Financial Results Fiscal 2022

March 2, 2023

Dear Shareholders,

Fiscal 2022 was a period of dramatic contrast. We saw record demand for our products and services countered by continued supply chain disruption, associated production inefficiencies, and the impacts of significant inflation and rapid foreign exchange movements. Our financial results reflect those realities, with declines in certain performance metrics paired with significant growth in backlog and pricing, providing us with added confidence and excitement about our future.

We were not alone in responding to the macro challenges stemming from the global pandemic that impacted the global economy. Our industry was hit especially hard as we design and manufacture highly customized vehicles, often on multi-year contracts. We took numerous actions to combat the adverse impacts, including seeking price adjustments wherever possible, lowering new vehicle production rates, bringing on alternative sources of supply, increasing inventory levels of components on hand, providing longer lead times to suppliers, and reducing overhead and administrative costs.

Since the pandemic began in March 2020, we have rationalized 25 sites and reduced our global employee count by more than 2,000 people – not a distinction we are proud of, but necessary as we worked through the pandemic and matched production to supply availability. We defend our decision not to cut deeper or hold back on our product development as our future is bright; we remained loyal and committed to our team members who are critical to our recovery and achievement of our future targets.

At NFI, we do not have a demand problem. Record investments in public transportation in all major markets drove record bid activity, and our highest new order performance since 2017 (a 23% increase year-over-year). We secured new orders from customers in Mississauga, Toronto, Las Vegas, New Jersey, New York, Philadelphia, San Diego, Washington, Manchester, London (UK), Hong Kong, and others, many for zero-emission buses ("ZEBs").

In 2022, zero-emission electric vehicles represented 23% of our total deliveries (up from 17% in 2021) and were a record 29% of our backlog. We also achieved a multi-year milestone with over 100 million zero-emission miles driven by NFI vehicles and the installation of more than 340 EV chargers.

Our teams around the world were relentless in their pursuit of operational excellence, safety, and delivering the best for our customers, even in this challenging environment. We are extremely proud of our teams' efforts, and the work they've completed with our customers to deliver new buses and coaches, commission infrastructure, keep vehicles in service, and deliver parts.

Our book-to-bill ratio[1] of orders to deliveries was over 100% for the second consecutive year, and our total backlog[1] of firm orders and options is now over $5 billion. We expect to see additional backlog growth in 2023 coming from the record number of procurements we responded to in 2022. We expect to see additional backlog growth in 2023 coming from the record number of procurements we responded to in 2022.

Certain contracts that we will deliver in 2023 will continue to be at inflation impacted margins, a result of those contracts originally being bid in 2020 and 2021. Going forward, our updated pricing, inflation-adjusted option backlog, and higher ZEB deliveries are expected to drive stronger margins. The aftermarket segment was a significant bright spot in 2022, delivering profitability while navigating through their own supply disruption issues, and we anticipate additional margin improvement in 2023.

We continued to advance our environmental, social and governance ("ESG") initiatives, completing a materiality assessment to determine the ESG issues most pertinent to our business. NFI was proud to have ranked among Corporate Knights' 2022 Best 50 Corporate Citizens in Canada, and our New Flyer business was one of the first original equipment manufacturers to commit to the American Public Transportation Association's Racial Equity Commitment Program. *(continued on next page ->)*

1. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

(-> continued) We introduced a new board member in Wendy Kei, recipient of the 2022 Institute of Corporate Directors Fellowship Award. With Wendy's addition, our Board of Directors is now 40% female, a significant accomplishment as we continue to drive towards our goal of meeting Canada's 50-30 Challenge (with a goal of 50% female representation on our Board).

As we ended 2022, we completed another credit amendment, our sixth in three years, to provide us with additional runway as we work towards NFI's recovery. We also announced a $187 million financial support program from the Government of Manitoba and Export Development Canada that will be critically important in strengthening our financial position and improving liquidity. We are now engaged with our banking partners to develop a new long-term, multi-year credit agreement with the capacity and covenants matched to our historic results and expected financial recovery. We expect that we will be able to get this completed in the first half of 2023. Cash flow and capital allocation remains our top priority as we strive to generate cash flows, lower leverage, and strengthen our balance sheet.

With businesses that have a combined history of over 450 years in the bus and coach industry, our impressive offering of market-leading products and technology, service support, and aftermarket parts distribution are leading the zero-emission evolution (what we call the ZEvolution™) and moving millions of people around the world every day.

Our strategy of focusing on innovation, remaining flexible on integrating new and complex technologies onto our proven bus and coach platforms, produced on common production lines, has served us well and will continue as supply health improves and we move beyond this period of disruption.

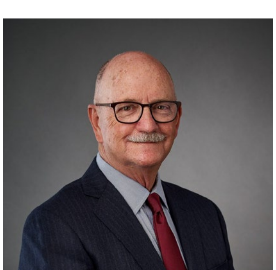
As we look to 2023, we know there will be some continued challenges, with supply chains expected to improve but not yet back to full health, and our operations running at lower production rates in the first half of the year. We do expect significant improvement, with a planned ramp-up of production levels later in 2023 and financial recovery throughout the year, and a major step increase in 2024.

The past few years have been challenging for all our stakeholders: employees, customers, suppliers, investors, and banking partners. You, our fellow shareholders, have experienced first-hand our reality, and we thank you for your ongoing support.

After 17 years as chair of NFI's Board of Directors, the Honourable Brian Tobin will be stepping down from the Board in May 2023, in compliance with our age and term limits. Brian had originally reached our term limit in 2021, but remained for two one-year term extensions upon the request of our other Board members as we navigated through the COVID-19 pandemic and ongoing supply disruption. As the Company has now moved beyond the worst impacts of the pandemic and anticipate recovery, Brian is taking his well-deserved retirement from our Board.

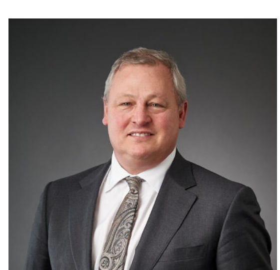
Brian has been a tremendous champion for NFI, and his contributions to our company over his nearly two decades as a director, partner and leader cannot be understated. Our entire leadership team and all NFI team members are grateful for all Brian has done for NFI. Further details on a new Board Chairperson will be discussed in the coming weeks as we head towards our May Annual and Special Meeting of Shareholders.

While the past few years have been incredibly difficult, we look forward to our next chapter where we will maintain our market leadership and drive recovery and financial performance. We remain proud of our history, and excited about our future.



Larry Edwards

Larry Edwards
Corporate Director; Chair, Human Resources, Compensation and Corporate Governance Committee
NFI Group Inc.



Paul Soubry
President & Chief Executive Officer
NFI Group Inc.

NFI's mobility solutions ecosystem

Workforce Development & Training

VIC VEHICLE INNOVATION CENTER

AD24 Training Academy

NEW FLYER Institute

NFI Learning Institute

MCI Academy
Training for Advancing Technology

Parts, Publications & Service

NFI Service

AD24

nfi.parts

Infrastructure Solutions

NFI Infrastructure Solutions™

NFI

Buses & Coaches

NEW FLYER

MCI

ALEXANDER DENNIS

ARBOC SPECIALTY VEHICLES

PLAXTON

Financing

NFI Financial Solutions™

Connected Vehicles & Diagnostics

NFI Connect™

CONNECT360

Leading the ZEvolution™

In 2022, despite a challenging macro economic environment, NFI continued to innovate.

Enviro400FCEV

xcelsior CHARGE FC™

D45 CRT CHARGE™

We have more than 105,000 buses and coaches in service in 12 countries around the world…

NEW FLYER

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

MCI

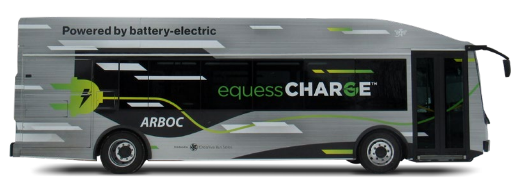
North American Market Leader in Motor Coaches

ALEXANDER DENNIS

PLAXTON

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

ARBOC SPECIALTY VEHICLES



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

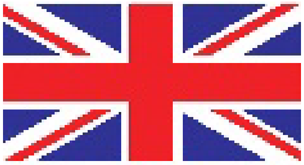
We have seen record long-term government funding in our major markets …

$100+B

through the five-year Infrastructure Investment and Jobs Act

C$34B

through the Green Recovery Funding, Transit Funding Program and Canadian Infrastructure Bank



£7B

to overhaul and level up major local transport outside of London

… paired with record demand for our vehicles, infrastructure, and services.

In 2022, NFI subsidiaries supported and received new orders from customers around the world, driving change and leading zero-emission mobility.

Select Customer Wins in 2022

We are focused on generating long-term, sustainable value for our business and for all stakeholders.

OUR SUSTAINABILITY PLEDGE:

A better product.
A better workplace.
A better world.

OUR VISION: To lead the evolution of sustainable on-road mass transportation and mobility.

OUR MISSION: To design, deliver, and support market-leading bus and motor coach solutions that are safe, accessible, efficient, and reliable.

We have a fundamental role to play in meeting the challenge of climate change.

Transportation is one of the biggest global polluters

Buses are leading the vehicle transition to zero emission around the globe

In 2022, we concentrated on these ESG priorities:

Company Management	Environment	Employees	Community
Business performance	Zero-emission products and solutions	Celebrating, fostering and measuring diversity, equity and inclusion	Responsible corporate citizen
Leading with integrity	Emissions management, including footprint rationalization	Environmental health and safety	Human Rights
Quality products, continuous innovation	Energy and water consumption management	Respectful and vibrant workplace culture	Community and charitable initiatives
Robust governance	Infrastructure Solutions to support zero-emission projects	Workforce development, Community Benefits Framework and initiatives	Team and community spirit, supported by the Community Benefits Framework
Supply chain management	Battery recycling partnership	Advance 50-30 Challenge	United Way sponsorship program

and completed our first materiality assessment.

A better product.
A better workplace.
A better world.

In addition, in 2022 we:

- Initiated a sustainability roadmap to action the results of our materiality assessment and overall sustainability strategy;
- Continued to prioritize the health, safety, and well-being of our employees;
- Completed our first annual disclosure to the S&P Global Corporate Sustainability Assessment and our second annual disclosure to the CDP Climate Change questionnaire;
- Implemented an action plan to address key issues identified in our 2021 Group-wide diversity, equity and inclusion ("DEI") survey and implemented NFI's DEI Strategic Framework to guide NFI's work towards equity and inclusion across the organization;
- Increased the gender and sexual diversity target for the board and senior management from 30% to 50%; reached 40% female representation on our Board of Directors in 2022;
- Added a diversity target for the board and senior management of 30% for other equity deserving groups (racialized, black, people of colour, people with disabilities, and Indigenous peoples);
- Updated our Code of Business Conduct and Ethics affirming the Company's prohibition against child labour (defined as anyone under the age of 16);
- Changed the performance share unit ("PSU") performance metric for the long-term incentive plan ("LTIP") in the Executive Compensation Program from being based solely on a return on invested capital ("ROIC") target to a combination of ROIC, ESG target, and a Strategic target;
- Implemented a Community Benefit Agreement for the New Flyer Anniston plant that: establishes goals of 45% of new hires and 20% of promotions coming from groups who have historically been under-represented or underserved including people of colour, women, and veterans, enhances training programs, and focuses on increasing access to employment and career advancement for these historically disadvantaged groups;
- Enhanced commitments to Freedom of Association outlined in our Code of Business Conduct and Ethics, our Human Rights Statement, and included in the NFI Group Freedom of Association Statement released earlier in 2022;
- Implemented a series of projects called "NFI Forward 2.0", by completing a detailed review of our remaining North American footprint with a view to match production capacity and facility investments to customer demand, local labour availability, and zero-emission fleet investment plans;
- Shifted some of our strategic priorities to withstand supply chain challenges for the long-term health of the business; and
- Raised over $381,000 through our annual United Way campaign, supporting 18 communities across North America.

NFI's 5th annual ESG Report will be released in May 2023, with additional information.

NFI continues to lead the *ZE*volution™: the evolution to a zero-emission future.

Notes to readers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 52-WEEKS ENDED JANUARY 1, 2023

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. ("NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's audited consolidated financial statements (including notes) (the "Financial Statements") for the 52-week period ended January 1, 2023 and has been prepared as of March 2, 2023.

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

QUARTERLY AND ANNUAL REPORTING PERIODS

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

Period from January 3, 2022 to January 1, 2023 ("Fiscal 2022")				**Period from December 28, 2020 to January 2, 2022 ("Fiscal 2021")**			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	April 3, 2022	("2022 Q1")	13	Quarter 1	March 28, 2021	("2021 Q1")	13
Quarter 2	July 3, 2022	("2022 Q2")	13	Quarter 2	June 27, 2021	("2021 Q2")	13
Quarter 3	October 2, 2022	("2022 Q3")	13	Quarter 3	September 26, 2021	("2021 Q3")	13
Quarter 4	January 1, 2023	("2022 Q4")	13	Quarter 4	January 2, 2022	("2021 Q4")	14
Fiscal year	January 1, 2023		52	Fiscal year	January 2, 2022		53

Specific references and definitions are used throughout this MD&A, please see the Non-IFRS and Other Financial Measures section. References to LTM mean last-twelve months ("LTM"). Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), Invested Capital, net operating profit after taxes ("NOPAT"), return on invested capital ("ROIC"), Free Cash Flow, Free Cash Flow per Share, Adjusted Net Loss, Adjusted Net Loss per Share, Liquidity, Working Capital Days, Book-to-Bill, Payout Ratio and Backlog are non-IFRS measures and should not be considered substitutes or alternatives for IFRS measures. These are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies.

Notes to readers

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

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

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

Single and double deck buses manufactured by New Flyer and Alexander Dennis Limited ("Alexander Dennis" or "ADL") are classified as "transit buses". ARBOC manufactures body on-chassis or "cutaway" and "medium-duty" buses that service transit, paratransit, and shuttle applications. Collectively, transit buses, medium-duty buses and cutaways, are referred to as "buses". A "motor coach" or "coach" is a 35-foot to 45-foot over-the-highway bus typically used for intercity transportation and travel over longer distances than heavy-duty transit buses, and is typically characterized by (i) high deck floor, (ii) baggage compartment under the floor, (iii) high-backed seats with a coach-style interior (often including a lavatory), and (iv) no room for standing passengers. "Product lines" include heavy-duty transit buses, motor coaches, pre-owned coaches, cutaway and medium-duty buses.

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

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

Leading the ZEvolution™

NFI is leading zero-emission electric mobility.

