Company manufactures a defective product or if component failures or component fires (such as fires of batteries in the Company's electric vehicles) result in damages that are not covered by warranty provisions or insurance policies, it may experience material product liability losses in the future. In addition, the Company may incur significant costs to defend product liability claims. The Company could also incur damages and significant costs in correcting any defects, lose sales and suffer damage to its reputation. The Company's product liability insurance coverage may not be adequate for any liabilities it could incur and may not continue to be available on terms acceptable to it. The Company may elect not to obtain insurance if it believes that the cost of available insurance is excessive relative to the risks presented. If any significant accident, judgment, claim or other event is not or cannot be fully insured or indemnified against, it could have a material adverse effect on the Company's business, financial condition, liquidity and operating results. Moreover, the adverse publicity that may result from any claims and litigation or a product liability claim or perceived or actual defect with respect to the Company's products could have a material adverse effect on the Company's ability to market and sell its products.

The Company may have difficulty selling pre-owned coaches and realizing expected resale values

Pre-owned motor coaches are procured as trade-ins as part of the sale of new coaches and then resold by MCI and ADL. The resale values of any coaches returned to the Company may be lower than the Company's estimates, which are based on a limited secondary market for such coaches. If the Company incorrectly estimates the resale values of those pre-owned motor coaches, is not able to resell them on a timely basis or at all, or resells them at a price that is lower than projected, the Company's business, financial condition, liquidity and operating results could be adversely affected. See "Description of the Business — Transit Bus and Motor Coach Manufacturing Operations — Private Pre-Owned Motor Coach Sales".

The Company may incur costs in connection with regulations relating to axle weight restrictions and vehicle lengths

The Company is required, in its customer contracts, to comply with applicable regulatory requirements. Certain models and types of the Company's transit buses and motor coaches do not currently comply with regulations governing maximum axle weight or maximum length in certain jurisdictions. The Company may incur material costs as a result of product warranty or contractual claims as a result of existing transit buses or coaches or new transit buses or coaches that are manufactured and that do not comply with local axle weight or length standards. The Company may incur material costs in the future if it is required to redesign new transit buses or coaches to comply with axle weight or length standards.

There can also be no assurance that government weight regulations or restrictions will not change and/or become more onerous such that the Company's vehicles would not comply with such more onerous regulations. If the Company is unable to design vehicles that comply with such new weight requirements it will not be able to sell transit buses and/or coaches to customers whose vehicles are governed by such laws, which depending on the volume of transit buses and/or coaches typically sold by the Company in that area, may have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

The Company may be subject to claims and liabilities under environmental, health and safety laws

The Company operates in a highly regulated environment. Its facilities and operations are subject to extensive and constantly evolving federal, provincial, state and local environmental and health and safety laws, including laws governing emissions or discharges into soil, water and air, including noise and odours, which could result in remediation obligations, the generation, use, handling, storage, transportation and disposal of regulated substances, and health and safety matters.

The Company is required to have and make certain governmental permits, approvals and registrations related to environmental and health and safety matters. Permits or approvals may be subject to denial, revocation or modification depending on the particular circumstances. Failure to obtain or comply with the conditions of such permits or approvals may adversely affect operations and may also subject the Company to penalties. In addition, the Company may be required to obtain additional permits or approvals, which may result in material costs, including capital expenditures. There can be no assurance that the Company will be able to meet all applicable regulatory requirements without incurring significant additional costs.

The Company may incur substantial costs to comply with environmental and health and safety law requirements. The Company may also incur substantial costs for liabilities arising from past releases of, or exposure to regulated substances. In addition, the Company may discover currently unknown environmental problems or conditions. There can be no assurance that the Company's continued compliance with environmental and health and safety laws, the discovery of currently unknown environmental problems or conditions, changes in environmental and health and safety laws or increased enforcement of same, or other unanticipated events, will not give rise to requirements or claims that may involve material expenditures by or liabilities for the Company.

Complying with environmental and health and safety laws has added and will continue to add to the Company's operating costs. While the Company believes that it is in compliance in all material respects with such laws, there can be no assurance that it will not be materially impacted by costs, liabilities or claims with respect to its operations under existing laws or those that may be adopted in the future, or increased enforcement of same. It may become increasingly difficult for the Company and other manufacturers of buses and motor coaches to recover such costs and, accordingly, lower margins may result.

Dependence on management information systems and cyber security risks

The Company depends on its management information systems in each stage of the manufacture and sale of its products, including entering the customer's order, setting the production schedule, planning material and supply requirements, controlling manufacturing activities and providing aftermarket parts and support. In addition, its management information systems form the basis of its financial reporting. If irreparable damage were to be caused to the Company's information systems and databases (including to its archives and back-up systems), information contained in its management information systems were lost or could not be accessed in a timely manner or at all or such management information systems were not implemented properly or effectively or were not upgraded or patched as required from time to time, there could be a material adverse effect on the Company's business, reputation, financial condition, liquidity and operating results.

Although the Company has instituted certain protective measures, unauthorized third parties may be able to penetrate the Company's network security and compromise, misappropriate, destroy or exfiltrate its confidential information, create system disruptions or cause machinery or plant shutdowns. This may include deployment of viruses, trojans, worms, ransomware and other malware or successful social engineering attempts against the Company's employees that would exploit any security vulnerabilities in the Company's management information systems. The costs to eliminate or alleviate cyber or other security problems, including bugs, viruses, trojans, worms, ransomware and other malware and other security vulnerabilities, could be significant, and management's efforts to address these problems may not be successful and could result in interruptions, loss of proprietary data, and negative impact on the Company's manufacturing, distribution or other critical functions.

Various proprietary, sensitive and confidential data relating to the Company's business and that of its employees, customers and suppliers is stored on the Company's networks. Breaches of the Company's security measures or the exfiltration, accidental loss, destruction, inadvertent disclosure or unapproved dissemination of proprietary, sensitive or confidential data could expose the Company to risk of loss or misuse of this information, result in litigation, regulator investigations and potential liability, damage the Company's brand and reputation or otherwise harm its business.

Separately, the Company's vehicles contain complex information technology systems. These systems control various vehicle functions including engine, transmission, safety, steering, acceleration, braking, and battery and electric motors, and in certain situations may be connected by customers. Although vehicle controls and protections are typically managed and/or specified by the Company's customers, the Company cannot provide assurance that such controls and protections will be effective in preventing cyber intrusion through one of its products. Hackers may attempt to gain unauthorized access to modify, alter and use such systems to gain control of, or to change, the vehicle's functionality, user interface and performance characteristics, or to gain access to data stored in or generated by the vehicle. Any remediation efforts by the Company or the customers may not be successful. Any unauthorized access to or control of Company's vehicles, their systems or data could adversely impact the safety of customers, result in legal claims or proceedings, liability or regulatory penalties and cause the Company to incur significant, unplanned capital expenditures. Reports of unauthorized access to the Company's vehicles or their systems could negatively affect NFI's brand and reputation and lead to loss of confidence in the Company's products, which could adversely impact its business and operating results.