100M+
Electric service miles driven

2,725
ZEB EUs delivered since 2015

328
ZEB EUs delivered in 2022 Q4 (32% of total deliveries)

693
ZEB EUs delivered in 2022 FY (23% of total deliveries)

51%
of North American Public Bid Universe is ZEBs

~8,000
EUs annual ZEB production capacity

2,628
ZEBs in backlog

29%
of total backlog is ZEBs

120+
Cities have NFI ZEBs in service or on order

6
Countries have NFI ZEBs in service or on order

340+
EV chargers installed via Infrastructure Solutions™ since 2018

58+ MW
Charging capacity installed via Infrastructure Solutions™ since 2018

FY 2022 Highlights (US$)

$2.1B
Total Revenue

3,039
EUs Delivered

$49.1M
Gross Profit

($59.1)M
Adjusted EBITDA (1)

$277.8M
Net Loss

($170.3)M
Free Cash Flow (1)

$241.9M
Cash Flow Used In Operating Activities

$173.5M
Liquidity (2)(3)

$3.60
Net Loss Per Share

$2.09
Adjusted Net Loss Per Share (4)

5,786 EUs
in New Orders

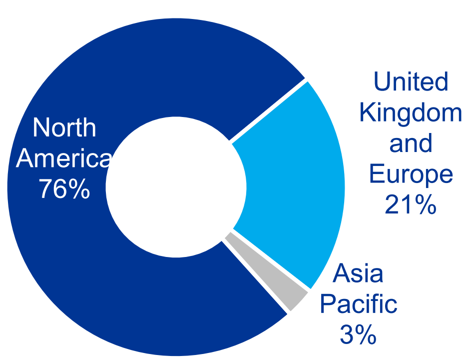
10,507 EUs
Active Bids

$18.5M
Adjusted EBITDA(1) Savings from NFI Forward

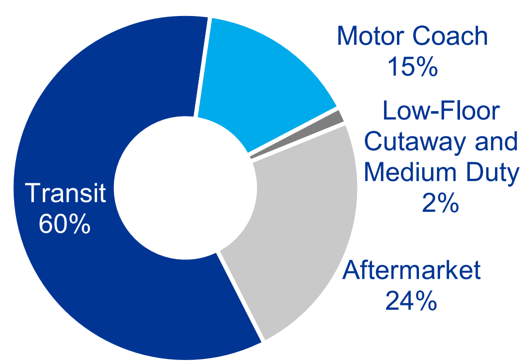
9,186 EUs
in Backlog (Value of $5.6B) (2)

1. Represents a non-IFRS measure, meaning it is not a defined term under IFRS and does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. See Non-IFRS and Other Financial Measures section.
2. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.
3. Without consideration given to the minimum liquidity requirement of $25 million.
4. Represents a non-IFRS ratio, meaning it is derived from a non-IFRS measure, which does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. The ratio is calculated using adjusted net income, which is a non-IFRS measure. See Non-IFRS and Other Financial Measures section.

Revenue by Geography

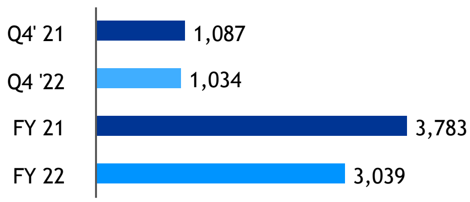


Revenue by Product

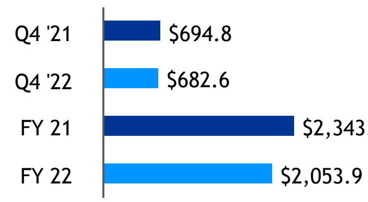


KEY PERFORMANCE INDICATORS

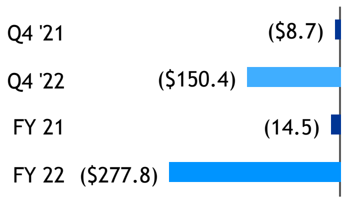
Deliveries (EUs)



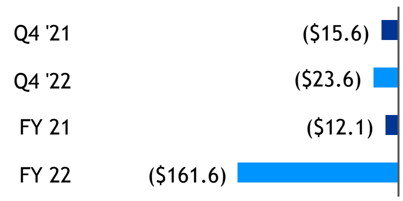
Revenue ($ millions)



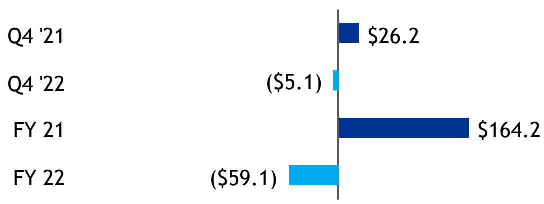
Net Loss ($ millions)



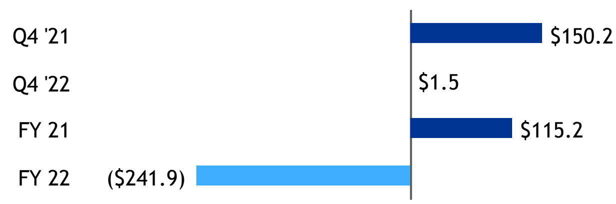
Adjusted Net Loss[1] ($ millions)



Adjusted EBITDA[1] ($ millions)

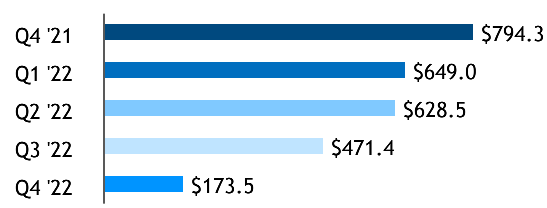


Net cash generated by (used in) operating activities ($ millions)

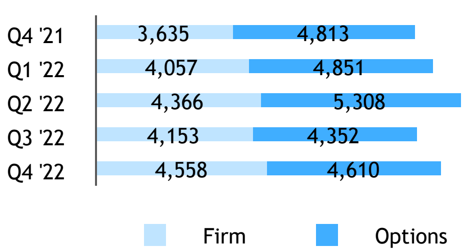


Working Capital Days[2]

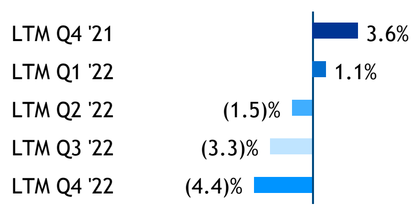
Total Liquidity[2] ($ millions)



Backlog (EUs)



ROIC[3]



Footnotes
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3. Represents a non-IFRS ratio, meaning it is derived from a non-IFRS measure, which does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. The ratio is calculated using net operating profit after tax and average invested capital both of which are non-IFRS measures. See Non-IFRS and Other Financial Measures section.

FINANCIAL RESULTS

NFI's 2022 Q4 financial results were significantly impacted by continued global supply chain challenges, and the impact of heightened inflation and surcharges and rapid foreign exchange movements on legacy contracts. In 2022 Q4, the Company took the prudent approach to reduce production rates to align with supply chain lead times and allow for teams to complete offline work-in-progress ("WIP") inventory. This resulted in lower than planned new vehicle deliveries and negative impacts to financial performance metrics within the Company's Manufacturing business segment ("Manufacturing"). The Company's end markets are recovering from the pandemic, which is demonstrated by recent order activity, a record North American bid environment and unprecedented government funding for public transit. The Aftermarket business segment ("Aftermarket") experienced a small decrease in year-over-year margin results in North America, United Kingdom, and Europe, despite consistent revenues.

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

Deliveries (EUs)	2022 Q4	2021 Q4	*% Change*	Fiscal 2022	Fiscal 2021	*% Change*
Transit buses	764	855	*(10.6)%*	2,253	2,765	*(18.5)%*
Motor coaches	169	192	*(12.0)%*	524	678	*(22.7)%*
Medium-duty and cutaway	101	40	*152.5 %*	262	340	*(22.9)%*
New vehicle deliveries	1,034	1,087	*(4.9)%*	3,039	3,783	*(19.7)%*
Pre-owned coach	68	38	*78.9 %*	190	389	*(51.2)%*
Zero-emission deliveries (included in the above totals)	328	331	*(0.9)%*	693	661	*4.8 %*
Zero-emission deliveries as a percentage of total new vehicle deliveries	31.7 %	30.5 %	*3.9 %*	22.8 %	17.5 %	*30.3 %*

Revenue (dollars in millions)	2022 Q4	2021 Q4	*% Change*	Fiscal 2022	Fiscal 2021	*% Change*
Transit buses	441.8	441.8	*— %*	1,212.5	1,429.5	*(15.2)%*
Motor coaches	97.7	122.5	*(20.2)%*	296.2	361.6	*(18.1)%*
Medium-duty and cutaway	12.8	5.4	*137.0 %*	31.7	35.3	*(10.2)%*
Total New Vehicle Revenue	**552.3**	**569.7**	***(3.1)%***	**1,540.4**	**1,826.4**	***(15.7)%***
Pre-owned coach revenue	5.2	2.3	*126.1 %*	12.8	20.7	*(38.2)%*
Infrastructure Solutions™	2.7	4.0	*(32.5)%*	8.5	17.6	*(51.7)%*
Fiberglass reinforced polymer components	2.2	1.3	*69.2 %*	7.0	5.1	*37.3 %*
Manufacturing Revenue	**562.4**	**577.3**	***(2.6)%***	**1,568.7**	**1,869.8**	***(16.1)%***
Aftermarket	120.2	117.5	*2.3 %*	485.2	474.0	*2.4 %*
Total Revenue	**682.6**	**694.8**	***(1.8)%***	**2,053.9**	**2,343.8**	***(12.4)%***
North America	503.3	465.7	*8.1 %*	1,555.0	1,776.3	*(12.5)%*
United Kingdom and Europe	165.2	181.2	*(8.8)%*	440.8	440.5	*0.1 %*
Asia Pacific	14.1	47.9	*(70.6)%*	58.1	127.0	*(54.3)%*

Manufacturing revenue for 2022 Q4 decreased by $15.0 million, or 2.6%, compared to 2021 Q4. The decrease was driven by lower deliveries within heavy-duty transit and motor coach, somewhat offset by higher average sale prices of heavy-duty transit vehicles and increased deliveries of medium-duty and low floor cutaway vehicles. Overall deliveries are down significantly relative to pre-COVID-19 levels due to global supply chain logistics challenges and related production inefficiencies. These challenges are largely the result of suppliers recovering from impacts of the COVID-19 pandemic, which has created numerous bottlenecks in the supply chain and disruptions to certain parts availability. WIP inventory decreased by $125.7 million from Q3 2022, as many buses awaiting parts have been completed and delivered. The previously disrupted control module supply, originally announced in 2022 Q2, that impacted the completion of a significant number of North American transit buses, has recovered according to plan, however the alternate modules developed, has introduced certain other delays. During 2022 Q4, the Company completed and delivered the remaining buses that were missing these specific module components generating a positive impact, lowering WIP by $38.6 million, or 68 EUs.

Quarterly revenue of the Company's Infrastructure Solutions™ division declined by $1.3 million. The decrease is primarily due to the timing of revenue recognition on open contracts. Global supply chain challenges have had a residual effect on infrastructure and charger commissions resulting in delays to Infrastructure Solutions™ revenue recognition. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 311 plug-in and 33 on-route charger projects for 51 different customers.

Aftermarket revenue for 2022 Q4 increased by $2.7 million, or 2.3% compared to 2021 Q4. The increase is mainly related to increased volume in the North America region, this increased volume is despite of a one-week decrease in the period compared to 2021 Q4. The Company continues to benefit from a multi-year retrofit program in the Asia-Pacific region, which continued throughout 2022, but at a lower run rate. Fiscal 2022 sales under the program were $58.1 million, a decrease of $68.9 million compared to Fiscal 2021 sales of $127.0 million; this multi-year retrofit program is expected to unwind in 2023 Q1.

Net Earnings (Loss) (dollars in millions, except per share amounts)	2022 Q4	2021 Q4	*% Change*	Fiscal 2022	Fiscal 2021	% Change
Manufacturing	(147.1)	(34.3)	*(328.9)%*	(309.5)	(55.7)	*(455.7)%*
Aftermarket	18.6	21.2	*(12.3)%*	67.0	83.3	*(19.6)%*
Corporate	(21.9)	4.4	*(597.7)%*	(35.2)	(42.2)	*16.6 %*
Net Loss	**(150.4)**	**(8.7)**	***(1,628.7)%***	**(277.8)**	**(14.5)**	***(1,815.9)%***
Adjusted Net Loss[1]	(23.6)	(15.6)	*(51.3)%*	(161.6)	(12.1)	*(1,235.5)%*
Net Loss per Share	(1.94)	(0.12)	*(1,516.7)%*	(3.60)	(0.21)	*(1,614.3)%*
Adjusted Net Loss per Share[1]	(0.31)	(0.21)	*(47.6)%*	(2.09)	(0.17)	*(1,129.4)%*

Adjusted EBITDA[1] (dollars in millions)	2022 Q4	2021 Q4	*% Change*	Fiscal 2022	Fiscal 2021	*% Change*
Manufacturing	(30.5)	(7.7)	*(296.1)%*	(149.2)	51.7	*(388.6)%*
Aftermarket	22.9	25.1	*(8.8)%*	86.2	98.7	*(12.7)%*
Corporate	2.5	8.8	*(71.6)%*	3.9	13.8	*(71.7)%*
Total Adjusted EBITDA[1]	**(5.1)**	**26.2**	***(119.5)%***	**(59.1)**	**164.2**	***(136.0)%***
Adjusted EBITDA as a percentage of revenue						
Manufacturing	(5.4)%	(1.3)%	*(315.4)%*	(9.6)%	2.8 %	*(442.9)%*
Aftermarket	19.0 %	21.3 %	*(10.8)%*	17.9 %	20.8 %	*(13.9)%*
Total	**(0.7)%**	**3.8 %**	***(118.4)%***	**(2.9)%**	**7.0 %**	***(141.4)%***

1. Non-IFRS Measure - See Non-IFRS and Other Financial Measures section.

2022 Q4 Manufacturing Adjusted EBITDA decreased by $22.8 million, or 296.1%, compared to 2021 Q4. The decrease was driven by a decrease in deliveries, unfavorable sales mix, and heightened inflation and surcharges. Decreased margins were the result of operational and production inefficiencies caused by continuing supply disruptions. In addition, the Company did not receive any government wage subsidy grants in 2022 Q4, as compared to $2.3 million received in 2021 Q4, as the programs were either discontinued or NFI was no longer eligible. Manufacturing experienced a 2022 Q4 net loss of $147.1 million compared to a net loss of $34.3 million in 2021 Q4. The increase in Manufacturing net loss was mainly attributable to a $103.9 million non-cash goodwill impairment charge in ARBOC ($23.2 million) and the ADL Manufacturing ($80.7 million) cash generating units ("CGUs"). The goodwill impairment reflects increases in market rates, as well as timing of the market recovery from the COVID-19 pandemic and the related supply chain disruptions. Also contributing to the net loss are the same items that impacted Manufacturing Adjusted EBITDA.

2022 Q4 Aftermarket realized Adjusted EBITDA results of $22.9 million, a $2.2 million, or 8.8%, year-over-year decrease. The decrease in Adjusted EBITDA was primarily due to product mix and inflationary impacts to both freight and part costs and freight surcharges, where the Company was not fully able to pass along these impacts to its customers. 2021 Q4 saw the Company achieve heightened Aftermarket Adjusted EBITDA results, partially related to a multi-year retrofit program in the Asia-Pacific region, which will continue into 2023 Q1, but at a lower run rate as the program unwinds. 2022 Q4 Aftermarket net earnings decreased by $2.6 million, or 12.3%, primarily due to the same items that impacted Aftermarket Adjusted EBITDA.

2022 Q4 Corporate Adjusted EBITDA decreased by $6.2 million, or 71.6%, compared to 2021 Q4, primarily as a result of foreign exchange revaluation adjustments to monetary balances. Corporate expenses included in the calculation of net loss increased by $26.4 million, or 597.7%, primarily due to increased interest on long-term debt and unfavourable mark-to-market adjustments to the Company's interest rate swaps. These are somewhat offset by a favourable fair value adjustment to the Company's convertible debenture cash conversion option.

Free Cash Flow[1] and net cash generated by operating activities (dollars in millions, except per share amounts)	2022 Q4	2021 Q4	*% Change*	Fiscal 2022	Fiscal 2021	*% Change*
Net cash (used in) generated by operating activities	1.5	150.2	*(99.0)%*	(241.9)	115.2	*(310.0)%*
Free Cash Flow	(21.8)	(18.9)	*(15.3)%*	(170.3)	23.0	*(840.4)%*
Free Cash Flow (CAD dollars)	(29.5)	(23.9)	*(23.4)%*	(224.9)	28.5	*(889.1)%*
Declared Dividends (CAD dollars)	—	16.4	*(100.0)%*	12.3	61.6	*(80.0)%*
Free Cash Flow per Share (CAD dollars)[2]	(0.38)	(0.33)	*(15.2)%*	(2.91)	0.41	*(809.8)%*
Dividends per Share (CAD dollars)	—	0.21	*(100.0)%*	0.16	0.85	*(81.2)%*
Payout Ratio (Declared Dividends divided by Free Cash Flow)[2]	— %	(68.6)%	*(100.0)%*	(5.5)%	216.1 %	*(102.5)%*

1. Non-IFRS Measure - See Non-IFRS and Other Financial Measures section.

2. Represents a non-IFRS ratio, meaning it is derived from a non-IFRS measure, which does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. The ratio is calculated using Free Cash Flow, which is a non-IFRS measure. See Non-IFRS and Other Financial Measures section.

Free Cash Flow in 2022 Q4 decreased by $2.9 million, or 15.3%, compared to 2021 Q4, mainly due to a higher Adjusted EBITDA loss and higher outflows from changes in non-cash working capital. "NFI Forward", the Company's transformational restructuring initiative to generate cost savings, generated Adjusted EBITDA savings of $18.5 million and an additional $3.0 million Free Cash Flow savings in the quarter.

Net cash generated by operating activities in 2022 Q4 was $1.5 million, a decrease of $148.7 million or 99.0%, compared to cash generated in 2021 Q4, mainly due to the increase in cash used in working capital. The Fiscal 2022 net cash generated by operating activities decreased by 310.0%, primarily due to a increase in net losses and cash used in working capital.

	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4
Working Capital Days[1]	68	70	72	70	69
Liquidity ($ million)[1]	$ 173.5	$ 471.4	$ 628.5	$ 649.0	$ 794.3
Backlog (EUs)	9,186	8,505	9,674	8,908	8,448
ROIC[1]	(4.4)%	(3.3)%	(1.5)%	1.1 %	3.6 %

1. Working Capital Days and Liquidity represent supplementary financial measures. ROIC represents a non-IFRS ratio for the last 12-month period. See Non-IFRS and Other Financial Measures section.

As part of the Company's increased focus on cash conversion and leverage reduction, the Company is actively focused on reducing Working Capital Days, especially as it navigates through supply-related disruption to its operations. In 2022 Q4, Working Capital Days were 68, compared to 70 at the end of 2022 Q3, and 69 at the end of 2021 Q4. The decrease in Working Capital Days in 2022 Q4 compared to 2022 Q3 is mostly attributable to the decrease in average working capital balances, mainly due to decreases in WIP inventory. WIP inventory decreased by $125.7 million as buses previously awaiting parts have been completed and delivered.

The Company's liquidity position, which combines cash on-hand plus available capacity under its credit facilities, without consideration given to the minimum liquidity requirement ($25 million) under the Amended Facilities[1], was $173.5 million as at the end of 2022 Q4, down $297.9 million from the end of 2022 Q3, where the minimum liquidity requirement was $250 million. The decrease in liquidity is primarily due to amendments to both the Company's credit and UK facilities. Total borrowing under the amended credit facility has decreased to $1 billion, a $250 million decrease. Total borrowing under the amended UK facility has decreased to £40 million, a £10 million decrease. Also contributing to the decrease in liquidity is increased drawings under the amended facilities.

At the end of 2022 Q4, the Company's total backlog (firm and options) was 9,186 EUs, an increase of 7.8% compared to 8,505 EUs at the end of 2022 Q3. The increase was driven by high levels of new awards in North American and UK transit operations in the quarter, offset somewhat by higher deliveries and option expiries. In addition, 806 EUs of new firm and option orders were pending from customers at the end of 2022 Q4, where approval of the award to the Company had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog.

LTM 2022 Q4 ROIC decreased by 1.1% from LTM 2022 Q3, due to the decrease in Adjusted EBITDA offset by a lower invested capital base. The decrease in invested capital is primarily due to a decrease in shareholders' equity, partially offset by the increase in average long-term debt.

Footnotes

1. As defined in the Capital Allocation section.

2022 Q4 HIGHLIGHTS

Similar to the first three quarters of 2022, the fourth quarter of 2022 continued to be a representation of the broader operating and economic environment, with numerous long-term positive indicators, including increases in new orders, higher contract pricing, and high backlog and bid activity, offset by near-term challenges related to supply chain disruptions and heightened inflation. Manufacturing operations continued to experience inflation impacts and operational inefficiencies resulting from global supply chain and logistics challenges which created bottlenecks and significant disruptions to NFI's operations. In response to these challenges, NFI continued to operate at reduced new vehicle input rates, primarily by adjusting production, and by delaying some new vehicle line entries to match timing of parts availability. Within the fourth quarter of 2022, the Company did see success from the various actions taken to lower vehicle inventory balances by completing buses and coaches with the required parts as they were received, with WIP inventory decreasing by $125.7 million during the fourth quarter.

The supply chain disruptions and uncertainty have been especially challenging to NFI and others in the bus and motor vehicle industries. The majority of NFI's transit and coach customer orders are highly customized, with significant specification requirements by customers. In addition, production is typically subject to local content rules, such as Buy America provisions or local manufacturing requirements. These various factors limit the Company's ability to use alternative sources of supply and require dedicated manufacturing facilities for different product types by region.

NFI's customers continue to be very accommodating to the supply chain challenges that have continually adjusted the Company's production and delivery schedules. NFI has continued to communicate with its customers to provide updates and coordinate delivery schedules based on supply availability. Similar to the third quarter of 2022, NFI worked with customers in the fourth quarter to seek vehicle price increases and/or milestone payments in response to rising input costs. As of January 1, 2023, the Company had received $36.1 million in prepayments and is continuing to work with other customers on plans that would help alleviate some of NFI's working capital investments while it navigates through the supply chain challenges. This program is ongoing and, if successful, may have a positive impact on 2023 working capital investments and operating cash flows.

In the fourth quarter of 2022, the Company announced amendments to the Company's Amended Facilities to provide covenant relief from previous key financial covenants for the fourth quarter of 2022 and the first two quarters of 2023 to the period ending June 30, 2023 (the "Waiver Period"). The full details of these amendments can be found in the Capital Allocation section of this MD&A.

NFI and its banking syndicate partners are now focused on developing new long-term credit arrangements, and NFI will be seeking agreements that provide appropriate capacity and covenants matched to the Company's anticipated financial performance and recovery. The Company is targeting completion of these changes prior to the end of the Waiver Period.

Subsequent to quarter end, the Company announced that it had finalized agreements for the previously announced financial support package of approximately $187 million with the Manitoba Development Corporation, an entity that provides financial services and financial instruments on behalf of the Province of Manitoba, and Export Development Canada ("EDC"), a Canadian government Crown corporation.

The financial support package includes two debt facilities, a $37 million facility (C$50 million) from the Manitoba Development Corporation (the "Manitoba Facility") and a $50 million facility from EDC (the "EDC Facility"), as well as an up to $100 million surety reinsurance support arrangement with EDC for NFI's surety and performance bonding requirements.

Strong Market Demand and Increasing Procurements

The Company continued to see strong metrics that measure future demand and activity during the fourth quarter of 2022. In 2022 Q4, new orders increased by 60.4% year-over-year, active bids of 10,507 EUs were at record levels, up 53.5% year-over-year, with 806 EUs in bid awards pending. This positions NFI for a strong quarter of backlog growth in the first quarter of 2023. The Company's 2022 Q4 Book-to-Bill[1] ratio was 144.0%, an increase from 131.9% in 2021 Q4; its Fiscal 2022 Book-to-Bill was 133.9%, an increase from 115.1% at the same time last year.

NFI's Total Public Bid Universe for North America was a record 30,784 EUs, up 17.0% year-over-year. The Company ended 2022 Q4 with 5,169 EUs of bids in process (the highest quarter on record), and another 5,338 EUs of bids submitted, down from the record high of 7,226 in 2022 Q3. See Appendix B for details.

Footnotes

1. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

Given the highly customized nature of NFI's products, there is significant lead time between when an order is received to when a vehicle is delivered. Generally, in North America, NFI will begin production on an order six to twelve months after it is awarded. In international markets, this lead time can be anywhere from three to eight months. This pre-production period is utilized to complete final engineering, coordinate supply delivery, and align production schedules. Due to this timing structure, there is a lag between when orders are received and when they impact NFI's financial results in the form of deliveries.

Zero-Emission Mobility—The *ZE*volution™

In 2022 Q4, NFI received orders for 1,118 EUs of battery-electric, ZEBs, a 780% increase from the 127 EUs in orders received in 2022 Q3. These 1,118 EUs of ZEBs equate to 43.4% of all new firm and option orders for the quarter, which increased from 28.0% in 2022 Q3.

At the end of 2022 Q4, NFI had 2,628 ZEBs in the backlog, representing a record of approximately 28.6% of the total backlog, and 15,689 EUs, or 51.0%, of the Total Bid Universe was ZEBs, an increase of 54.6% year-over-year, which supports management's expectations for a continued increase in the demand for ZEBs.

NFI sells buses to all of the 25 largest transit authorities in North America and has electric vehicles in service with 17 of the top 25 transit agencies in North America. Within the fourth quarter of 2022, the Company announced new zero-emission and electric orders for customers in Greater Manchester, UK; Winnipeg, Canada; Pittsburgh, Pennsylvania; and San Diego, California; and MCI delivered its first zero-emission J4500 CHARGE™ to a customer in California. Alexander Dennis also announced that it had received the largest bus order in the UK by number of vehicles since 2019, for 200 low-emission double deck buses.

Low-No Grants

In 2022, as part of the Federal Transit Administration's ("FTA") 2022 Low or No Emission ("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. NFI was the named partner for two individual agency awards of over $25 million each, an increase from the $40 million in Low-No grants awarded to nine U.S. public transit agencies that NFI subsidiaries supported in 2021.

While New Flyer has been named as a partner, new awards will not be added to NFI's backlog until contract documentation is completed and a formal purchase order is received. New Flyer's success with Low-No and Buses and Bus Facilities grants provide future backlog growth opportunities. In addition, approximately $800 million in Low-No grants were provided to transit agencies that had not yet formally named a preferred partner, which the Company expects will generate future bidding activities going forward.

NFI Forward Update

In the quarter, NFI continued to realize savings from "NFI Forward", the Company's transformational cost reduction and sourcing initiative, which is expected to lower NFI's overhead and selling general and administrative ("SG&A") expenses by 8% to 10%, respectively, based on 2019 revenue levels, and to provide direct material savings from input cost reductions and an estimated $10 million in annualized Free Cash Flow generation. The Company has now achieved its NFI Forward target for Adjusted EBITDA savings of $67 million (from 2019 levels), one year earlier than its original target of the end of 2023. Total one-time investments incurred to achieve the NFI Forward program were $14.1 million, a $103,000 increase from 2022 Q3.

In July 2022, NFI launched a series of additional projects called "NFI Forward 2.0", that are expected to generate additional annualized Adjusted EBITDA savings in 2023 and beyond. The initial project was the integration of NFI's Delaware parts distribution facility (a legacy parts warehouse of NABI that NFI acquired in 2013) into its existing NFI Parts™ footprint, which occurred during the third quarter of 2022 and the facility has been successfully subleased. The Company is also planning to close the MCI coach manufacturing facility in Pembina, North Dakota, in the first half of 2023.

NFI Forward 2.0 will be smaller in scale and financial impact when compared to the original NFI Forward initiatives. In total, the Company believes NFI Forward 2.0 will generate $5 million to $8 million in annual savings from one-time capital investments of $8 million to $10 million. The majority of these benefits are expected to be recognized in 2023.

OUTLOOK

NFI continues to face challenges to its business from macro trends, including ongoing supply constraints, inflation in parts, raw materials and labour, and higher interest rates. While supply chain shortages have caused significant dislocation and disruption to NFI's operating and financial performance in recent years, these pressures are starting to alleviate and there are signs of improvement. Despite these broader market challenges, NFI's business outlook remains strong based on its record backlog, growing demand for its products and government funding reaching historically high levels in its core markets. NFI has received significant new orders in 2022 that support the Company's anticipated financial recovery, including new firm and option orders for 5,786 EUs, an increase of 60% from 2021. NFI's closing backlog (firm and options) was 9,186 EUs (valued at $5.6 billion).

NFI was also encouraged by the high volume of active bus and motor coach procurements taking place in both North American and international markets during 2022. The Company's North American active bids of 10,507 EUs at year end were at a record level, increasing by 53.5% year-over-year, which is expected to drive additional backlog growth in 2023, and revenue growth in the medium- and longer-term. NFI is also seeing increasing numbers of bids for zero-emission buses and coaches, with individual order sizes for those vehicle types increasing in size. In 2022 Q4, NFI received orders for 1,118 EUs of battery-electric, ZEBs, a 780% increase from the 127 EUs from 2022 Q3. NFI expects active bids will continue to remain high throughout 2023 as markets recover from the COVID-19 pandemic, supply shortages, and government funding is used by transit agencies and operators.

While the Company had anticipated it would begin to ramp-up its production in earnest during the second half of 2022 and the first half of 2023, ongoing supply chain disruption and longer supplier lead times have pushed out the expected ramp up of production to the second half of 2023; ramp up remains subject to supply chain health showing sustained improvement. NFI anticipates its supply chains and parts availability will slowly improve, and the Company will be able to source additional labour required to drive higher production and volume deliveries in 2023, with the majority of the improvements coming in the second half of the year.

Longer than anticipated supplier lead times and disrupted parts availability resulted in an increase of vehicles in inventory missing certain parts throughout 2022. NFI believes that the third quarter of 2022 was the peak of this inventory build-up; as WIP inventories decreased in the fourth quarter of 2022 once required parts were received and vehicles were completed and delivered. This included the successful delivery of all vehicles that were missing the previously disrupted control module supply.

Similar to the entire global manufacturing industry, NFI has and continues to experience significant inflation with respect to supplier pricing and employee wages, and through raw materials purchased directly by NFI. The Company embedded an anticipated level of inflation assumptions into its 2022 budget projections; however, inflation for certain components exceeded those projections. NFI has worked with customers to reprice certain contracts and a number of other contracts have clauses where a government purchase price index ("PPI") is applied which assists in passing through manufacturing cost inflation. Generally, when an option contract is exercised from NFI's North American backlog, a PPI adjustment is recorded to reflect the higher input costs of a new vehicle. For those contracts where these clauses are not applicable, NFI is seeking price increases and surcharges through negotiations with customers and surcharge letters. The Company has experienced some success with these efforts and expects they will help offset some of the inflation related margin pressure on select 2023 vehicle builds.

NFI has completed the majority of its legacy contracts bid in 2020 and 2021 that are impacted by heightened inflation, but, due to supply chain constraints on delivery schedules, some depressed margin contracts will be realized in NFI's expected 2023 results.

Credit Agreement Discussions and Deleveraging the Balance Sheet

With covenant relief in place under the Company's amended facilities until June 30, 2023, management is now focused on working with its banking syndicate partners to develop new multi-year credit arrangements. NFI will be seeking agreements that provide appropriate capacity, flexibility, and covenants which support the Company’s anticipated operational and financial recovery. The Company is targeting completion of revised credit arrangements during the first half of 2023.

As the Company works to complete the new credit agreements, it remains focused on cash management, liquidity and strengthening its balance sheet. Proceeds from the Manitoba Facility and the EDC Facility received in January 2023, will provide additional liquidity as will the continuing unwind of working capital primarily related to investments in WIP and raw material inventory. The inventory unwind will be somewhat offset by the impacts of deferred revenue where NFI received prepayments and deposits in 2022. In total, NFI anticipates it will see a net inflow of cash from working capital in 2023. NFI is also continuing to pursue advance payments and deposits from customers, wherever possible, and exploring other potential opportunities to generate cash flows, including capital markets activities and potential sale and leaseback of select Company manufacturing facilities.

The Company has two interest rate swaps in place to fix the interest rate which the Company will pay. One swap is in place on $540.0 million at 2.27% plus an applicable margin until October 2023 and another on $200 million at 0.24% plus an applicable margin that matures in 2024. The Company also has a 5% annual coupon rate on its convertible debentures which mature in 2027. These have assisted in lowering the Company's exposure to floating interest rate increases, although the Company does expect it will see an increase in interest costs in 2023 as the $540 million interest rate swap matures and higher base interest rates apply to debt portions that do not have an interest rate swap in place.