The occurrence of any such events could result in material costs for remedial measures and could materially and adversely affect the Company's relationships with customers and suppliers, its ability to operate and result in significant liabilities.

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's continued success depends, in part, on its ability to identify, attract, motivate, train and retain qualified personnel in key functions and geographic areas, including the members of our executive and senior management teams. In particular, the Company is dependent on its ability to identify, attract, motivate, train and retain qualified engineers and skilled labour (for example, welders, painters and electricians) with the requisite education, background and industry experience to assist in the development, enhancement, introduction and manufacture of the Company's products and technology solutions.

Failure to identify, attract, motivate, train and retain qualified personnel, whether as a result of an insufficient number of qualified local residents or the allocation of inadequate resources to training, integration and retention, or the reduction of available labour as a result of regional employment conditions could impair the ability of the Company to execute its business strategy and could have a material adverse effect on the Company's business, financial condition, liquidity and operating results. The loss of the services of one or more key employees could have a material adverse effect on the Company's business, financial condition, liquidity and operating results, including the ability to manage the business effectively and to successfully execute its strategies. In the event certain of these employees decide to resign unexpectedly, the Company could incur disruptions to the completion of certain initiatives and the Company could incur significant costs in hiring, training, developing and retaining their replacements or successors.

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 is subject to various anti-corruption laws that prohibit improper payments or offers of payments to governments and their officials for the purpose of obtaining or retaining business. The Company's activities create the risk of unauthorized payments or offers of payments by its employees or agents that could be in violation of various anti-corruption laws, including the Canadian Corruption of Foreign Public Officials Act, the United States Foreign Corrupt Practices Act and The UK Bribery Act 2010. The Company has implemented policies to discourage these practices by its employees and agents and provides training through online courses.

However, the Company's existing policies and procedures and any future improvements may prove to be less than effective and the Company's employees or its agents may engage in conduct for which the Company might be held responsible. If employees and agents violate the Company's policies or the Company fails to maintain adequate record-keeping and internal accounting practices to accurately record its transactions, the Company may be subject to regulatory sanctions. Violations of the applicable anti-corruption laws may result in severe criminal or civil sanctions and penalties and other liabilities which could have a material adverse effect on the Company's reputation, business, financial condition, liquidity and operating results.

The Company's risk management policies and procedures may not be fully effective in achieving their intended purposes

The Company's policies, procedures, controls and oversight to monitor and manage enterprise risks may not be fully effective in achieving their intended purpose and may leave the Company exposed to identified or unidentified risks. Past or future misconduct by the Company's employees, suppliers or agents could result in the Company's violation of laws, regulatory sanctions and/or serious reputational harm or financial harm. While management monitors the Company's policies, procedures and controls, it cannot provide assurance that the Company's policies, procedures and controls will be sufficient to prevent all forms of misconduct. Management and the Board review the Company's compensation policies and practices as part of its risk management program, but it is possible that the compensation policies could incentivize management and other employees to subject the Company to inappropriate risk or to engage in misconduct. If such inappropriate risks or misconduct occurs, it is possible that it could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

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 Company's President and Chief Executive Officer ("CEO") and the Company's 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, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company's ICFR as of December 31, 2023 in accordance with the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and concluded that the Company's ICFR is 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 and procedures

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 CEO and CFO have concluded that the Company's disclosure controls and procedures as at December 31, 2023 were effective.

Risks Related to Strategy

Ability to successfully execute strategic plans and maintain profitability

The Company's future operating results will depend on a number of factors, including its ability to successfully execute its strategic plans. The Company's past results may not be indicative of its future prospects and there is no assurance that the Company will sustain or grow profitability in future periods.

In addition, the successful execution of the Company's strategic plans may require additional employees, additional operating and financial systems and additional financial resources. There is no assurance that the Company will be able to hire and train qualified employees (or do so on a timely basis), that the Company will be able to expand operations and systems to the extent, and in the time required, or that the Company will be able to fund such strategic plans, either internally through operations, through the use of available credit or through the capital markets. There is no assurance that the Company will be able to effectively execute and manage its strategic plans and any future growth, and any failure to do so could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Development of competitive or disruptive products, services or technology

The Company may not be able to prevent a competitor from copying its products or technologies. If a competitor copies the Company's products or develops an equivalent or superior product or technology, there could be a material adverse effect on the Company's business, financial condition, liquidity and operating results. If a competitor develops a superior product or technology, there can be no assurance that the Company would be able to manufacture a similar or competitive new product or technology and/or effectively compete with manufacturers developing such products or technologies. The development and competitive landscape of the transportation industry is increasingly subject to changes resulting from disruptive technologies such as autonomous or driverless vehicles, advances in propulsion systems, and battery technology and battery composition and the development of new materials. There can be no assurance that the Company will be able to successfully integrate such technologies into its products and services or compete with other companies with superior innovation and technology capabilities. The introduction of disruptive and competing alternatives to public transit services, such as Uber, Via or Lyft ride-sharing services, may adversely affect the demand for public transit services and consequently the demand for certain of the Company's products. Failure to effectively innovate or compete with companies who have successfully developed or harnessed such technologies or to address disruptive or competing products or services may have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Development and testing of new products or model variants

The Company may not be able to successfully design, develop or test new products or improvements to existing products (e.g., Xcelsior®, Xcelsior CHARGE™, the J-model and D-model motor coaches, the Spirit of Equess®, or the Enviro) in order to effectively compete with competitors. There may be no demand by customers to purchase newly developed or improved products, there may be risks and unbudgeted costs associated with launching a new product into the market place and the Company may not be able to recoup research and development costs, all of which may be material. In addition, there may be material and unforeseen warranty costs related to new products that management did not foresee or adequately price into the bus purchase contracts for such products. Further, there may be no testing facilities available to test the Company's new products to certain governmental or customer requirements, standards or specifications.

Acquisition risk

The Company intends to continue to identify, develop and acquire suitable acquisition targets in pursuit of its strategic plans and to diversify and grow. Acquisitions inherently involve a number of risks, including, but not limited to, the possibility that the Company pays more than the acquired assets are worth; the additional expense associated with completing an acquisition; the difficulty of integrating the operations and not being able to maintain the levels of operating efficiency that the acquired company had achieved; the challenge of implementing uniform standards, controls procedures and policies throughout the acquired business; the inability to integrate, train, retain and motivate key personnel of the acquired business; the potential disruption to the Company's ongoing business and the distraction of management from the

Company's day-to-day operations; the inability to incorporate acquired businesses successfully into the Company's existing operations and to eliminate redundant and excess costs; and the potential impairment of relationships with the Company's employees, suppliers and customers. As a result of difficulties associated with combining operations, the Company may not be able to achieve the cost savings and other benefits that it would hope to achieve with the acquisition. If any one or more of such risks materialize, they could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Further, inherent in any acquisition there is risk of liabilities and contingencies that the Company may not discover in its due diligence prior to the consummation of a particular acquisition, and the Company may not be indemnified for some or all of these liabilities and contingencies. The discovery of any material liabilities or contingencies in any acquisition could also have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Reliance on third-party manufacturers