As the Company expects to be unable to comply with certain of its financial covenants under the terms of its credit facilities beginning on July 1, 2023. These events result in a material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. The audited consolidated financial statements do not reflect adjustments that would be necessary if the Company was not a going concern. The Company expects operations to continue into the long-term. The Company is taking a number of operational steps including cost savings measures to ensure adequate short-term liquidity. Additionally, the Company is continuing to work directly with suppliers and sub-suppliers to search for alternate or substitute parts where possible, increase production line parts inventories and develop longer lead times to better support new vehicle production.

In assessing whether the going concern assumption was appropriate, the Company took into account all relevant information available about the future including its backlog, demand for its products, government funding levels in its core markets and the Company's ability to raise additional capital from various sources, including capital markets. Full details can be found in Note 2.1 of the audited consolidated financial statements.

Market Recovery Post-COVID-19 Pandemic and Supply Chain Constraints

The Company’s bus and coach product lines (New Flyer, ARBOC, MCI and ADL) are primarily used for public transit, which remains a critical method of transportation and economic enabler for users in cities around the world. Public transit has also been a significant area of investment focus for governments as they seek to improve ridership access, reduce urban congestion, and achieve emissions targets. These investments increased NFI's new orders in 2022, that when combined with existing backlog and bid activity, are expected to drive significant revenue growth for NFI from 2023 through 2025 and beyond. This anticipated revenue growth when combined with expected improvements in margins from operating efficiencies and movement beyond current inflationary pressures, are also expected to generate Adjusted EBITDA improvements.

The importance of long-term government funding in key markets cannot be understated, as it allows public transit agencies to proceed with confidence regarding their multi-year fleet replacement plans and procurements. In addition to funding, ridership has started to recover, with American Public Transportation Association ("APTA") reporting that public transit ridership in the U.S. for September 2022 surpassed 70% of pre-pandemic levels.

Late in Fiscal 2021, NFI began to experience significant supplier disruption across key components such as windows, air conditioning units, emission systems, plastics, hoses and key electrical components that contain micro-processors. The Company saw some improvement in the second quarter of 2022, but critical electrical components remained a significant challenge. In the third and fourth quarters of 2022 there was further disruption driven by wire harnesses, electrical hybrid drive systems and inverters for electric buses. There was some improvement in supply of these components, especially wire harnesses, to end 2022 and at the start of 2023 electrical sub-component supply has improved to NFI's Tier 1 suppliers. Overall risks remain elevated for certain suppliers who are reliant on electrical components and microprocessors. NFI has taken numerous proactive efforts to improve supply chain health including the use of alternative suppliers, working several levels down in the supply chain, finding components for our Tier 1 suppliers, increasing inventories of raw materials on hand, and increasing our lead times to suppliers, in some cases moving from 6 weeks of lead time to more than 12 weeks. Based on discussions with suppliers the Company continues to expect that suppliers will be able to support NFI's planned production ramp-up in the second half of 2023.

NFI's overall continued end market recovery will be dependent upon several factors, including inflation rates, labour availability, reliability of supply of component parts, government funding for public transit, other COVID-19-related impacts, and green fleet investments. These factors will differ by business, product type and geography. It is also important to note that there are significant lead times between when NFI receives an order and when a vehicle enters production.

Strong Government Support for Recovery and Zero-Emission Transition

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

In the U.S., the Infrastructure Investment and Jobs Act ("IIJA") signed in 2021 includes $86.9 billion over five years for the FTA; the IIJA also authorized an additional $21.2 billion in supplemental appropriations from general revenues, for a total of $108 billion in FTA funding, a 63% increase from the previous government funding act. Generally, U.S. public agencies can secure up to 80% of the capital costs for a new transit bus from FTA funds, with the remaining 20% coming from state and local sources. The Canadian government has committed over C$17 billion to 2027 to support Canadian public transit. The funding includes C$1.5 billion flowing through the Canada Infrastructure Bank ("CIB") to support the adoption of ZEBs and charging infrastructure.

The UK government also continues to support purchases of low- and zero-emission buses, and has previously committed to introducing 4,000 British-built zero-emission buses through its various funding programs, with several rounds of the Zero Emission Bus Regional Areas, or ZEBRA, funding scheme having already been released. Alexander Dennis has received several customer orders for ZEBs funded by ZEBRA.

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

The Company also continues to focus on growing its Infrastructure Solutions™ business. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 311 plug-in and 33 overhead charger projects, for a total of 58 megawatts ("MW") charging capacity, for 51 different customers. Currently, Infrastructure Solutions™ has projects under contract for 2023/24 with 10 existing and 7 new customers, which will add 140 plug-in and 32 overhead depot chargers, for a total of 41 MW.

Other International Markets

NFI's international expansion through ADL is expected to continue, with plans for further growth in new and existing markets including New Zealand, Australia, Hong Kong, Singapore and Germany where multi-year, multi-million dollar funding investments are being made by governments with commitments to deliver zero-emission transportation.

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

Financial Guidance and Targets

NFI presents the following guidance for Fiscal 2023 and Fiscal 2024, and targets for Fiscal 2025:

	2019 Pro-forma Results	2023 Guidance	2024 Guidance	2025 Targets
Revenue	$3.2 billion	$2.5 to $2.8 billion	$3.2 to $3.6 billion	~$4 billion
ZEB (electric) as a percentage of manufacturing sales	6%	25% - 30%	30% - 35%	~40%
Adjusted EBITDA[2]	$331 million	$30 to $60 million	$250 to $300 million	~$400 million
Cash Capital Expenditures – including NFI Forward 2.0	$38 million	$35 to $40 million	$50 to $60 million	~$50 million
Return on Invested Capital - provided for 2025 targets	9.8%			>12%

1. Non-IFRS Measure. See Non-IFRS and Other Financial Measures section.

The above table outlines guidance ranges for selected Fiscal 2023 and Fiscal 2024 financial metrics and 2025 financial targets. These ranges take into consideration management's current outlook combined with 2022 and 2023 year-to-date results and are based on the assumptions set out below. The purpose of the financial guidance and targets are to assist investors, shareholders, and others in understanding management's expectations for the Company's financial performance going forward. The information may not be appropriate for other purposes. Information about guidance and targets, including the various assumptions underlying it, is forward-looking and should be read in conjunction with the section "Forward-Looking Statements" and the related disclosure and information about various assumptions, factors, and risks that may cause actual future financial and operating results to differ from management's current expectations.

NFI has adjusted its Fiscal 2025 long-term targets, originally announced in January 2021, with expectations to now deliver approximately $4 billion in revenue, and Adjusted EBITDA of approximately $400 million, with ~40% of vehicle sales coming from ZEBs and a ROIC of greater than 12% (unchanged). The original targets were for $3.9 to $4.1 billion of revenue, $400 to $450 million of Adjusted EBITDA and a ROIC of greater than 12%. The 2025 targets have been lowered slightly to reflect the anticipated timing of market recoveries based on the challenges experienced in 2022 and the expectation that the first half of 2023 will continue to be challenged by supply disruption and that new vehicle production rates will not increase until later in 2023. In addition, the expected timing of significant UK government funding for fleet replacements has been moved from 2023 and 2024 into 2024 and 2025, impacting the anticipated timing of vehicle delivery volumes in that market.

The 2023 and 2024 guidance ranges provided above and the 2025 targets are driven by numerous expectations and assumptions including, but not limited to, the following:

a. **Revenue:** Anticipated revenue growth in 2023, 2024 and 2025 is based on NFI's firm order backlog, current 2023 and 2024 production schedules, expected backlog option order conversion, and anticipated 2023, 2024 and 2025 new vehicle orders and aftermarket parts sales. Revenue guidance and targets reflect higher volume of ZEB sales and anticipated product mix benefits plus expected international sales expansion. The guidance ranges also reflect potential variances in delivery volumes from supply disruption, product mix and expected timing of production recovery driving improved efficiency in the second half of 2023 and Fiscal 2024 and Fiscal 2025.

b. **ZEB Sales:** Expected growth in the percentage of ZEB sales is based on NFI's firm order backlog, the Company's existing vehicle inventory, 2023 and 2024 production schedules, anticipated 2023, 2024 and 2025 new vehicle orders, anticipated backlog option order conversion and from review of customers capital and fleet renewal plans that suggest there will continue to be increases in their demand for electric vehicles.

c. **Adjusted EBITDA**: Adjusted EBITDA is expected to increase in both 2023, 2024 and 2025 as the Company anticipates recoveries in new vehicle deliveries, changes to product mix, a higher percentage of ZEB deliveries and improved operating margins, especially from the second half of 2023 onwards, due to anticipated recovery in supply chain health. In addition, while there will be some impact to margins from legacy inflation adjusted contracts in 2023, the majority of NFI's contracts going forward reflect updated pricing with higher input costs and inflation adjustments. In addition, the Company has now achieved its targeted cost savings of $67 million from the NFI Forward initiative, which are expected to continue, and anticipates an additional $5 million to $8 million of additional savings from projects entitled NFI Forward 2.0. The total cost savings achieved under NFI Forward are expected to be somewhat offset by the impacts of inflation on wage and other input costs.

d. **ROIC:** 2025 Targets are driven by the factors noted above combined with the expectation that there will not be significant changes in tax rates from current levels.

Guidance and targets above are conditional on several factors and expectations, including the recovery of supply chains and other COVID-19-related impacts, a higher percentage of ZEB sales (which provide a higher revenue and dollar margin benefit), the mitigation of inflationary pressures, end markets recovering inline with management expectations, international expansion, aftermarket parts sales, continuous improvement initiatives as well as obtaining a new multi-year credit agreement and availability of adequate liquidity.

NFI's guidance and targets are subject to the risk of extended duration of the current supply disruptions and the risk of additional supply disruptions affecting particular key components. In addition, the guidance and targets do not reflect potential escalated impact on supply chains or other factors arising directly or indirectly as a result of the ongoing Russian invasion of Ukraine. Although NFI does not have direct suppliers based in Russia or Ukraine, additional supply delays and possible shortages of critical components may arise as the conflict progresses and if certain suppliers' operations and/or subcomponent supply from affected countries are disrupted further. In addition, there may also be further general industry-wide price increases for components and raw materials used in vehicle production as well as further increases in the cost of labour and potential difficulties in sourcing an increase in the supply of labour. See Appendix A Forward Looking Statements for risks and other factors and the Company's filings on SEDAR.

SELECTED QUARTERLY AND ANNUAL FINANCIAL AND OPERATING INFORMATION

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

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

Fiscal Period	Quarter	Revenue	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA[1]	Earnings (loss) per Share
2022						
	Q4	682,604	(140,153)	(150,360)	(5,103)	(1.94)
	Q3	514,047	(43,479)	(42,595)	(15,709)	(0.56)
	Q2	397,952	(64,218)	(56,740)	(21,345)	(0.74)
	Q1	459,330	(41,763)	(28,068)	(16,942)	(0.36)
	Total	**2,053,933**	**(289,613)**	**(277,763)**	**(59,099)**	**(3.60)**
2021						
	Q4	694,843	(4,785)	(8,691)	26,154	(0.12)
	Q3	492,038	(2,797)	(15,415)	31,330	(0.22)
	Q2	582,794	26,675	2,588	51,856	0.04
	Q1	574,119	26,918	7,033	54,841	0.10
	Total	**2,343,794**	**46,011**	**(14,485)**	**164,181**	**(0.21)**
2020						
	Q4	711,523	32,531	8,465	64,956	0.14
	Q3	663,934	(16,453)	(24,912)	60,885	(0.40)
	Q2	333,334	(72,001)	(74,050)	(24,229)	(1.18)
	Q1	710,384	(25,406)	(67,239)	56,071	(1.08)
	Total	**2,419,175**	**(81,329)**	**(157,736)**	**157,683**	**(2.52)**

COMPARISON OF FOURTH QUARTER 2022 RESULTS

(U.S. dollars in thousands)

	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Statement of Earnings Data				
Revenue				
North America	408,192	379,501	1,179,846	1,428,001
United Kingdom and Europe	145,265	161,867	361,681	362,052
Asia Pacific	8,907	35,970	27,234	79,713
Other	—	—	—	—
Manufacturing operations	562,364	577,338	1,568,761	1,869,766
North America	95,102	86,242	375,103	348,247
United Kingdom and Europe	19,954	19,311	79,166	78,448
Asia Pacific	5,184	11,952	30,903	47,333
Other	—	—	—	—
Aftermarket operations	120,240	117,505	485,172	474,028
Total revenue	$ 682,604	$ 694,843	$ 2,053,933	$ 2,343,794
(Loss) earnings from operations	$ (140,153)	$ (4,785)	$ (289,613)	$ 46,011
(Loss) earnings before interest and income taxes	$ (136,634)	$ (10,398)	$ (288,450)	$ 34,108
Net Loss	$ (150,360)	$ (8,691)	$ (277,763)	$ (14,484)
Adjusted EBITDA[1]	$ (5,103)	$ 26,154	$ (59,099)	$ 164,181
Cash capital expenditures	$ 4,732	$ 12,948	$ 21,371	$ 33,514

1. Non-IFRS Measure - See Non-IFRS and Other Financial Measures section.

Results of Operations

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

Revenue

(U.S. dollars in thousands)

	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Manufacturing Revenue	562,364	577,338	1,568,761	1,869,766
Aftermarket Revenue	120,240	117,505	485,172	474,028
Total Revenue	682,604	694,843	2,053,933	2,343,794
(Loss) earnings from Operations	(140,153)	(4,785)	(289,613)	46,011
(Loss) earnings before interest and income taxes	(136,634)	(10,398)	(288,450)	34,108
Loss before income tax expense	(161,308)	(9,757)	(325,184)	(4,928)
Net Loss	(150,360)	(8,691)	(277,763)	(14,484)

Manufacturing revenue for 2022 Q4 decreased by $15.0 million, or 2.6%, compared to 2021 Q4. Manufacturing revenue for Fiscal 2022 decreased by $301.0 million, or 16.1%, compared to Fiscal 2021. 2022 Q4 revenue decreased as a result of decreased deliveries during the quarter. Fiscal 2022 figures decreased primarily as a result of the overall reduction in deliveries resulting from global supply chain and logistics challenges, which created numerous bottlenecks in the supply chain and disruptions to parts availability, resulting in operational inefficiencies.

Aftermarket revenue for 2022 Q4 increased by $2.7 million, or 2.3% compared to 2021 Q4. Aftermarket revenue for Fiscal 2022 increased by $11.1 million, or 2.4%, compared to Fiscal 2021. The increase in revenue for both periods is related to increased volume, the increased volume is despite the additional week in 2021 Q4. The Company also continues to benefit from a multi-year retrofit program in the Asia-Pacific region, which has continued throughout 2022, but at a lower run rate as the program unwinds. This decrease of sales in the Asia-Pacific region is offset by increases in the North America region.

Cost of sales

(U.S. dollars in thousands)

	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Manufacturing				
Direct cost of sales	491,847	478,929	1,372,231	1,505,047
Depreciation and amortization	19,867	22,490	77,788	86,539
Other overhead	63,153	72,583	204,132	189,736
Manufacturing cost of sales	574,867	574,002	1,654,151	1,781,322
As percent of Manufacturing Sales	102.2 %	99.4 %	105.4 %	95.3 %
Aftermarket				
Direct cost of sales	83,094	77,340	339,945	316,261
Depreciation and amortization	2,713	2,629	10,707	10,616
Aftermarket cost of sales	85,807	79,969	350,652	326,877
As percent of Aftermarket Sales	71.4 %	68.1 %	72.3 %	69.0 %
Total Cost of Sales	660,674	653,971	2,004,803	2,108,199
As percent of Sales	96.8 %	94.1 %	97.6 %	89.9 %

The consolidated cost of sales for 2022 Q4 increased by $6.7 million, or 1.0%, compared to 2021 Q4. The consolidated cost of sales for Fiscal 2022 decreased by 103.4 million, or 4.9%, compared to Fiscal 2021.