The Company's reliance on third-party contract manufacturers exposes it to a number of risks. These risks include a manufacturer not performing on its contractual obligations, encountering difficulties in manufacturing its products in required volumes and quality levels to meet the Company's needs or failing to establish and follow good manufacturing practices and to document its adherence to such practices. There is also a risk that long lead times for critical components may affect production lead times. Third-party manufacturers may also experience negative impacts on parts and component supply, the supply and cost of labour and the effects of loss of or reduction in production, including as a result of the pandemic and the global supply chain issues, which may in turn adversely affect the availability and cost of products to the Company. If any of the Company's third-party manufacturers needs to be replaced, the Company will have to identify and select acceptable alternative manufacturers from among a limited number of potential manufacturers, which could be time consuming and costly. In addition, an alternate source may not be available to the Company or may not be in the position to satisfy the Company's production requirements at commercially reasonable prices and quality. Therefore, any significant interruption in contract manufacturing may result in the Company being unable to deliver the affected products to meet its customer orders and deprive the Company of product revenues, which could have a material adverse effect on the Company's business, financial condition, liquidity and operating results.

Third-Party Distribution/Dealer Agreements

The Company has entered into agreements with third-party distributors and dealers to market and sell its buses and to provide after sales service in respect of those buses in certain geographic areas and/or with respect to certain types of customers (e.g., private operators). The Company may, in the future, enter into similar agreements. The Company is subject to the risks normally associated with such distribution and dealer arrangements. The Company is dependent on its distributors and dealers to supplement its direct marketing and sales efforts. The Company does not control the activities of its distributors and dealers with respect to the marketing, sale and service of the Company's products, and they may make decisions that may be contrary to the Company's interests. Some of these agreements may be non-exclusive and permit the distributors and dealers to offer competitors' products. If any significant distributor or dealer terminated their relationship with the Company for any reason, decided to focus on marketing competitors' products over the Company's products or decided not to market the Company's products at all, the Company's ability to bring its products to market may be impacted. If the Company is unable to manage the risks related to the use of third-party distributors or dealers, maintain the relationships with them or offer the appropriate incentives to focus them on the sale of the Company's products, the Company's sales and revenues may be materially adversely affected.

Risks Related to Financing

Availability to the Company of future financing

Management expects that the Company's principal sources of funds will be cash generated from its operating activities and borrowing capacity remaining under its Secured Facilities and/or from future securities offerings. Management believes that these funds will provide the Company with sufficient liquidity and capital resources to meet its current and future financial obligations, as well as to provide funds for its financing requirements, capital expenditures and other needs for the foreseeable future. Despite management's expectations, however, the Company may require additional equity or debt financing to meet its financing requirements. This financing may not be available when required or may not be available on commercially favorable terms or on terms that are otherwise satisfactory to the Company. While the Company expects to be able to refinance its credit facilities prior to their maturities, if the Company is unable to successfully refinance its credit facilities, the Company may not have sufficient liquidity and capital resources to meet its financial obligations. The Company will also need to repay in cash the principal amount of any Debentures that are not converted into Shares prior to the maturity of the Debentures, subject to the ability of the Company to make such repayment in the form of Shares in certain circumstances.

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 ability to pay principal and interest on its credit facilities, the Debentures and other debt obligations will depend on its future financial performance. The Company's ability to generate cash will depend on many factors, some of which may be beyond its control, including general economic, financial and regulatory conditions. Other factors may also cause a lower amount of cash to be generated such as an increase in work in process as a result of production or supply issues and delays by customers in accepting buses or coaches delivered to them for inspection and acceptance. If the Company cannot generate enough cash flow in the future to service its debt, it may need to refinance all or a portion of its debt, obtain additional financing (on terms that may be less favourable than existing financing terms) or sell assets. The Company might not be able to implement any of these strategies on satisfactory terms or on a timely basis, if at all. If the Company is unable to meet its debt service obligations or comply with its covenants, a default under its debt agreements would result.

The Company's substantial consolidated indebtedness could negatively impact the business.

The Company has a substantial amount of indebtedness under its credit facilities, the Debentures and other agreements with third parties. As at December 31, 2023, the Company had total third-party indebtedness of approximately $1.1 billion. In addition, the credit facilities and the Indenture permits future further indebtedness provided that certain covenants are satisfied.

The degree to which the Company is leveraged on a consolidated basis could have important consequences to the holders of Securities, including:

- the Company's ability in the future to obtain trade credit from vendors, performance bonds from surety companies or additional financing for working capital, capital expenditures, acquisitions or other purposes may be limited;
- a significant portion of the Company's cash flow (on a consolidated basis) is likely to be dedicated to the payment of the principal of and interest on the Company's indebtedness, including its credit facilities and the Debentures, thereby reducing funds available for future operations, capital expenditures and/or dividends on the Shares;
- the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures;

- the Company may be limited in its ability to plan for or react to changes in its business or the industry in which it operates; and
- the Company may be at a competitive disadvantage to its competitors that have less indebtedness.

The Company's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. These factors might inhibit the Company from refinancing the indebtedness under its credit facilities, the Debentures and other agreements at maturity.

The restrictive covenants in the Company's credit facilities could impact the Company's business and affect its ability to pursue its business strategies

The credit facilities feature restrictive covenants that limit the Company's ability, among other things, to:

- incur additional indebtedness;
- pay dividends and make distributions in respect of equity interests or to make certain other restricted payments or investments;
- consolidate, merge or dissolve;
- sell or otherwise dispose of the Company's assets;
- enter into transactions with the Company's affiliates;
- create liens;
- enter into new lines of businesses;
- make certain investments and acquisitions; and
- participate in certain syndicates or partnerships.

In addition, the credit facilities also require the Company to comply with positive covenants, including maintaining compliance with specified financial ratios. The Company's ability to comply with these covenants and ratios may be affected by events beyond its control.

Risks Related to Capital Structure and Tax

Payment of dividends

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. Under the terms of NFI's credit facilities, the Company is not permitted to declare or pay dividends. Future decisions on the resumption of dividend payments will be made by the Board and depend on the Company's financial performance and compliance with credit facilities covenants, among other considerations. There can be no assurance that dividend payment will resume.

NFI is dependent on its subsidiaries for all cash available for distributions

NFI is dependent on the operations and assets of its subsidiaries. Cash distributions to the holders of Shares, if any are declared, and interest payments to the holders of the Debentures will be dependent on the ability of NFI's subsidiaries to make dividend payments on their shares. The actual amount of cash available for distribution to holders of Shares and Debentures will depend upon numerous factors relating to the business of the Company, including profitability, changes in revenue, fluctuations in working capital, capital expenditure levels, applicable laws, compliance with contracts and contractual restrictions contained in the instruments governing any indebtedness. Any reduction in the amount of cash available for distribution, or actually distributed, by NFI's subsidiaries will reduce the amount of cash available to NFI to pay dividends on the Shares and make payments to holders of Debentures. While NFI is contractually obligated to make interest payments on the Debentures, cash dividends by NFI on the Shares are not guaranteed and, if declared, will fluctuate with the performance of the business of NFI's subsidiaries.