Cost of sales from Manufacturing operations in 2022 Q4 was $574.9 million (102.2% of Manufacturing operations revenue) compared to $574.0 million (99.4% of Manufacturing operations revenue) in 2021 Q4, an increase of $0.9 million, or 0.2%. Cost of sales from Manufacturing operations in Fiscal 2022 was $1.7 billion (105.4% of Manufacturing operations revenue) compared to $1.8 billion (95.3% of Manufacturing operations revenue) in Fiscal 2021. Cost of sales increased as a percentage of revenue in both periods, mainly due to operational inefficiencies resulting from supply shortages and impacts of inflation. Government grant programs, which were primarily received to assist with the retention of skilled personnel, ended and therefore resulted in no amounts being recorded in 2022 compared to the significant support received in the same period in 2021, resulting in lower cost of sales as a percentage of revenue in the prior year.

Cost of sales from Aftermarket operations in 2022 Q4 was $85.8 million (71.4% of Aftermarket revenue) compared to $80.0 million (68.1% of Aftermarket revenue) in 2021 Q4, an increase of 3.3% as a percentage of revenue. Cost of sales from Aftermarket operations in Fiscal 2022 was $350.7 million (72.3% of Aftermarket revenue) compared to $326.9 million (69.0% of Aftermarket revenue) in Fiscal 2021. Cost of sales increased as a percentage of revenue in both periods primarily due to product mix and the effects of inflation, including freight costs, that were not fully transferred to the end customer.

Gross Margins

(U.S. dollars in thousands)

	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Manufacturing	(12,520)	3,336	(85,409)	88,445
Aftermarket	34,432	37,536	134,520	147,150
Total Gross Margins	21,912	40,872	49,111	235,595
As a percentage of sales				
Manufacturing	(2.2)%	0.6 %	(5.4)%	4.7 %
Aftermarket	28.6 %	31.9 %	27.7 %	31.0 %
	3.2 %	5.9 %	2.4 %	10.1 %

There was negative gross margin in Manufacturing for 2022 Q4 of $12.5 million ((2.2%) of Manufacturing revenue), which decreased by $15.9 million compared to a gross margin of $3.3 million (0.6% of revenue) for 2021 Q4. There were negative gross margins in Manufacturing for Fiscal 2022 of $85.4 million ((5.4)% of Manufacturing revenue), which decreased by 173.9 million, or 196.6%, compared to a gross margin of $88.4 million (4.7% of Manufacturing revenue) in Fiscal 2021.

Manufacturing gross margin decreased as a percentage of revenue in both periods, mainly due to heightened inflation and operational inefficiencies resulting from supply chain and logistics challenges. The supply chain challenges that caused a shortage of key parts caused low production volumes, resulting in the Company absorbing more fixed overhead on a per unit basis. At the end of 2021, the Company was no longer eligible for government grants, which were primarily received to assist with the retention of skilled personnel. This resulted in no amounts being recorded in 2022 compared to the significant support received in the same period in 2021, contributing to a lower gross margin percentage.

Aftermarket gross margins for 2022 Q4 of $34.4 million (28.6% of Aftermarket revenue) decreased by $3.1 million, or 8.3%, compared to 2021 Q4 gross margins of $37.5 million (31.9% of Aftermarket revenue). Aftermarket gross margins for Fiscal 2022 of 134.5 million (27.7% of Aftermarket revenue) decreased by 12.6 million, or 8.6%, compared to Fiscal 2021 gross margins of 147.2 million (31.0% of Aftermarket revenue). The decrease in gross margins and gross margins as a percentage of revenue for both periods is mainly due to product mix and the effects of inflation as increases to labour, freight and product costs were not fully transferred to the end customer.

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

(U.S. dollars in thousands)

	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Selling expenses	7,484	7,735	32,009	27,271
General and administrative expenses	48,981	46,557	198,739	176,868
Other costs	1,163	1,094	9,300	1,030
Total SG&A	57,628	55,386	240,048	205,169

The consolidated SG&A for 2022 Q4 of $57.6 million (8.4% of consolidated revenue) increased by $2.2 million, or 4.0%, compared to $55.4 million (8.0% of consolidated revenue) in 2021 Q4. The consolidated SG&A for Fiscal 2022 of $240.0 million (11.7% of consolidated revenue) increased by 34.9 million, or 17.0%, compared to $205.2 million (8.8% of consolidated revenue) in Fiscal 2021.

SG&A expenses in 2022 Q4 increased across business units to meet operational needs and have increased due to the effects of inflation. Additionally, the increase for Fiscal 2022 is impacted by a $7.0 million legal settlement which was incurred during 2022 Q2, and a liability related to the closure of the Pembina facility and the related withdrawal from the multi-employer pension plan of $7.0 million. In 2021 Q4, the Company received $2.5 million of government grants and $7.7 million for Fiscal 2021. These grants offset costs during those periods, while in 2022 the Company was no longer eligible for these specific grants that were primarily received to assist with the retention of skilled personnel. This resulted in no amounts being recorded in 2022 compared to the significant support received in the same periods in 2021, resulting in higher SG&A as a percentage of revenue.

Government Grants

The Company recorded government grants during the year on a net basis to the following categories:

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Cost of sales	—	2,039.0	—	48,382.0
Selling, general and administration costs and other operating expenses	—	295.0	—	8,059.0
Total government grants	—	2,334.0	—	56,441.0

Realized foreign exchange loss/gain

In 2022 Q4, the Company recorded a realized foreign exchange loss of $0.6 million compared to a gain of $9.7 million in 2021 Q4. In Fiscal 2022, the Company recorded a realized foreign exchange gain of $5.2 million compared to a gain of $15.6 million in Fiscal 2021.

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

Earnings (loss) from operations

Consolidated losses from operations in 2022 Q4 were $140.2 million ((20.5%) of consolidated revenue) compared to losses of $4.8 million ((0.7%) of consolidated revenue) in 2021 Q4, an increase of $135.4 million or 2820.8%. Consolidated losses from operations in Fiscal 2022 were 289.7 million ((14.1)% of consolidated revenue) compared to earnings of 46.0 million (2.0% of consolidated revenue) in Fiscal 2021.

2022 Q4 losses from operations attributable to the Manufacturing Segment were $156.6 million ((27.9)% of Manufacturing revenue) compared to losses of $35.6 million ((6.2)% of Manufacturing revenue) in 2021 Q4. Losses from Manufacturing operations in Fiscal 2022 were $356.1 million ((22.7)% of Manufacturing revenue) compared to losses of $46.0 million ((2.5)% of Manufacturing revenue) in Fiscal 2021. The decrease as a percentage of revenue in 2022 Q4 was primarily attributable to lower new vehicle deliveries, increased inflation and operational inefficiencies resulting from supply chain and logistics challenges.

Earnings from operations related to Aftermarket operations in 2022 Q4 were $17.7 million (14.7% of Aftermarket revenue) compared to $21.2 million (18.0% of Aftermarket revenue) in 2021 Q4. Earnings from operations related to Aftermarket operations in Fiscal 2022 were $66.0 million (13.6% of Aftermarket revenue) compared to $83.3 million (17.6% of Aftermarket revenue) in Fiscal 2021. Earnings from Aftermarket operations over both periods were lower due to unfavourable sales mix, and the inflationary impact on costs that were not fully passed through to the customer.

Unrealized foreign exchange gain/loss

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

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Unrealized gain (loss) on forward foreign exchanges contracts	5,657	594	(6,631)	(4,048)
Unrealized gain (loss) on other long-term monetary assets/liabilities	(1,728)	(6,393)	7,229	(7,743)
	3,929	(5,799)	598	(11,791)

At January 1, 2023, the Company had $50 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, and GBP). The related asset of $1.7 million (January 2, 2022: $0.4 million asset) is recorded on the audited consolidated statement of financial positions as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the audited consolidated statements of net loss and total comprehensive loss.

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

In 2022 Q4, the Company recorded an EBIT loss of $136.6 million compared to EBIT loss of $10.4 million in 2021 Q4. In Fiscal 2022, the Company recorded EBIT loss of $288.5 million compared to EBIT of $34.1 million in Fiscal 2021.

Interest and finance costs

The interest and finance charges for 2022 Q4 of $24.7 million increased by $25.4 million compared 2021 Q4. The quarterly increase is primarily due to higher interest cost, a fair market value loss on the adjustment to the Company's interest rate swaps and lower gain on the adjustment to the Company's embedded derivatives. The Company had a fair market value loss on the interest rate swap of $1.2 million in 2022 Q4 compared to a gain of $9.9 million in 2021 Q4. The Company had a fair market value gain on its cash conversion option of $5.6 million compared to $10.9 million in 2021 Q4.

The interest and finance charges for Fiscal 2022 of $36.7 million decreased by $2.3 million compared to Fiscal 2021. The yearly decrease is mostly related to higher fair market value gain on the adjustment to the Company's interest rate swap as well as the Company's cash conversion option, offset by increased interest related to the Company's convertible debt. The Company had a fair market value gain on the interest rate swap of $37.7 million in Fiscal 2022 compared to a gain of $23.2 million in Fiscal 2021. The Company had a fair market value gain on the cash conversion option of $16.6 million in Fiscal 2022 compared to $10.9 million in Fiscal 2021.

The fair market value adjustments on the interest rate swaps relate to risk management activities management has undertaken to reduce the uncertainty related to the Company's cost of borrowing. The Company's first interest rate swap fixes the interest rate which the Company will pay on $600.0 million of its long-term debt at 2.27% plus an applicable margin. The fixed portion amortizes $20 million annually and matures in October 2023. The notional value of the swap as at January 1, 2023 was $540 million.

On July 9, 2020, the Company entered into a $200 million amortizing notional interest rate swap designed to hedge floating rate exposure on its Credit Facility. The interest rate swap fixes the interest rate at 0.243% plus applicable margin until July 2025. The swap begins amortizing on January 9, 2023 at a rate of $20 million per annum. The Company's accounting policy does not designate these types of instruments as accounting hedges. As a result, interest rate increases will result in mark-to-market gains, while interest rate decreases will result in mark-to-market losses.

The fair value of the interest rate swap asset of $27.8 million at January 1, 2023 (January 2, 2022: liability of $30.5 million) was recorded on the audited consolidated statements of financial position as a derivative financial instruments liability and the change in fair value has been recorded in finance costs for the reported period.

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

EBT loss for 2022 Q4 of $161.3 million increased by $151.6 million compared to EBT loss of $9.8 million in 2021 Q4. EBT loss for Fiscal 2022 of $325.2 million increased by $320.3 million compared to EBT loss of $4.9 million in Fiscal 2021. The primary driver is a $103.9 million non-cash goodwill impairment charge in ARBOC ($23.2 million) and the ADL Manufacturing ($80.7 million) cash generating units ("CGUs"). The goodwill impairment reflects increases in market interest rates, as well as timing of the market recovery from the COVID-19 pandemic and the related supply chain disruptions. Other factors attributing to the changes of EBT are addressed in the Earnings (loss) from Operations and interest and finance costs sections above.

Income tax expense

The income tax recovery for 2022 Q4 was $10.9 million compared to $1.1 million in 2021 Q4. The income tax recovery is primarily due to reduced earnings before taxes, and the recognition of previously unrecognized foreign tax credits, offset by the detrimental impact of a non-deductible goodwill impairment, and the derecognition of deferred tax assets associated with Canadian loss carryforwards, and restricted interest in the UK.

The income tax recovery for Fiscal 2022 was $47.4 million compared to an expense of $9.6 million in Fiscal 2021. The increase in the overall income tax recovery is primarily due to reduced earnings before taxes, recovery of state income taxes, the recognition of previously derecognized foreign tax credits, and the impact of the revaluation of deferred tax balances due to the increase in the UK corporate tax rate from 19% to 25%, which negatively impacted the Fiscal 2021 Effective Tax Rate ("ETR"). The above beneficial items were offset by the detrimental impact of a non-deductible goodwill impairment, non-deductible foreign exchange, and the derecognition of deferred tax assets associated with both Canadian loss carryforwards, and restricted interest in the UK.

The ETR for 2022 Q4 was 6.8% and the ETR for 2021 Q4 was 10.9%. The ETR for Fiscal 2022 was 14.6% and the ETR for Fiscal 2021 was (193.9)%.

The 2022 Q4 ETR is favourably impacted by state income taxes, and the recognition of previously unrecognized foreign tax credits. These benefits are more than offset by the detrimental impact on ETR from the non-deductible goodwill impairment, combined with the derecognition of deferred tax assets associated with Canadian loss carryforwards, and restricted interest in the UK.

Net loss

The Company reported net losses of $150.4 million in 2022 Q4, an increase of 141.7 million, or 1630.1%, compared to net losses of $8.7 million in 2021 Q4. The Company reported net losses of $277.8 million in Fiscal 2022, an increase of net losses of 263.3 million, or 1817.7%, compared to net losses of 14.5 million in Fiscal 2021. The net losses are a result of the items discussed above.

Net loss (U.S. dollars in millions, except per Share figures)	**2022 Q4**	**2021 Q4**	**Fiscal 2022**	**Fiscal 2021**
(Loss) earnings from operations	(140.2)	(4.8)	(289.7)	46.0
Gain (loss) on disposition of property, plant and equipment	(0.4)	0.2	0.6	(0.1)
Unrealized foreign exchange gain (loss) on monetary items	3.9	(5.8)	0.6	(11.8)
Interest and finance costs	(24.6)	0.6	(36.7)	(39.0)
Income tax recovery (expense)	10.9	1.1	47.4	(9.6)
Net Loss	(150.4)	(8.7)	(277.8)	(14.5)
Net loss per Share (basic)	(1.9)	(0.1)	(3.6)	(0.2)
Net loss per Share (fully diluted)	(1.9)	(0.1)	(3.6)	(0.2)

The Company recorded net loss per Share for 2022 Q4 of $1.94 compared to net loss per Share of $0.12 in 2021 Q4. The Company's net loss per Share for Fiscal 2022 of $3.6 compared to a net loss per Share of $0.21 in Fiscal 2021. The per Share net loss increased in both periods as a result of decreased earnings during the period, offset by increased Shares outstanding as discussed below.

Cash Flow

The cash flows of the Company are summarized as follows:

(U.S. dollars in thousands)	**2022 Q4**	**2021 Q4**	**Fiscal 2022**	**Fiscal 2021**
Cash (used in) generated by operating activities before non-cash working capital items and interest and income taxes paid	(11,727)	23,568	(88,755)	153,180
Interest paid	(15,467)	(17,254)	(58,348)	(64,224)
Income taxes recovered (paid)	(3,044)	2,998	1,422	(19,550)
Cash flow (invested in) provided by working capital	31,743	143,848	(96,169)	45,824
Net cash (used in) generated by operating activities	1,505	153,160	(241,850)	115,230
Net cash generated by (used in) financing activities	17,175	(118,821)	238,279	(59,992)
Net cash used in investing activities	(8,504)	(18,971)	(24,531)	(30,792)

Cash flows from operating activities

The 2022 Q4 net operating cash used in operating activities of $1.5 million is mainly comprised of $30.2 million of net cash loss and $31.7 million of cash invested in working capital. The 2021 Q4 net operating cash outflow of $153.2 million is comprised of $9.3 million of net cash earnings and $143.8 million of cash generated by working capital.

The Fiscal 2022 net operating cash used in operating activities of $241.9 million is mainly comprised of $145.7 million of net cash loss and $96.2 million of cash invested in working capital. The Fiscal 2021 net operating cash inflow of $115.2 million is comprised of net cash earnings of $69.4 million and $45.8 million of cash provided by working capital.

Cash flow from financing activities

The cash generated by financing activities of $17.2 million during 2022 Q4 is comprised mainly of proceeds of revolving credit facilities of $25.8 million and proceeds from lease obligations under capital of $3.1 million. As at Fiscal 2022, $238.3 million of cash has been generated by financing activities due to the proceeds from revolving credit facilities of $285.2 million, which was offset by dividend payments of $22.4 million, and lease obligation repayments of $24.5 million.