Coliseum has a significant influence over NFI and its interests may not align with those of NFI's other shareholders

Following completion of the Coliseum Private Placement in connection with the Refinancing Plan, Coliseum beneficially owns, controls, manages or directs, directly or indirectly, approximately 26% of the issued and outstanding Shares, and is NFI's single largest shareholder. In light of such ownership, Coliseum is in a position to exercise significant influence over matters requiring shareholder approval, including the election of directors, the determination of significant corporate actions as well as any fundamental transactions that would require the vote by way of special resolution of shareholders. In addition, under the Investment Agreement, Coliseum has the right to designate one nominee for election or appointment to the Board so long as Coliseum owns, controls or directs, directly or indirectly, at least 10% of the issued and outstanding Shares. Accordingly, Coliseum has significant influence over NFI.

Furthermore, Coliseum is the lender to the Company under the Second Lien Debt Facility. Thus, Coliseum's interests as lender and shareholder may not align with the interests of NFI's other shareholders. Coliseum is in the business of making investments in companies and may acquire and hold, from time to time, interests in businesses that compete directly or indirectly with the Company. Coliseum may also pursue acquisition opportunities that may be complementary to NFI's business, and, as a result, those acquisition opportunities may not be available to the Company.

NFI may not be able to make principal payments on the Debentures

The Debentures will mature in January 2027. NFI may not be able to repay the principal outstanding from new financing, cash flows or other sources. There is no guarantee that NFI will be able to repay the outstanding principal amount upon maturity of the Debentures.

Redemption by NFI of the Debentures for Shares will result in dilution to holders of Shares

NFI may determine to redeem outstanding Debentures for Shares or to repay outstanding principal amounts and interest owing thereunder at maturity of the Debentures by issuing additional Shares. Accordingly, holders of Shares may suffer dilution.

Debentures may be redeemed by NFI prior to maturity

The Debentures may be redeemed, at the option of NFI, on and after January 15, 2025 and prior to maturity at any time and from time to time subject to certain conditions. Holders of Debentures should assume that this redemption option will be exercised if NFI is able to refinance at a lower interest rate or it is otherwise in the interest of NFI to redeem the Debentures.

NFI may not be able to repurchase the Debentures upon a change of control as required by the Indenture

Upon the occurrence of certain specific kinds of change of control events, NFI will be required to offer to purchase outstanding Debentures at their principal amount plus accrued and unpaid interest, if any, to the date of purchase. However, it is possible that NFI will not have sufficient funds at the time of the change of control to make the required purchase or that restrictions contained in other indebtedness will restrict those purchases. Failure to make an offer to purchase the Debentures would constitute a default under the Indenture, which might constitute a default under the terms of NFI's other indebtedness at that time.

If a holder of Debentures converts its Debentures in connection with a Cash Change of Control that occurs, NFI may, in certain circumstances, be required to increase the conversion rate pursuant to the terms of the Indenture. While the increased conversion rate is designed to compensate a holder of Debentures for the lost option time value of its Debentures as a result of a Cash Change of Control in certain circumstances, the increased conversion rate amount is only an approximation of such lost value and may not adequately compensate the holder for such loss. In addition, in some circumstances as described in the Indenture, no adjustment will be made.

Conversion of the Debentures following certain transactions could lessen or eliminate the value of the conversion privilege associated with the Debentures

In the case of certain transactions, each Debenture may (i) become convertible into the securities, cash or property receivable by a holder of Shares based on the number of Shares into which the Debenture was convertible immediately prior to the transaction, or (ii) become convertible into certain prescribed securities with limited liquidity. These changes could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future and result in the receipt of illiquid securities and thereby have a material adverse effect on the value of 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

Future sales, or the possibility of future sales, of a substantial number of Shares or Debentures in the public market could adversely affect the prevailing market price of the Shares and/or the Debentures and could impair NFI's ability to raise capital through future sales of those securities. Additionally, the issuance of additional Shares or Debentures may dilute an investor's investment in NFI and reduce distributable cash per Share.

NFI may issue Shares or other securities from time to time in order to raise capital or as consideration for future acquisitions and investments. If an acquisition or investment is significant, the number of Shares or the number or aggregate principal amount, as the case may be, of other securities that may be issued may in turn be significant. In addition, NFI may also grant registration rights covering those Shares or other securities in connection with any acquisitions or investments.

Payments to holders of the Debentures are subordinated in right of payment to existing and future Senior Indebtedness and will depend on the financial health of NFI and its creditworthiness

The likelihood that holders of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of NFI and its creditworthiness. In addition, the Debentures are unsecured obligations of NFI and are subordinate in right of payment to all NFI's existing and future Senior Indebtedness (as defined under the Indenture). Therefore, if NFI becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, NFI's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its Senior Indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Indenture does not prohibit or limit the ability of NFI or its subsidiaries to incur additional debt or liabilities (including Senior Indebtedness) or to make distributions on the Shares. The Indenture does not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving NFI.

If the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected

The Company has a substantial amount of goodwill and other finite and indefinite-lived intangible assets on its balance sheet as a result of equity transactions and acquisitions that have occurred during previous financial periods. If management determines goodwill and other intangible assets are impaired, the Company will be required to write down all or a portion of these assets. Any significant write-downs would have a material adverse effect on the Company’s business, financial condition, liquidity and operating results.

The method to compute the amount of impairment incorporates quantitative data and qualitative criteria, including new information and highly subjective judgments that could dramatically change the determination of the valuation of goodwill and an intangible asset in a very short period of time. These determinations are sensitive to minor changes in underlying assumptions as management’s assumptions change with more information becoming available. Any resulting impairment loss could have a material adverse effect on the Company’s business, financial condition, liquidity and operating results for a particular quarterly or annual period.

Income and Other Tax Risks

The Company is subject to income tax laws in various jurisdictions. In addition, the business and operations of the Company are complex and the Company has, over the course of its history, undertaken a number of significant acquisitions, financings, reorganizations and other material transactions. The computation of income and other taxes payable in respect of the Company’s business and a result of these transactions involves many complex factors, including the Company’s interpretation of relevant tax legislation and regulations. The income tax interpretations, legislation and regulations that pertain to the Company’s activities are subject to continual change (whether by legislative or judicial action or decision), retroactively or for the future, which could adversely affect the Company’s tax positions. While management believes the provision for income and other taxes is adequate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Company’s interpretation of the applicable tax legislation and regulations. If any challenge to the Company's tax filing positions were to succeed, it could result in a reassessment of taxes or otherwise have a material adverse effect on the Company’s tax obligations.

Deferred income tax assets and liabilities are recorded based on expected future income tax rates and management’s assumptions regarding the expected timing of the reversal of temporary differences. The Company has substantial deferred income tax assets and liabilities. The recognition of deferred income tax assets depends on management's assumption that future earnings will be sufficient to realize the deferred benefit. The amount of the asset recorded is based on management's best estimate of the timing of the reversal of the asset.