Cash flow from investing activities

(U.S. dollars in thousands)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Acquisition of intangible assets	(3,736)	(1,888)	(10,212)	(2,748)
Proceeds from disposition of property, plant and equipment	2,803	1,277	1,687	6,182
Long-term restricted deposits	—	(5,412)	5,365	(712)
Acquisition of property, plant and equipment	(4,732)	(12,948)	(21,371)	(33,514)
Cash used in investing activities	(5,665)	(18,971)	(24,531)	(30,792)

Cash used in investing activities was lower in 2022 Q4, primarily due to decreased investments in long-term restricted deposits and property, plant and equipment.

Credit risk

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

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

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

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

U.S. dollars in thousands	**January 1, 2023**	January 2, 2022
Current, including holdbacks	344,920	375,012
Past due amounts but not impaired		
1 – 60 days	15,931	15,857
Greater than 60 days	5,480	5,892
Less: allowance for doubtful accounts	(107)	(270)
Total accounts receivables, net	366,224	396,491

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

Commitments and Contractual Obligations

The following table describes the Company's maturity analysis of the undiscounted cash flows of leases and accrued benefit liabilities as at January 1, 2023:

U.S. dollars in thousands	Total	2023	2024	2025	2026	2027	Post 2027
Leases	208,795	25,533	20,558	16,013	13,875	12,223	120,593
Accrued benefit liability	3,700	3,700	—	—	—	—	—
	212,495	29,233	20,558	16,013	13,875	12,223	120,593

As at January 1, 2023, outstanding surety bonds guaranteed by the Company totaled $375.6 million (January 2, 2022: $375.9 million). The estimated maturity dates of the surety bonds outstanding at January 1, 2023 range from February 2023 to December 2039. Management believes that adequate facilities exist to meet projected surety requirements.

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

Under the Credit Facility, the Company has established a letter of credit sub-facility of $100.0 million (January 2, 2022: $100.0 million). As at January 1, 2023, letters of credit totaling $24.5 million (January 2, 2022: $11.8 million) remain outstanding as security for contractual obligations of the Company under the Credit Facility.

As at January 1, 2023, letters of credit in the UK totaling $18.3 million remain outstanding as a security for contractual obligations of the Company outside of the UK facility (January 2, 2022: $40.6 million). Additionally, there are $25.3 million of letters of credit outstanding outside of the Credit Facility.

As at January 1, 2023, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

The Company does not have any off-balance sheet arrangement or any material capital asset commitments at January 1, 2023.

Share Option Plan

The Board adopted a Share Option Plan (the "2013 Option Plan") for NFI on March 21, 2013, under which certain employees of NFI and certain of its affiliates may receive grants of options for Shares. The 2013 Option Plan was amended and restated on December 8, 2015, December 31, 2018 and August 5, 2020. Directors who are not employed with NFI are not eligible to participate in the 2013 Option Plan. A maximum of 3,600,000 Shares are reserved for issuance under the 2013 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

Option Grant dates	Number	Exercised	Expired	Vested	Unvested	Expiry date	Exercise price	Fair Value at grant date
March 26, 2013	490,356	(490,356)	—	—	—	March 26, 2021	$10.20	$1.55
December 30, 2013	612,050	(602,419)	(9,631)	—	—	December 30, 2021	$10.57	$1.44
December 28, 2014	499,984	(252,233)	(11,368)	(236,383)	—	December 28, 2022	$13.45	$1.83
December 28, 2015	221,888	(19,532)	—	(202,356)	—	December 28, 2023	$26.75	$4.21
September 8, 2016	2,171	—	(2,171)	—	—	September 8, 2024	$42.83	$8.06
January 3, 2017	151,419	(1,610)	(11,888)	(137,921)	—	January 3, 2025	$40.84	$7.74
January 2, 2018	152,883	—	(29,198)	(123,685)	—	January 2, 2026	$54.00	$9.53
January 2, 2019	284,674	—	(59,186)	(169,118)	56,370	January 2, 2027	$33.43	$5.01
July 15, 2019	2,835	—	—	(2,126)	709	July 15, 2027	$35.98	$4.90
December 31, 2019	519,916	—	(78,772)	(330,861)	110,283	December 31, 2027	$26.81	$3.36
December 28, 2020	258,673	—	(26,603)	(116,041)	116,029	December 28, 2028	$24.70	$6.28
February 10, 2021	1,894	—	—	(947)	947	December 28, 2028	$28.74	$6.28
August 16, 2021	601	—	—	(150)	451	August 16, 2029	$30.79	$6.28
January 3, 2022	311,892	—	(7,940)	—	303,952	January 3, 2030	$20.26	$6.10
April 1, 2022	1,728	—	—	—	1,728	April 3, 2030	$16.25	$6.51
	3,512,964	(1,366,150)	(236,757)	(1,319,588)	590,469		$27.41	

The vested options granted on December 28, 2014 due to expire on December 28, 2022 remain exercisable.

The Board adopted a new share option plan on March 12, 2020 (the "2020 Option Plan"), which was approved by shareholders on May 7, 2020, and amended on August 5, 2020, under which certain employees of NFI and certain of its affiliates may receive grants of options for Shares. Directors who are not employed with NFI are not eligible to participate in the 2020 Option Plan. A maximum of 3,200,000 Shares are reserved for issuance under the 2020 Option Plan. The options vest one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date. No options have been issued under the 2020 Option Plan.

The following reconciles the Share options outstanding:

	Fiscal 2022		**Fiscal 2021**	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,617,759	C$28.82	1,503,117	C$29.32
Granted during the period	313,620	C$20.24	261,168	C$24.73
Expired during the period	(21,322)	C$28.84	(110,449)	C$31.93
Exercised during the period	—	C$0.00	(36,077)	C$10.49
Balance at end of period	1,910,057	C$27.41	1,617,759	C$28.82

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company's Restricted Share Unit Plan for Non-Employee Directors, a maximum of 500,000 Shares are reserved for issuance to non-employee directors. The Company issued 20,292 director restricted Share units ("Director RSUs"), with a total value of $0.2 million, in 2022 Q4. Approximately $0.1 million of the issued Director RSUs were exercised and exchanged for 7,603 Shares.

Compensation of Key Management

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

	Fiscal 2022	Fiscal 2021
Salaries and short-term employee benefits	$ 10,412	$ 11,775
Post-employment benefits	554	619
Share-based payment benefits	492	2,144
	$ 11,458	$ 14,538

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

Critical accounting estimates and judgments

The Company's critical accounting estimates and judgments can be found within note 2 to the 2022 Annual Financial Statements.

New and amended standards adopted by the Company

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

Future Changes to Accounting Standards

The following issued accounting pronouncements represent a summary of the pronouncements that are likely to, or may at some future time, have an impact on the Company.

IFRS 17 – Insurance Contracts:

In May 2017, with amendments in June 2020, the IASB issued IFRS 17, Insurance Contracts which will replace IFRS 4, effective for annual reporting periods beginning on or after January 1, 2023, which introduced new guidance for recognition, measurement, presentation and disclosure of insurance contracts.

The standard requires entities to measure insurance contract liabilities as the risk-adjusted present value of the cash flows plus the contractual service margin, which represents the unearned profit the entity will recognize as future service is provided. Depending on the type of contract, this is measured using the general measurement model or the variable fee approach. Expedients are specified, provided the insurance contracts meet certain conditions. The premium allocation approach is permitted for the liability for remaining coverage on contracts with a duration of one year or less, or where the use of the premium allocation approach closely approximates the use of the general measurement model. If, at initial recognition or subsequently, the fulfillment cash flows are in a net outflow, the contract is considered onerous and the excess is recognized immediately in profit. A loss recovery component is recognized immediately in profit representing amounts recoverable from reinsurers related to onerous contracts. Management is currently assessing the impact of this standard on its consolidated financial statements.

IAS 1 - Presentation of Financial Statements:

Disclosure of Accounting policies which amends IAS 1, Presentation of financial statements was issued in February 2021, effective for annual reporting periods beginning on or after January 1, 2023. The amendments to the standard clarify some requirements relating to materiality, order of notes, subtotals, accounting policies and disaggregation.The amended paragraphs require entities to disclose their material accounting policy information rather than significant accounting policies, as well as provided a four-step materiality process to determine which accounting policy disclosures are required. Management is currently assessing the impact of this standard on its consolidated financial statements.

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management is currently assessing the impact of this standard on its consolidated financial statements.

NON-IFRS AND OTHER FINANCIAL MEASURES

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

Adjusted EBITDA and Net Operating Profit after Taxes

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

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

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

(U.S. dollars in thousands)

	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Net loss	(150,360)	(8,691)	(277,763)	(14,484)
Addback				
Income taxes	(10,948)	(1,066)	(47,421)	9,556
Interest expense[15]	24,673	(641)	36,734	39,036
Amortization	22,580	25,117	88,495	97,154
(Gain) loss on disposition of property, plant and equipment	410	(186)	(565)	112
Fair value adjustment for total return swap[9]	—	647	952	681
Unrealized foreign exchange (gain) loss on non-current monetary items and forward foreign exchange contracts	(3,929)	5,799	(598)	11,791
Costs associated with assessing strategic and corporate initiatives[7]	—	(106)	—	(106)
Past service costs and other pension costs[11]	—	—	7,000	—
Proportion of the total return swap realized[10]	—	(597)	(275)	(712)
Equity settled stock-based compensation	397	293	1,346	1,738
Unrecoverable insurance costs and other[12]	164	—	8,489	718
Expenses incurred outside of normal operations[17]	1,708	—	3,761	—
Prior year sales tax provision [13]	—	1,996	—	2,036
COVID-19 costs[14]	—	2,926	—	3,959
Out of period costs[16]	(938)	1,234	(1,597)	1,234
Impairment loss on goodwill[18]	103,900	—	103,900	—
Restructuring costs[8]	7,240	(571)	18,443	11,468
Adjusted EBITDA	(5,103)	26,154	(59,099)	164,181
Depreciation of property, plant and equipment and right of use assets	(14,884)	(16,965)	(57,013)	(64,368)
Tax at 31%	6,196	(2,849)	35,995	(30,942)
NOPAT	(13,791)	6,340	(80,117)	68,871
Adjusted EBITDA is comprised of:				
Manufacturing	(30,521)	(7,711)	(149,164)	51,654
Aftermarket	22,882	25,083	86,154	98,669
Corporate	2,536	8,782	3,911	13,858

(Footnotes on page 41)

Free Cash Flow and Free Cash Flow per Share

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

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

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

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

	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Net cash generated by (used in) operating activities	1,505	150,246	(241,850)	115,230
Changes in non-cash working capital items[3]	(31,743)	(139,640)	96,169	(45,824)
Interest paid[3]	15,467	17,254	58,348	64,224
Interest expense[3]	(24,156)	(20,108)	(77,797)	(70,432)
Income taxes paid (recovered)[3]	3,044	(2,998)	(1,422)	19,550
Current income tax (expense) recovery[3]	21,556	(10,517)	19,809	(22,430)
Repayment of obligations under lease	(5,647)	(2,206)	(24,535)	(18,192)
Cash capital expenditures	(4,732)	(12,948)	(21,371)	(33,514)
Acquisition of intangible assets	(3,736)	(1,888)	(10,212)	(2,748)
Proceeds from disposition of property, plant and equipment	14	2,649	1,687	6,182
Costs associated with assessing strategic and corporate initiatives[7]	—	(106)	—	(106)
Defined benefit funding[4]	(301)	1,590	4,265	3,652
Defined benefit expense[4]	916	(3,070)	(3,497)	(6,420)
Past service costs and other pension costs[11]	—	—	7,000	—
Expenses incurred outside of normal operations[17]	1,708	—	3,762	—
Equity hedge	(582)	—	(1,003)	—
Proportion of the total return swap realized[10]	—	(597)	(275)	(712)
Unrecoverable insurance costs and other[12]	164	—	8,489	718
Out of period costs[16]	(938)	1,234	(333)	1,234
Prior year sales tax provision[13]	—	1,996	—	2,036
Restructuring costs[8]	5,678	171	11,741	9,516
COVID-19 costs[14]	—	2,926	—	3,959
Foreign exchange gain (loss) on cash held in foreign currency[5]	(20)	(2,873)	771	(2,897)
Free Cash Flow[1]	(21,803)	(18,885)	(170,254)	23,026
U.S. exchange rate[2]	1.3538	1.2634	1.3209	1.2385
Free Cash Flow (C$)[1]	(29,517)	(23,859)	(224,889)	28,518
Free Cash Flow per Share (C$)[6]	(0.3826)	(0.3272)	(2.9140)	0.4072
Declared dividends on Shares (C$)	—	16,390	12,288	61,645
Declared dividends per Share (C$)[6]	—	0.2125	0.1599	0.8500

1. Free Cash Flow is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS.
2. U.S. exchange rate (C$ per US$) is the weighted average exchange rate applicable to dividends declared for the period.
3. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow as these temporary fluctuations are managed through the credit facilities which are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the consolidated statements of cash flows net of interest and income taxes paid.
4. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.
5. Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow.
6. Per Share calculations for Free Cash Flow (C$) are determined by dividing Free Cash Flow by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2022 Q4 was 77,154,934 and 72,927,889 for 2021 Q4. The weighted average number of Shares outstanding for Fiscal 2022 and Fiscal 2021 are 77,144,445 and 70,039,835, respectively. Per Share calculations for declared dividends (C$) are determined by dividing the amount of declared dividends by the number of outstanding Shares at the respective period end date.
7. Normalized to exclude non-operating expenses and recoveries related to the costs of assessing strategic and corporate initiatives.
8. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with NFI Forward restructuring initiatives. Free Cash Flow reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
9. The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted EBITDA. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
10. A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA and Free Cash Flow to match the equivalent portion of the related deferred compensation expense recognized. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
11. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. Q2 2022 includes $7.0 million for the liability related to the closure of the Pembina facility and withdrawal from the multi-employer pension plan.
12. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
13. Provision for sales taxes as a result of an ongoing state sales tax review.
14. Normalized to exclude COVID-19 related costs. Costs primarily relate to asset impairments, medical costs directly related to COVID-19 and miscellaneous operating costs associated with COVID-19. Asset impairments are primarily attributable to pre-owned coach inventory. During 2022, management determined costs related to sanitization and masks were an operating cost and would no longer be included in the definition.
15. Includes fair market value adjustments to interest rate swaps and the cash conversion option on the Convertible Debentures. 2022 Q4 includes a loss of $1.2 million and 2021 Q4 includes a gain of $9.9 million for the interest rate swaps. 2022 Q4 includes a gain of $5.6 million and 2021 Q4 includes a gain of $10.9 million on the cash conversion option. Fiscal 2022 includes a gain of $37.7 million and Fiscal 2021 includes a gain of $23.2 million for the interest rate swaps. Fiscal 2022 includes a gain of $16.6 million and Fiscal 2021 includes a gain of $10.9 million for the cash conversion option.
16. Includes adjustments made related to expenses that pertain to prior years. Fiscal 2022 includes expenses related to amounts that should have been capitalized from Fiscal years 2010 - 2021. Fiscal 2021 includes expenses related to amounts owed from Fiscal years 2016 - 2020, and expenses related to amounts owed from Fiscal years 2014 - 2020.
17. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.
18. Includes impairment charges with respect to ARBOC's goodwill of $23.2 million and the ADL manufacturing CGU's goodwill of $80.7 million.

Liquidity

Liquidity is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines liquidity as cash on-hand plus available capacity under its credit facilities, without consideration given to the minimum liquidity requirement under the Amended Facilities.

Backlog

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

Book-to-Bill Ratio

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

Working Capital Days

Working Capital Days is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. The Company defines Working Capital Days as the calculated number of days to convert working capital to cash. It is calculated by the number of days in the fiscal year (2022 Q4 YTD - 365 days) divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

Working Capital Days is calculated based on the following financial statement line items: Accounts Receivable and Inventories less Accounts Payables, Deferred Revenue and Provisions.