The audit and review activities of the Canada Revenue Agency, the U.S. Internal Revenue Service, Her Majesty’s Revenue and Customs in the UK and other jurisdictions’ tax authorities affect the ultimate determination of the amounts of income and other taxes payable or receivable, deferred income tax assets or liabilities and income tax expense. Therefore, there can be no assurance that income and other taxes will be payable as anticipated and/or the amount and timing of receipt or use of the tax related assets will be as currently expected. Management’s experience indicates the taxation authorities are more aggressively pursuing perceived income and other tax issues and have increased the resources they put to these efforts.

U.S. tax legislation and regulations impose limitations on intercompany debt incurred by the Company’s U.S. subsidiaries. These regulations treat related party debt as equity for U.S. federal income tax purposes in certain circumstances – including, for example, in certain circumstances in which a debtor corporation makes a distribution exceeding certain current and accumulated earnings and profits. If any debt issued by the Company's U.S subsidiaries were recharacterized as equity under the regulations, then the otherwise deductible interest paid on such debt could be recharacterized as a non-deductible distribution subject to U.S. federal withholding tax. Such withholding tax, as well as the loss of the deduction by the U.S. subsidiary, could increase the U.S. federal income tax liability and adversely affect the Company's financial position, cash flow and liquidity.

MARKET FOR SECURITIES

Common Shares

The Shares are listed and posted for trading on the TSX under the trading symbol "NFI". The total monthly volume of trading and the closing price ranges of the Shares on the TSX in each month of 2023 are set forth in the following table [(1)]:

	CLOSING HIGH (C$)	CLOSING LOW (C$)	TOTAL VOLUME
January 2023	11.61	9.63	3,711,596
February 2023	11.77	9.13	4,253,524
March 2023	10.14	7.73	8,788,420
April 2023	8.04	7.05	3,277,015
May 2023	10.72	8.00	7,426,082
June 2023	11.42	8.98	4,625,056
July 2023	11.50	10.52	3,031,328
August 2023	12.46	10.95	4,067,101
September 2023	12.92	12.09	2,632,573
October 2023	14.30	12.26	3,871,718
November 2023	13.97	12.80	2,589,122
December 2023	14.35	13.26	3,086,618

[(1)] Source: Historical data from the TSX.

Debentures

The Debentures are listed and posted for trading on the TSX under the trading symbol "NFI.DB". The monthly volume of trading and the closing price ranges of the Debentures on the TSX in each month of 2023 are set forth in the following table [1]:

	CLOSING HIGH (C$)	CLOSING LOW (C$)	TOTAL VOLUME
January 2023	89.65	81.00	12,930
February 2023	89.70	85.74	9,030
March 2023	88.00	80.00	13,280
April 2023	82.96	78.00	31,110
May 2023	83.00	77.00	105,480
June 2023	83.75	80.00	18,810
July 2023	83.00	81.00	21,800
August 2023	82.50	80.00	13,490
September 2023	82.50	80.00	13,940
October 2023	84.50	79.40	47,220
November 2023	88.00	82.05	31,820
December 2023	87.00	83.50	35,650

(1) Source: Historical data from the TSX.

AUDITORS, TRANSFER AGENT, REGISTRAR AND TRUSTEE

The auditors of the Company are Deloitte LLP at its office in Winnipeg, Manitoba, Canada.

The transfer agent and registrar for the Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario, Canada.

The trustee for the Debentures is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

In addition to contracts entered into in the ordinary course of business, the following material contracts have been entered into by NFI within the most recently completed financial year, or before the most recently completed financial year but are still in effect. The long-term incentive plans listed below, with the exception of the 2020 Share Option Plan, have awards outstanding (either under the current or a prior version).

- the Investment Agreement dated May 11, 2023 between Coliseum and NFI, as amended;
- the Registration Rights Agreement dated August 25, 2023 between Coliseum and NFI;
- the North American Facility referred to under "Description of Capital Structure – Credit Facilities";
- the Second Lien Debt Facility referred to under "Description of Capital Structure – Credit Facilities";

- the Amended and Restated SRP dated May 4, 2023 and referred to under "Description of Capital Structure – Shareholder Rights Plan";
- the Indenture dated December 2, 2021 referred to under "Description of Capital Structure – Debentures";
- the Amended and Restated 2020 Share Option Plan effective March 12, 2020 and amended and restated effective August 5, 2020;
- the agreement for the sale and purchase of certain of the issued share capital of ADL dated May 28, 2019 among NFI International Limited and the sellers named thereto;
- the Amended and Restated Restricted Share Unit Plan for Non-Employee Directors effective May 8, 2014 and amended and restated effective December 8, 2015, December 18, 2017, March 14, 2019 and September 14, 2020;
- the Amended Performance and Restricted Share Unit Plan effective December 16, 2013 and amended effective December 18, 2018 and August 5, 2020;
- the Amended and Restated Share Option Plan amended and effective March 21, 2013 and amended and restated effective December 8, 2015, December 31, 2018 and August 5, 2020;
- the investment agreement dated January 23, 2013 between Marcopolo S.A. and NFI;
- the investor representation agreement dated March 21, 2012 between CCM and NFI; and
- the Amended and Restated Deferred Share Unit Plan for Non-Employee Directors adopted November 7, 2011 and amended and restated effective June 30, 2014, December 8, 2015, December 18, 2015, March 14, 2019 and September 14, 2020.

Each of the above material contracts is available for review on SEDAR+ at www.sedarplus.ca.

LEGAL PROCEEDINGS

In the ordinary course of business, the Company may, from time to time, be subject to various pending and threatened lawsuits in which claims for monetary damages are asserted. The Company is not involved in any legal proceedings that management expects will have a material effect on the Company. To management's knowledge, no legal proceedings of a material nature involving the Company are pending or threatened by any individuals, entities or governmental authorities.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the directors of NFI, except as disclosed in this Annual Information Form, as of the date of this Annual Information Form, no director nor officer and no person or company beneficially owning, directly or indirectly, or exercising control or direction over, Shares carrying more than 10% of the voting rights attached to the Shares, nor any associates or affiliates of the foregoing, had any material interest in any transactions involving NFI.

INTERESTS OF EXPERTS

Deloitte LLP, NFI's auditors, has been named as having prepared a certified statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 - *Continuous Disclosure Obligations* by NFI during, or relating to NFI's fiscal year ended December 31, 2023. To the knowledge of NFI, Deloitte LLP holds no beneficial interest, directly or indirectly, in any securities or other property of NFI or any of its affiliates.

ADDITIONAL INFORMATION

Additional information is provided in NFI's financial statements and management's discussion and analysis of NFI's financial condition and results of operations for its most recently completed fiscal year. Copies of such documents and any additional information related to NFI may be found on SEDAR+ at www.sedarplus.ca. In the alternative, copies may be obtained from NFI, upon written request.

Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of NFI's securities and securities authorized for issuance under equity compensation plans is contained in NFI's Management Information Circular filed with Canadian securities regulatory authorities in connection with the annual meeting of shareholders of NFI held in 2023.

APPENDIX "A"

NFI GROUP INC.
(the "Issuer")

AUDIT COMMITTEE CHARTER

PURPOSE

1. **Responsibility**

(a) The Audit Committee (the "**Committee**") is a standing committee appointed by the board of directors (the "**Board**") of NFI Group Inc. (the "**Issuer**"). The Committee is established to fulfill applicable public company obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to, among other things as may be delegated by the Board from time to time, oversee:

(i) The integrity of the Issuer's financial statements and financial reporting process, including the audit process and the Issuer's internal controls over financial reporting, disclosure controls and procedures, compliance with other related legal and regulatory requirements;

(ii) The qualifications, independence and performance of the Issuer's external auditors;

(iii) The work of the Issuer's financial management, internal auditors and external auditors;

(iv) Enterprise risk management, privacy and data security and to monitor the same; and

(v) The auditing, accounting and financial reporting process generally.

(b) The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members to: (a) plan or conduct audits; (b) determine that the Issuer's financial statements are complete and accurate and are in accordance with generally accepted accounting principles; or (c) conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee, the Audit Committee Chair (the "**Committee Chair**") and its audit committee financial expert are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Issuer, and are specifically not accountable or responsible for the day-to-day operation or performance of such activities.

(c) Management is responsible for the preparation, presentation and integrity of the Issuer's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations.

Management is also responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls over financial reporting and disclosure controls and procedures. The external auditors are responsible for planning and carrying out an audit of the Issuer's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with generally accepted accounting principles.

MEMBERSHIP

1. Number of Members

The members of the Committee shall be appointed by the Board on the recommendation of the Issuer's Human Resources, Compensation and Corporate Governance committee (the "**HR Committee**"). The Committee will be comprised of not less than three (3) directors of the Issuer and its size may be increased if so determined by the Board.

2. Independence

The Committee shall be constituted at all times of "independent directors" who meet or exceed the meaning of "independent" as defined in National Instrument 58-101 – Disclosure of Corporate Governance Practices ("**NI 58-101**"). Each member shall be "independent" in accordance with National Instrument 52-110 – Audit Committees ("**NI 52-110**").

3. Financial Literacy and Other Related Experience

Each member shall be able to read and understand fundamental financial statements, and shall otherwise be "financially literate" within the meaning of applicable requirements or guidelines for audit committee service under securities laws or the rules of any applicable stock exchange, including NI 52-110. Each member should have reasonable sufficient experience in such other economic, financial, investment or business matters as the Board may deem appropriate.

4. Appointment and Replacement of Committee Members

Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all its power so long as a quorum remains. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until the next annual meeting of shareholders after his or her appointment or until his or her successor shall be duly appointed and qualified.

5. Committee Chair

Each year, the Board will appoint one member who is qualified for such purpose to be the Committee Chair. If, in any year, the Board does not appoint a Committee Chair, the incumbent Committee Chair will continue in office until a successor is appointed. The Committee Chair must be a non-executive director. The Committee Chair shall be responsible for leadership of the Committee assignments and reporting to the Board. If the Committee Chair is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting. The Committee will report through the

Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

6. **Conflicts of Interest**

If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, other than matters relating to the compensation of directors, that member shall be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the Chair of the Board. If the Committee Chair, or the Chair of the Board, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee the member's interest and shall not participate in consideration of the matter and shall not vote on the matter.

PROCEDURES

1. **Meetings**

The Committee shall meet regularly and as often as it deems necessary to perform the duties and discharge its responsibilities described herein in a timely manner, but not less than four (4) times a year and any time the Issuer proposes to issue a press release with its quarterly or annual earnings information or any other material financial information of the Issuer. The Committee shall meet within forty-five (45) days following the end of each of the first three financial quarters and shall meet within ninety (90) days following the end of the financial year. The Committee shall maintain written minutes of its meetings, which will be filed with the meeting minutes of the Board. Each member is expected to attend all meetings. A meeting of the Committee may be called by the external auditors, the Committee Chair, the Chief Executive Officer, the Chief Financial Officer (the "CFO") or any Committee member. Meetings will be held at a location determined by the Committee Chair and notice shall be given in accordance with the provisions of the Issuer's by-laws.

2. **Notice to Auditors**

The external auditors are entitled to receive notice of every meeting of the Committee and, at the expense of the Issuer, to attend and be heard thereat and, if is requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the external auditors.

3. **Agenda**

The Committee Chair, with the assistance of the CFO, shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and management. The agenda and information concerning the business to be conducted at each Committee meeting shall be, to the extent practical, communicated to members of the Committee sufficiently in advance of each meeting to permit meaningful review.

4. **Separate Executive Meetings**

The Committee shall meet periodically, but no less than quarterly with the CFO, the head of internal audit function and the external auditors in separate executive sessions to discuss any matters that the Committee or any of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. However, the Committee shall also meet periodically without management present.

5. **Quorum**

Two members will constitute quorum for any meeting of the Committee.

6. **Voting**

At meetings of the Committee, each member will be entitled to one vote and questions will be decided by a majority of votes. In case of an equality of votes, the Committee Chair will not have a second or casting vote in addition to his or her original vote.

7. **Participation**

Members may participate in a meeting of the Committee in person or by means of telephone, web conference or other communication equipment. The Committee may invite such other directors, officers and employees of the Issuer and such other advisors and persons as is considered advisable to attend any meeting of the Committee. For greater certainty, the Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.

8. **Reliance**

Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on: (a) the integrity of those persons or organizations within and outside the Issuer from which it receives information; (b) the accuracy of the financial and other information provided to the Committee by such persons or organizations; and (c) representations made by management and the external auditors as to the permissible non-audit services provided by the external auditors to the Issuer and its subsidiaries.

9. **Self-Evaluation**

The Committee shall conduct a self-evaluation at least annually to determine whether it and its members are functioning effectively, and report its conclusion to the Board.

AUDIT RESPONSIBILITIES

Selection and Oversight of the External Auditors

1. The external auditors are ultimately accountable to the Committee and the Board as the representatives of the shareholders of the Issuer and shall report directly to the Committee and the Committee shall so instruct the external auditors. The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Issuer to be proposed in the Issuer's management information circular for shareholder approval and shall have authority to terminate the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board.

2. The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of a registered public accounting firm engaged (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purposes of preparing or issuing an audit report or performing other audit, review or attest services of the Issuer, and each such registered public accounting firm must report directly to the Committee.

3. The Committee will approve policies and procedures for the pre-approval of services to be rendered by the external auditors, which policies and procedures shall include reasonable detail with respect to the services covered. All permissible non-audit services to be provided to the Issuer or any of its affiliates by the external auditors or any of their affiliates that are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee. The Committee shall have the sole discretion regarding the prohibition of the external auditor providing certain non-audit services to the Issuer and its affiliates. The Committee shall also review and approve disclosures with respect to permissible non-audit services.