Payout Ratio

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

Adjusted Net Earnings (Loss) and Adjusted Net Earnings (Loss) per Share

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

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

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

(U.S. dollars in thousands, except per Share figures)	2022 Q4	2021 Q4	Fiscal 2022	Fiscal 2021
Net loss	(150,360)	(8,691)	(277,763)	(14,484)
Adjustments, net of tax[1, 7]				
Fair value adjustments of total return swap[4]	—	295	657	310
Unrealized foreign exchange loss (gain)	(2,711)	2,639	(413)	5,365
Unrealized loss (gain) on interest rate swap	795	(4,496)	(26,019)	(10,538)
Unrealized gain on Cash Conversion Option	(3,831)	(4,965)	(11,439)	(4,965)
Portion of the total return swap realized[5]	—	(272)	(190)	(324)
Costs associated with assessing strategic and corporate initiatives[2]	—	(106)	—	(106)
Equity settled stock-based compensation	274	134	929	791
(Gain) loss on disposition of property, plant and equipment	283	(85)	(390)	51
Past service costs and other pension costs[6]	—	—	4,830	—
Unrecoverable insurance costs and other[12]	114	—	5,858	327
Expenses incurred outside of normal operations[13]	1,178	—	2,595	—
Prior year sales tax provision[8]	—	908	—	926
Other tax adjustments[10]	22,292	(2,833)	18,984	2,669
COVID-19 costs[9]	—	1,331	—	1,801
Out of period costs[11]	(1,911)	562	(1,102)	562
Accretion in carrying value of convertible debt and cash conversion option	1,342	274	5,272	274
Impairment loss on goodwill[14]	103,900	—	103,900	—
Restructuring costs[3]	4,996	(260)	12,726	5,218
Adjusted Net Loss	(23,639)	(15,565)	(161,565)	(12,123)
Loss per Share (basic)	(1.94)	(0.12)	(3.60)	(0.21)
Loss per Share (fully diluted)	(1.94)	(0.12)	(3.60)	(0.21)
Adjusted Net Loss per Share (basic)	(0.31)	(0.21)	(2.09)	(0.17)
Adjusted Net Loss per Share (fully diluted)	(0.31)	(0.21)	(2.09)	(0.17)

1. Addback items are derived from the historical financial statements of the Company.
2. Normalized to exclude non-operating expenses and recoveries related to the costs of assessing strategic and corporate initiatives.
3. Normalized to exclude non-operating restructuring costs. Costs primarily relate to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with NFI Forward restructuring initiatives. Free Cash Flow reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
4. The fair value adjustment of the total return swap is a non-cash (gain) loss that is excluded from the definition of Adjusted EBITDA. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
5. A portion of the fair value adjustment of the total return swap is added to Adjusted EBITDA and Free Cash Flow to match the equivalent portion of the related deferred compensation expense recognized. Beginning in Q2 2022, hedge accounting was applied to the total return swap derivative and therefore, the portion of the (gain) loss on the fair value adjustment, which does not apply to the current period is recognized in other comprehensive income.
6. Costs and recoveries associated with amendments to, and closures of, the Company's pension plans. Q2 2022 includes $7.0 million for the liability related to the closure of the Pembina facility and withdrawal from the multi-employer pension plan.
7. The Company has utilized a rate of 54.5% to tax effect the adjustments in periods related to Fiscal 2021. A rate of 31.0% has been used to tax effect the adjustments for all other periods.
8. Provision for sales taxes as a result of an ongoing state sales tax review.
9. Normalized to exclude COVID-19 related costs. Costs primarily relate to asset impairments, medical costs directly related to COVID-19 and miscellaneous operating costs associated with COVID-19. Asset impairments are primarily attributable to pre-owned coach inventory. During 2022, management determined costs related to sanitization and masks were an operating cost and would no longer be included in the definition.
10. Includes the impact of changes in deferred tax balances as a result of substantively enacted tax rate changes. The 2021 and 2022 amounts include the impact of the revaluation of deferred tax balances due to the enacted increase in the UK corporate tax rate from 19% to 25% in 2021 Q3. Also included in 2022 Q4 is the impact of the reduction of deferred tax assets related to the derecognition of loss carry forwards in Canada, and restricted interest in the UK.
11. Includes adjustments made related to expenses that pertain to prior years. Fiscal 2022 includes expenses related to amounts that should have been capitalized from Fiscal years 2010 - 2021. Fiscal 2021 includes expenses related to amounts owed from Fiscal years 2016 - 2020, and expenses related to amounts owed from Fiscal years 2014 - 2020.
12. Normalized to exclude non-operating costs related to an insurance event that are not recoverable, or are related to the deductible.
13. Includes adjustments made related to items that occurred outside of normal operations. This includes specified items purchased in broker markets at a premium and associated broker fees, which the Company provided to suppliers, and does not normally directly purchase. Also included is the additional labour costs associated with the shortage of the specified item.
14. Includes impairment charges with respect to ARBOC's goodwill of $23.2 million and the ADL manufacturing CGU's goodwill of $80.7 million.

ROIC

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

Reconciliation of Shareholders' Equity to Invested Capital

(U.S. dollars in thousands)	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Shareholders' Equity	$ 577,151	710,984	783,905	850,323
Addback				
Long term debt	896,626	859,297	718,139	677,996
Obligation under lease	131,625	122,666	131,077	139,129
Convertible debentures	217,516	211,281	224,947	229,673
Derivatives	(21,620)	(18,904)	(8,179)	4,806
Cash	(49,987)	(39,832)	(50,274)	(26,604)
Bank indebtedness	—	—	—	1,233
Invested Capital	1,751,311	1,845,492	1,799,615	1,876,556
Average of invested capital over the quarter	1,798,402	1,822,554	1,838,086	1,829,374

	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Shareholders' Equity	871,772	787,010	814,502	824,643
Addback				
Long term debt	586,411	1,049,273	963,630	1,008,733
Capital leases	143,675	150,212	153,967	150,553
Convertible debentures	225,768	—	—	—
Derivatives	31,883	20,920	21,609	23,996
Cash	(77,318)	(64,822)	(47,695)	(23,063)
Bank indebtedness	—	—	—	1
Invested Capital	1,782,191	1,942,593	1,906,013	1,984,863
Average of invested capital over the quarter	1,862,392	1,924,303	1,945,438	1,927,577

Capital Allocation Policy

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

Maintaining Financial Flexibility

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

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

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

At January 1, 2023, the Company has convertible debentures outstanding of $338 million. The Debentures may be converted in whole or in part from time to time at the holder's option into 30.1659 Shares for each C$1,000 principal amount of Debentures, representing a conversion price of approximately C$33.15 per Share and total potential conversion of 10,196,074 shares.

On December 29, 2022, the Company amended the Credit Facility and the UK Facility (together the "amended facilities"). Amendments provide relief from previous key financial covenants (Total Leverage Ratio ("TLR"), Minimum Adjusted EBITDA and Interest Coverage Ratio ("ICR")) for the fourth quarter of 2022 and the first two quarters of 2023 (the period ending June 30, 2023 (the "Waiver Period")) to provide the Company with relaxed covenants as the Company navigates supply chain disruptions, heightened inflation and other impacts of the COVID-19 pandemic. During the Waiver Period, the Company is subject to a Total Net Debt to Capitalization ("TNDC") ratio, starting in January 2023, and a minimum Adjusted EBITDA covenant starting in March 2023. The terms of the amended facilities impose restrictions over the declaration and payment of dividends until the Waiver Period has ended.

On January 20, 2023 the Company entered into agreements with the Government of Manitoba for a C$50 million debt facility, for general corporate purposes, and EDC for credit facilities of up to $150 million to support supply chain financing ($50 million) and surety and performance bonding requirements for new contracts (up to $100 million).

The Credit Facility has a total borrowing limit of $1 billion, which includes a $100 million letter-of-credit facility subject to the Company being in compliance with its credit covenants. $24.5 million of outstanding letters-of-credit were drawn against the Credit Facility at January 1, 2023. The Credit Facility bears interest at a rate equal to LIBOR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates and matures on August 2, 2024.

The UK Facility has a total borrowing limit of £40 million which matures on June 30, 2023. Amounts drawn under the UK Facility bear interest at a rate equal to LIBOR plus an applicable margin.

The details of the covenants under the amended facilities are as follows:

	Total Leverage Ratio	Interest Coverage Ratio	Total Net Debt to Capitalization	Minimum Cumulative Adjusted EBITDA	Minimum Liquidity
January 1, 2023	Waived	Waived	Waived	Waived	$25,000
January 2, 2023 - March 31, 2023	Waived	Waived	<0.62:1.00	>($28,000)	$25,000
April 1, 2023 - April 30, 2023	Waived	Waived	<0.62:1.00	>($31,000)	$25,000
May 1, 2023 - May 31, 2023	Waived	Waived	<0.62:1.00	>($35,000)	$25,000
June 1 - June 30, 2023	Waived	Waived	<0.62:1.00	>($35,000)	$25,000
July 3, 2023 - October 1, 2023	<4.50	>2.00	N/A	N/A	$25,000
October 2, 2023 - December 31, 2023	<4.00	>2.50	N/A	N/A	$25,000
January 1, 2024 and thereafter	<3.75	>3.00	N/A	N/A	$25,000

1. TLR is calculated as borrowings on the Credit Facilities, not including the Company's 5.0% convertible debentures, less unrestricted cash and cash equivalents, divided by Adjusted EBITDA, typically calculated on a trailing twelve-month basis. When the TLR is

reintroduced in 2023 Q3, Adjusted EBITDA will be annualized until a full rolling four quarters of results are available (i.e., period ending 2023 Q3);

2. ICR is calculated as the same trailing twelve month Adjusted EBITDA as the TLR divided by trailing twelve month interest expense on the Credit Facilities, the Company's 5.0% convertible debentures and other interest and bank charges.
3. Total Net Debt to Capitalization is calculated as borrowings on the Credit Facilities, less unrestricted cash and cash equivalents, divided by Shareholder's Equity, as shown on the Company's balance sheet, plus borrowings on the Credit Facilities. The calculation of shareholder's equity is adjusted to exclude up to $100 million of goodwill impairment.
4. Cumulative Adjusted EBITDA starting with 2023 Q1 results.
5. Liquidity is calculated as unrestricted cash and cash equivalents plus the aggregate amount of credit available under the Credit Facilities.

US dollars in thousands	**January 1, 2023**	January 2, 2022
Liquidity Position (must be greater than $25 million[2021: must be greater than $50 million])	$ 173,507	$ 794,332

1. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

As of January 1, 2023, NFI's liquidity was $173.5 million, without consideration given to the minimum liquidity requirement of $25 million under the amended facilities. As part of the Company's efforts to improve working capital and liquidity, NFI requested prepayments and deposits from certain customers. As of January 1, 2023, the Company has received $36.1 million in prepayments and is continuing to work with other customers on plans that would help alleviate some of NFI's working capital investments while it navigates through the supply chain challenges.

Due to the ongoing uncertainty created by continuing supply chain disruptions, the Company now expects that lower Adjusted EBITDA combined with the Company's anticipated debt profile will affect the Company's ability to comply, after the expiry of the Waiver Period, with certain financial covenants under the amended facilities. These events result in a material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern.

The Company expects operations to continue into the long-term. The Company is taking a number of operational steps including cost savings measures to ensure adequate short-term liquidity. Additionally, the Company is continuing to work directly with suppliers and sub-suppliers to search for alternate or substitute parts where possible, increase production line parts inventories and develop longer lead times to better support new vehicle production.

NFI and its banking syndicate partners are now focused on developing new long-term credit arrangements, and NFI will be seeking agreements that provide appropriate capacity and covenants matched to the Company's anticipated financial performance and recovery. The Company is targeting completion of these changes prior to the end of the Waiver Period.

In assessing whether the going concern assumption was appropriate, the Company took into account all relevant information available about the future including its backlog, demand for its products, government funding levels in its core markets and the Company's ability to raise additional capital from various lenders by issuing long-term debt or additional common shares, or other securities through either a public offering, rights offering or private placement.

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

The Company remains focused on deleveraging its balance sheet and returning to its target leverage of 2.0x to 2.5x total debt to Adjusted EBITDA. Management had originally expected the Company to return to those levels 18 to 24 months following the acquisition of ADL in May 2019, but the impact of COVID-19 and the continuing supply chain disruptions has extended the expected timing of deleveraging. Management believes it will achieve its longer-term leverage targets as the recovery from COVID-19 continues, the anticipated supply of parts and components slowly stabilizes, the Company achieves the benefits of the NFI Forward strategic cost reduction initiatives and the Company continues to focus on reducing working capital.

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

Business Investment

The Company plans to invest in the current business for future growth and will continue to invest in common systems and lean manufacturing operations to improve quality and cost effectiveness, while also investing to expand the Company's expertise in ZEBs, Infrastructure Solutions™, and Advanced Driver Assistance Systems ("ADAS") and automated vehicles. The Company has made significant investments in its ZEB production capabilities to be prepared for the expected longer-term transition to a more electrified fleet. New Flyer now has the capability to manufacture ZEBs at all of its North American facilities. Alexander Dennis is the market leader in ZEBs with production capabilities at all of its UK facilities, MCI has invested in its electric coach offering for both public and private customers, and ARBOC developed its medium-duty Equess CHARGE™ electric bus. NFI is planning for the roll-out of next generation battery technology through a second battery supplier for a first quarter 2023 launch based on projects that originally kicked off in 2020. In November 2022, Alexander Dennis announced that several of its vehicles will now offer its next-generation electric driveline and future-proof battery system, with first deliveries planned for 2023. To support customers making the transition to zero-emission fleets, NFI launched its Infrastructure Solutions™ business in 2018. Infrastructure Solutions™ has helped numerous agencies develop and launch infrastructure installation projects.

The Company has automated bus projects in development with specialized partners who have a deep understanding of artificial intelligence and ADAS. As part of this program to advance automated vehicles and ADAS, on January 29, 2021, NFI announced the launch of the New Flyer Xcelsior AV™, North America's first automated Level 4 transit bus. The first vehicles using this technology went into production in the fourth quarter of 2021. Alexander Dennis continues to advance its autonomous bus programs in the United Kingdom with ongoing pilot programs in Scotland and expectations for additional trials on its new Enviro100AEW bus platform in 2023. NFI has also made numerous investments into telematics solutions to ensure customers can track detailed performance and maintenance metrics associated with their vehicles.

NFI has also made investments to reduce the company's overall manufacturing footprint and integrate operations through its NFI Forward and NFI Forward 2.0 initiatives. These investments have generated significant annualized cost savings that will positively contribute to NFI's financial results going forward.

The Company will consider business acquisitions and partnerships that will further grow and diversify the business and contribute to long-term competitiveness, but the Company's capital allocation priorities are currently focused on deleveraging, strengthening its balance sheet and supporting the recovery of operations. As such investments will primarily be focused on internal initiatives. Investment decisions are based on several criteria, including but not limited to: investment required to maintain or enhance operations; enhancement of cost effectiveness through vertical integration of critical supply and sub-assembly in-sourcing; and acquisitions in current or adjacent markets that are considered accretive to the business.

Return of Capital to Shareholders

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

The Company's 2022 Q4 Free Cash Flow was (C$29.5) million with no dividends declared during this period. For 2021 Q4 Free Cash Flow was C$(23.9) million compared to declared dividends of C$16.4 million. This resulted in payout ratio[1] of nil% in 2022 Q4 compared to (68.6)% in 2021 Q4.

Total Capital Distributions to Shareholders (U.S. dollars in millions)	**2022 Q4**	**2021 Q4**	**Fiscal 2022**	**Fiscal 2021**
Dividends paid	$ —	$ 11.9	$ 9.4	$ 46.5

1. Represents a non-IFRS ratio, meaning it is derived from a non-IFRS measure, which does not have a standard meaning, so it may not be a reliable way to compare NFI to other companies. The ratio is calculated using Free Cash Flow, which is a non-IFRS measure. See Non-IFRS and Other Financial Measures section.

Controls and Procedures

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as defined under rules adopted by the Canadian Securities Administrators. ICFR were designed under the supervision of, and with the participation of, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). The Company's ICFR are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

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

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company's ICFR as of January 1, 2023 in accordance with the criteria established in COSO 2013, and concluded that the Company's ICFR are effective.