4. The Committee shall review the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken that the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

   (a) actively engage in a dialogue with the external auditors about all relationship or services that may impact the objectivity and independence of the external auditors;

   (b) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Issuer and its subsidiaries, on the one hand, and the external auditors and their affiliates on the other hand, and to the extent there are relationships, monitor and investigate them;

   (c) ensure the rotation of the lead (and concurring) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by applicable law;

   (d) consider whether there should be a regular rotation of the external audit firm itself; and

   (e) consider the auditor independence standards promulgated by applicable auditing regulatory and professional codes.

5. The Committee shall establish and monitor clear policies for the hiring by the Issuer of employees or former employees of the external auditors.

6. The Committee shall require the external auditors to provide to the Committee, and the Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require. Such reports shall include:

   (a) a description of the external auditors' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, or Canadian Public Accountability Board ("CPAB") review, of the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more external auditors carried out by the external auditors and any steps taken to deal with any such issues; and

   (b) a report describing: (i) the proposed audit scope, approach and independence of all critical accounting policies and practices to be used in the annual audit; (ii) all alternative treatments of financial information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and (iii) other material written communication between the external auditors and management, such as any management letter or schedule of unadjusted differences.

7. The Committee shall (i) annually review the experience and qualifications of the independent audit team and review the performance of the external auditors, including assessing their professional skepticism, effectiveness and quality of serve, and (ii) every five (5) years perform a comprehensive review of the performance of the external auditors over multiple years to provide further insight on the audit firm, its independence and application of professional standards.

Appointment and Oversight of Internal Auditors

1. The appointment, terms of engagement, compensation, replacement or dismissal of the internal auditors function shall be subject to prior review and approval by the Committee. When the internal audit function is performed by employees of the Issuer, the Committee shall review the mandate, budget, planned activities, staffing and organizational structure of the internal audit function and the Audit and Risk Management Services (the "ARMS") department. The internal audit function and ARMS department may be outsourced to a firm other than the external auditor. The Committee will confirm that the internal audit function is independent of management and has sufficient resources to carry out its mandate. The Committee will discuss this mandate with the internal auditor.

2. The Committee will review the appointment and replacement of the senior manager-employee of the ARMS department (the "ARMS Manager").

3. The Committee shall obtain from the internal auditors, and shall review, summaries of the significant reports to management prepared by the internal auditors, or the actual report if requested by the Committee, and management's responses to such reports.

4. The Committee shall, as it deems necessary or appropriate, communicate with the internal auditors with respect to their reports and recommendations, the extent to which prior recommendations have been implemented and any other matters that the internal auditor brings to the attention of the Committee. The head of the internal audit function shall have unrestricted access to the Committee.

5. The Committee shall, annually or more frequently as it deems necessary or appropriate, evaluate the internal auditors, including their activities, organizational structure, independence, objectivity, qualifications and effectiveness.

Oversight and Monitoring of Audits

1. The Committee shall review with the external auditors, the internal auditors and management the audit function generally, the objectives, staffing, locations, coordination (reduction of redundant efforts) and effective use of audit resources, reliance upon management and internal audit and general audit approach and scope of proposed audits of the financial statements of the Issuer and its subsidiaries, the overall audit plans, the responsibilities of management, the internal auditors and the external auditors, the audit procedures to be used and the timing and estimated budgets and staffing of the audits.

2. The Committee shall meet periodically with the internal auditors to discuss the progress of their activity, any significant findings stemming from internal audits, any changes required in the planned scope of their audit plan and any difficulties or disputes that arise with management in the course of their audits, including any restrictions on the scope of their work or access to required information, and the adequacy of management's responses in correcting audit-related deficiencies.

3. The Committee shall review with management the results of internal and external audits.

4. The Committee shall provide an open avenue of communication between the external auditors, the internal auditors, the Board and management and take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

Oversight and Review of Accounting Principles and Practices

1. The Committee shall, as it deems necessary or appropriate, oversee, review and discuss with management, the external auditors and the internal auditors (together and separately as it deems necessary), among other items and matters:

    (a) the quality, appropriateness and acceptability of the Issuer's accounting principles, practices and policies used in its financial reporting, its consistency from period to period, changes in the Issuer's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new or unusual transactions or events;

    (b) all significant financial reporting issues, estimations and judgements made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by management from an independent auditor with respect to the accounting treatment of a particular item;

    (c) any material change to the Issuer's auditing and accounting principles and practices as recommended by management, the external auditors or the internal auditors or which may result from proposed changes to applicable generally accepted accounting principles;

    (d) the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented; and

    (e) the effect of regulatory and accounting initiatives on the Issuer's financial statements and other financial disclosures.

2. The Committee will review and resolve disagreements between management and the external auditors regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls Over Financial Reporting ("ICOFR")

1. The Committee shall, as it deems necessary or appropriate, exercise oversight of, review and discuss with management, the external auditors and the internal auditors (together and separately, as it deems necessary):

    (a) the adequacy and effectiveness of the Issuer's ICOFR and disclosure controls and procedures designed to ensure compliance with applicable laws and regulations;

    (b) any significant deficiencies or material weaknesses in ICOFR or disclosure controls and procedures;

    (c) the risk of management's ability to override the Issuer's internal controls;

(d) any fraud, of any amount or type, that involves management or other employees who have a significant role in the ICOFR;

(e) the adequacy of the Issuer's internal controls and any related significant findings and recommendations of the external auditor and internal auditors together with management's responses thereto; and

(f) management's compliance with the Issuer's processes, procedures and internal controls.

2. The Committee shall establish procedures for: (a) the receipt, retention, and treatment of complaints received by the Issuer regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Issuer of concerns regarding questionable accounting or auditing matters.

Oversight and Monitoring of the Issuer's Financial Reporting and Disclosure

1. The Committee shall:

(a) review with the external auditors and management and recommend to the Board for approval the audited financial statements and the notes and Management's Discussion and Analysis ("MD&A") accompanying such financial statements, the Issuer's annual report and any financial information of the Issuer contained in any registration statement, prospectus, information circular or any other disclosure document or regulatory filing of the Issuer;

(b) review with the external auditors and management each set of interim financial statements and the notes and MD&A accompanying such financial statements and any other disclosure documents or regulatory filings of the Issuer containing or accompanying financial information of the Issuer; and

(c) review the disclosure regarding the Committee required to be included in any publicly filed or available document by applicable securities laws or regulations or stock exchange rules or requirements.

(d) Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

2. Prior to their distribution or public disclosure, the Committee shall discuss earnings press releases, as well as financial information and earnings guidance, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Issuer gives earnings guidance.

3. The Committee shall oversee compliance with the requirements of applicable securities laws or rules for disclosure of auditors' services, engagements and independence of external auditors and audit committee member qualifications and activities.

4. The Committee shall receive and review the financial statements and other financial information of material subsidiaries of the Issuer and any auditor recommendations concerning such subsidiaries.

5. The Committee shall oversee compliance with legal and regulatory requirements with respect to financial statements and financial reporting.

Oversight of Finance Matters

1. The Committee shall:

   (a) periodically review matters pertaining to the Issuer's material policies and practices respecting cash management and material financing and capital strategies or policies and objectives of the Issuer, including the review of proposed amendments to material credit agreements and other proposed material financing and capital arrangements;

   (b) periodically review the Issuer's major financial risk exposures (including foreign exchange and interest rate) and management's initiatives to control such exposure, including the use of financial derivatives and hedging activities;

   (c) review and discuss with management all material off-balance sheet transactions, arrangement, obligations (including contingent obligations), leases and other relationships of the Issuer with unconsolidated entities, other persons, or related parties, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses;

   (d) review and discuss policies, procedures and practices with respect to risk identification, assessment and management, including appropriate guidelines and policies to govern the process, as well as the Issuer's major enterprise risk exposures and the steps management has undertaken to control them;

   (e) review and discuss with management the Issuer's effective tax rate, adequacy of tax reserves, tax payments and reporting of any pending tax audits or assessments, and material tax policies and tax planning initiatives; and

   (f) The Committee will determine and review on an annual basis the signing authority and limits of officers and senior employees in connection with the approval of expenditure and release of funds.

Risk Oversight, Privacy and Cybersecurity

1. The Issuer has developed an enterprise risk management ("ERM") framework by which management is able to focus on the identification of risks, the assessment of those risks and the mitigation of risk associated with the achievement of the Issuer's strategic objectives. The Issuer's risk management program is managed through an executive level risk committee in conjunction with the ARMS department.

2. The Committee shall annually or as the Committee deems necessary or appropriate:

   (a) review and discuss with management and as the Committee deems necessary or appropriate, the Chair of the Board or other committees of the Board, and monitor the adequacy and effectiveness of: (i) management's program, including policies and guidelines, to identify, assess, manage, and monitor major enterprise risks of the Issuer, including financial, operational, privacy, security, business continuity, legal and regulatory, and reputational risk, as well as those risks that would threaten the Issuer's business, future performance, solvency or liquidity; (ii) management's risk management decisions, practices and activities; (iii) reports from management and others, including without limitation internal audit, regarding compliance with item (i) above; and (iv) the adequacy and appropriateness of management's response to, including the implementation thereof, the matters and findings, if any, in the reports referenced in item (iii) above;

(b) review, discuss with management and assess the Issuer's privacy and cybersecurity risk exposures;

(c) review and discuss with management the adequacy of the Issuer's insurance coverage.

(d) oversee the Issuer's risk management function and the ERM framework and, on a quarterly basis, will review a report from senior management describing the major financial, legal, operational and reputational risk exposures of the Issuer and the steps senior management has taken to monitor and control such exposures, including the Issuer's policies with respect to risk assessment and management. The Committee will review environmental, insurance and other liability issues, risk management and information technology issues and review policies and procedures in respect thereof and report to the Board on such matters. The Committee will also review and approve management's information technology strategic plan, business continuity plans and major technology capital investments consistent with the Issuer's capital budget recommended by the Committee and approved by the Board; and

(e) oversee the Issuer's Subsidiary and Business Unit Governance Policy.

Committee Reporting

1. The Committee shall report regularly to the Board regarding the execution of the Committee's duties, responsibilities and activities, as well as any issues encountered and related recommendations and recommend to the Board that the audited financial statements be included in the Issuer's annual report.

2. The Committee shall also report to the Board quarterly and/or annually regarding the oversight and receipt of certifications from applicable management confirming compliance with certain applicable laws, regulations or rules and certain Issuer policies and practices, in each case as the Committee deems necessary or appropriate.

Additional Authority and Responsibilities

1. The Committee shall have the authority to engage independent counsel and other advisers, hire and terminate special legal, accounting, financial or other consultants to advise the Committee at the Issuer's expense, in each case, as it determines necessary or appropriate to carry out its duties and without consulting with, or obtaining prior approval from, any officer of the Issuer or the Board. The Committee may ask members of management, including, without limitation, the applicable member of management responsible for enterprise risk management, or others, including, without limitation, Issuer employees or the Chair of the Board or any committee, to attend meetings or provide information as necessary. The Committee shall also have the authority to ask the Issuer's external auditors to attend meetings or provide information as necessary, and the Issuer's external auditors will have direct access to the Committee at their own initiative.

2. The Committee shall provide for appropriate funding for payment: of (a) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report

or performing other audit, review or attest services for the Issuer; (b) compensation to any advisers engaged or employed by the Committee under subsection 1 above; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

3. The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and perform such other functions as assigned by law or the Issuer's constating documents.

4. The Committee shall review and approve in advance any proposed related-party transactions and required disclosure of such in accordance with applicable securities laws and regulations and consistent with any related-party transaction policy of the Issuer, to the extent such policy exists, and report to the Board on any approved transactions.

5. The Committee shall review and approve a Whistleblower Policy for the receipt, retention and investigation of complaints received by the Issuer regarding accounting, internal controls, disclosure controls or auditing matters and any violation of the Issuer's Code of Business Conduct and Ethics and a procedure for the confidential, anonymous submission of concerns by employees of the Issuer or third party submissions regarding such matters.

Audit Committee Chair

1. The Committee Chair should:

    (a) provide leadership to the Committee and oversee the functioning of the Committee;

    (b) chair meetings of the Committee (unless not present), including in-camera sessions, and report to the Board following each meeting of the Committee on the activities and any recommendations and decisions of the Committee and otherwise at such times and in such manner as the Committee Chair considers advisable;

    (c) ensure that the Committee meets at least four times per financial year of the Issuer, and otherwise as is considered advisable;

    (d) in consultation with the Chair of the Board, if any, and the members of the Committee, establish dates for holding meetings of the Committee;

    (e) set the agenda for each meeting of the Committee with input from other members of the Committee, the Chair of the Board, if any, and any other appropriate individuals;

    (f) ensure that Committee materials are available to any director upon request;

    (g) act as a liaison, and maintain communication, with the Chair of the Board, if any, and the Board to co-ordinate input from the Board and to optimize the effectiveness of the Committee;

    (h) report annually to the Board on the role, mandate, and effectiveness of the Committee, in respect of contributing to the objectives of the Board and the Issuer;

    (i) assist the members of the Committee to understand and comply with the responsibilities contained in this mandate;

(j) foster ethical and responsible decision making by the Committee;

(k) oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time;

(l) ensure appropriate information is requested from the officers of the Issuer and is provided to the Committee to enable it to function effectively and comply with this mandate;

(m) ensure that appropriate resources and expertise are available to the Committee;

(n) ensure that the Committee considers whether any independent counsel or other experts or advisors retained by the Committee are appropriately qualified and independent in accordance with applicable laws;

(o) facilitate effective communication between the members of the Committee and the officers of the Issuer;

(p) attend, or arrange for another member of the Committee to attend, each meeting of the shareholders of the Issuer to respond to any questions from shareholders that may be asked of the Committee; and

(q) perform such other duties as may be delegated to the Committee Chair or the Board from time to time.

THIS CHARTER

This Charter replaces the Audit Committee Charter of the Issuer revised by the Board on November 13, 2019, which is of no further force nor effect. The Committee shall review and reassess the adequacy of this Charter on an annual basis or as required and recommend any proposed changes to the Board for approval. This Charter shall be posted on the Issuer's website.