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

Disclosure Controls

Management is responsible for establishing and maintaining disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company is made known to them in a timely manner and that information required to be disclosed is reported within time periods prescribed by applicable securities legislation. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. The Company's CEO and CFO have concluded that disclosure controls and procedures as at January 1, 2023 were effective.

Appendix A - Meaning of Certain References

References in this MD&A to the “Company” are to NFI and all of its direct or indirect subsidiaries, including New Flyer Industries Canada ULC (“NFI ULC”), New Flyer of America Inc. (“NFAI”), The Aftermarket Parts Company, LLC (“TAPC”), KMG Fabrication, Inc. ("KMG"), Carfair Composites Inc. (“CCI”) and Carfair Composites USA, Inc. (“CCUI”, and together with "CCI", "Carfair"), The Reliable Insurance Company Limited, ARBOC Specialty Vehicles, LLC ("ARBOC"), New MCI Holdings, Inc. and its affiliated entities (collectively, "MCI”), NFI Holdings Luxembourg s.a.r.l., and Alexander Dennis Limited and its affiliated entities (collectively, "ADL") References to “New Flyer” generally refer to NFI ULC, NFAI, TAPC, KMG, CCI, and CCUI. References in this MD&A to “management” are to senior management of NFI and the Company.

The Shares trade on the Toronto Stock Exchange (“TSX”) under the symbol NFI and the Convertible Debentures trade on the TSX under the symbol NFI.DB. As at January 1, 2023, 77,155,016 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI’s Annual Information Form and information circular, is available on SEDAR at www.sedar.com.

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

Forward-Looking Statements

This MD&A contains “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian securities laws, which reflect the expectations of management regarding the Company’s future growth, financial performance, and liquidity and objectives and the Company’s strategic initiatives, plans, business prospects and opportunities, including the duration, impact of and recovery from the COVID-19 pandemic, supply chain disruptions and plans to address them, and the Company's expectation of obtaining long-term credit arrangements and sufficient liquidity. The words “believes”, “views”, “anticipates”, “plans”, “expects”, “intends”, “projects”, “forecasts”, “estimates”, “guidance”, “goals”, “objectives” and “targets” and similar expressions of future events or conditional verbs such as “may”, “will”, “should”, “could”, “would” are intended to identify forward-looking statements. These forward-looking statements reflect management’s current expectations regarding future events (including the temporary nature of the supply chain disruptions and operational challenges, production improvement, the recovery of the Company’s markets, and the expected benefits to be obtained through its “NFI Forward” initiative) and the Company’s financial and operating performance and speak only as of the date of this MD&A. By their very nature, forward-looking statements require management to make assumptions and involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and give rise to the possibility that management’s predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that the assumptions may not be correct and that the Company’s future growth, financial condition, ability to generate sufficient cash flow and maintain adequate liquidity, obtain long-term credit arrangements, and the Company’s strategic initiatives, objectives, plans, business prospects and opportunities, including the Company’s plans and expectations relating to the duration, impact of and recovery from the COVID-19 pandemic, supply chain disruptions, operational challenges, and inflationary pressures, will not occur or be achieved.

A number of factors that may cause actual results to differ materially from the results discussed in the forward-looking statements include: the Company’s business, operating results, financial condition and liquidity may be materially adversely impacted by the ongoing COVID-19 pandemic and related supply chain and operational challenges, employee absenteeism and inflationary effects; the Company’s business, operating results, financial condition and liquidity may be materially adversely impacted by the Russian invasion of Ukraine due to factors including but not limited to further supply chain disruptions and inflationary pressures; funding may not continue to be available to the Company’s customers at current levels or at all; the Company’s business is affected by economic factors and adverse developments in economic conditions which could have an adverse effect on the demand for the Company’s products and the results of its operations; currency fluctuations could adversely affect the Company’s financial results or competitive position; interest rates could change substantially, materially impacting the Company’s revenue and profitability; an active, liquid trading market for the Shares and/or the Debentures may cease to exist, which may limit the ability of securityholders to trade Shares and/or Debentures; the market price for the Shares and/or the Debentures may be volatile; if securities or industry analysts do not publish research or reports about the Company and its business, if they adversely change their recommendations regarding the Shares or if the Company’s results of operations do not meet their expectations, the Share price and trading volume could decline, in addition, if securities or industry analysts publish inaccurate or unfavorable research about the Company or its business, the Share price and trading volume of the Shares could decline; competition in the industry and entrance of new competitors; current requirements under U.S. “Buy America” regulations may change and/or become more onerous or suppliers’ “Buy America” content may change; failure of the Company to comply with the U.S. Disadvantaged Business Enterprise (“DBE”) program requirements or the failure to have its DBE goals approved by the U.S. FTA; absence of fixed term customer contracts, exercise of options and customer suspension or termination for convenience; local content bidding preferences in the United States may create a competitive disadvantage; requirements under Canadian content policies may change and/or become more onerous; the Company’s business may be materially impacted by climate change matters, including risks related to the transition to a lowercarbon economy; operational risk resulting from inadequate or failed internal processes, people and/or systems or from external events, including fiduciary breaches, regulatory compliance failures, legal disputes, business disruption, pandemics, floods, technology failures, processing errors, business integration, damage to physical assets, employee safety and insurance coverage; international operations subject the Company to additional risks and costs and may cause profitability to decline; compliance with international trade regulations, tariffs and duties; dependence on unique or limited sources of supply (such as engines, components containing microprocessors or, in other cases, for example, the supply of transmissions, batteries for battery-electric buses, axles or structural steel tubing) resulting in the Company's raw materials and components not being readily available from alternative sources of supply, being available only 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 favorable commercial terms; the Company's vehicles and certain other products contain electronics, microprocessors control modules, and other computer chips, for which there has been a surge in demand, resulting in a worldwide supply shortage of such chips in the transportation industry, and a shortage or disruption of the supply of such microchips could materially disrupt the Company's operations and its ability to deliver products to customers; dependence on supply of engines that comply with emission regulations; a disruption, termination or alteration of the supply of vehicle chassis or other critical components from third-party suppliers could materially adversely affect the sales of certain of the Company's products; the Company's profitability can be adversely affected by increases in raw material and component costs; the Company may incur material losses and costs as a result of product warranty costs, recalls and remediation of transit buses and motor coaches; production delays may result in liquidated damages under the Company's contracts with its customers; catastrophic events, including those related to impacts of climate change, may lead to production curtailments or shutdowns; the Company may not be able to successfully renegotiate collective bargaining agreements when they expire and may be adversely affected by labour disruptions and shortages of labour; the Company's operations are subject to risks and hazards that may result in monetary losses and liabilities not covered by insurance or which exceed its insurance coverage; the Company may be adversely affected by rising insurance costs; the Company may not be able to maintain performance bonds or letters of credit required by its contracts or obtain performance bonds and letters of credit required for new contracts; the Company is subject to litigation in the ordinary course of business and may incur material losses and costs as a result of product liability and other claims; the Company may have difficulty selling pre-owned coaches and realizing expected resale values; the Company may incur costs in connection with regulations relating to axle weight restrictions and vehicle lengths; the Company may be subject to claims and liabilities under environmental, health and safety laws; dependence on management information systems and cyber security risks; the Company's ability to execute its strategy and conduct operations is dependent upon its ability to attract, train and retain qualified personnel, including its ability to retain and attract executives, senior management and key employees; the Company may be exposed to liabilities under applicable anti-corruption laws and any determination that it violated these laws could have a material adverse effect on its business; the Company's risk management policies and procedures may not be fully effective in achieving their intended purposes; internal controls over financial reporting, no matter how well designed, have inherent limitations; there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures; ability to successfully execute strategic plans and maintain profitability; development of competitive or disruptive products, services or technology; development and testing of new products or model variants; acquisition risk; reliance on third-party manufacturers; third-party distribution/dealer agreements; availability to the Company of future financing; the Company may not be able to generate the necessary amount of cash to service its existing debt, which may require the Company to refinance its debt; the Company's substantial consolidated indebtedness could negatively impact the business; the restrictive covenants in the Company's credit facilities could impact the Company's business and affect its ability to pursue its business strategies; payment of dividends is not guaranteed; a significant amount of the Company's cash may be distributed, which may restrict potential growth; the Company is dependent on its subsidiaries for all cash available for distributions; the Company may not be able to make principal payments on the Debentures; redemption by the Company of the Debentures for Shares will result in dilution to holders of Shares; Debentures may be redeemed by the Company prior to maturity; the Company may not be able to repurchase the Debentures upon a change of control as required by the trust indenture under which the Debentures were issued (the "Indenture"); conversion of the Debentures following certain transactions could lessen or eliminate the value of the conversion privilege associated with the Debentures; future sales or the possibility of future sales of a substantial number of Shares or Debentures may impact the price of the Shares and/or the Debentures and could result in dilution; payments to holders of the Debentures are subordinated in right of payment to existing and future Senior Indebtedness (as described under the Indenture) and will depend on the financial health of the Company and its creditworthiness; if the Company is required to write down goodwill or other intangible assets, its financial condition and operating results would be negatively affected; and income and other tax risk resulting from the complexity of the Company's businesses and operations and the income and other tax interpretations, legislation and regulations pertaining to the Company's activities being subject to continual change.

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

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

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

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

Appendix B - 2022 Fourth Quarter Order Activity

Demand for Transit Buses and Motor Coaches

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

NFI's end markets continued to show strong signs of recovery throughout 2022. Following large declines in the second half of 2020 as a result of the pandemic delaying orders in core markets, active bids rebounded significantly in 2021, averaging 6,850 EUs from 2021 Q2 through 2021 Q4. As of 2022 Q4, active bids reached 10,507 EUs, up 53.5% year-over-year, the highest number of active bids on record. The Company ended 2022 Q4 with 5,169 bids in process, and another 5,338 bids submitted. Management expects active bids will continue to remain high through 2023 as markets recover during the continuing COVID-19 pandemic and new government funding is used by transit agencies.

The forecasted five-year North American industry procurement has rebounded from the lows of the first half of 2021. Year-over-year, the Total Bid Universe increased by 17.0%, or 4,471 EUs. NFI expects that the forecasted five-year North American industry procurement will remain high through 2023 as transit agencies continue to formalize their short- and long-term procurement plans linked to the multi-billion funding programs announced and/or launched by governments in Canada and the U.S.

As at 2022 Q4, 15,689 EUs, or 51.0%, of the Total Bid Universe is ZEBs, an increase of 54.6% year-over-year, which supports management's expectations for a continued increase in the demand for ZEBs.

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

	Bids in Process (EUs)	Bids Submitted (EUs)	Active EUs	Forecasted Industry Procurement over 5 Years (EUs)[1]	Total Bid Universe (EUs)
2021 Q4	1,783	5,062	6,845	19,468	26,313
2022 Q1	805	4,757	5,562	20,809	26,371
2022 Q2	4,477	3,105	7,582	21,565	29,147
2022 Q3	2,881	7,226	10,107	20,377	30,484
2022 Q4	**5,169**	**5,338**	**10,507**	**20,277**	**30,784**

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

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

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

ADL does not currently have a Bid Universe metric for the UK and European or Asia Pacific markets similar to New Flyer and MCI's North American Bid Universe; however, ADL does maintain a sales pipeline. Management does not believe a similar Bid Universe metric for those markets is suitable given that the majority of customers in those regions are private operators who make annual purchase decisions. The overall UK market declined from 2015 to 2019, and was expected to increase in 2020 before it was hit disproportionately hard by the COVID-19 pandemic, with bus ridership down by nearly 80% at its worst point in 2020. While management saw signs of recovery in 2021 and 2022, supply chain challenges have continued to disrupt the market. In 2023, management expects stronger recovery based on customers' fleet recovery plans and an aging UK vehicle fleet. Governments continue to focus on the green recovery and government funding is starting to materialize. This funding, plus future investments under plans to expand transport service in communities outside of London is expected to contribute to market growth in 2023 and beyond. Alexander Dennis has seen the benefits of this anticipated recovery as it has essentially sold the majority of its UK production slots for 2023, although at slightly lower production rates. Alexander Dennis continues to grow its installed fleet in

Europe with multi-year contracts in Ireland and Germany. The European market is highly fragmented with numerous players providing niche opportunities for ADL in the future.

In Asia Pacific, the Hong Kong market is highly cyclical, and, following busier periods in 2015 through 2018, the market has declined as anticipated. As in other regions, Hong Kong was also impacted by the COVID-19 pandemic, but ADL remains the leader in double-deck buses and retains deep customer relationships in Hong Kong. Management saw some recovery in 2022 and continues to expect the Hong Kong market to see stable annual deliveries and a slow recovery through 2023, including the delivery of Alexander Dennis' first battery-electric buses to key customers in Hong Kong as transit companies gear up for the transition to zero-emission buses. New Zealand and Singapore remain highly cyclical markets with more predictable purchasing expectations based on vehicle age; Alexander Dennis continues to see significant opportunities in both markets and is also pursuing additional expansion programs in South Africa and the Middle-East region.

<u>Order activity</u>

New orders (firm and options) during 2022 Q4 totaled 2,578 EUs, an increase of 60.4% from 2021 Q4. The timing of new orders can vary based on transit agency procurement processes, with the fourth quarter typically being a busier period tied to agency and operator approval meetings. The new firm and option orders awarded to the Company for Fiscal 2022 were 5,786 EUs, an increase of 22.5% from Fiscal 2021. The Company was successful at converting 118 EUs of options to firm orders during 2022 Q4, a decrease from the 217 EUs converted in 2022 Q3 and from the 277 EUs converted in 2021 Q4; option conversions vary quarter-to-quarter. These 118 EUs of option conversions contributed to the 638 EUs converted to firm orders during Fiscal 2022. While, there were declines in option conversions from 2021 to 2022, these were primarily related to older contracts and changes in customers expected fleet replacement plans. Further details are provided below under the "Options" section.

In 2022 Q4, NFI received orders for 1,118 EUs of battery-electric, zero-emission vehicles, a 780% increase from the 127 EUs from 2022 Q3. These 1,118 EUs of ZEBs equate to 43.4% of all new firm and option orders for the quarter, which increased from 28.0% in 2022 Q3.

In addition, 806 EUs of new firm and option orders were pending from customers at the end of 2022 Q4, where approval of the award to the Company had been made by the customer’s board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog. This was down from the 1,360 EUs of pending new firm and option orders as of the end of 2022 Q3, as the Company received a high number of new awards in 2022 Q3. NFI anticipates that the majority of the units currently in bid award pending will convert into backlog during 2023 Q1.

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2021 Q4	1,607	4,724	277	1,110
2022 Q1	1,407	4,919	218	1,051
2022 Q2	1,348	5,147	85	734
2022 Q3	453	4,815	217	797
2022 Q4	**2,578**	**5,786**	**118**	**638**

Options

In 2022 Q4, 831 options expired, as compared to 804 options in 2022 Q3, and as compared to 117 options that expired in 2021 Q4. Option expiries can vary significantly quarter-to-quarter and management is not concerned about the large number of option expiries in 2022 Q4. Certain agencies are letting a portion of older options expire as they re-evaluate their longer-term fleet planning decisions with an increased focus on the procurement of ZEBs rather than traditional internal combustion engine propulsion. In certain cases, customers have issued new procurements to replace the expired options. NFI replenished a significant amount of the expired options through new orders in 2022. Overall demand remains at record levels and will support future option orders.

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Total
A) Options Expired (EUs)	331	741	512	1,202	819	1,924						5,529
B) Options Exercised (EUs)	1,404	1,795	1,518	953	1,110	638						7,418
C) Current Options by year of expiry (EUs)							750	258	537	1,559	1,506	4,610
D) Conversion rate % = B / (A+B)	**81 %**	**71 %**	**75 %**	**44 %**	**58 %**	**25 %**						

The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis. Option expirations in 2020, 2021, and 2022 were primarily a result of agencies allowing a portion of their options from older contracts awarded in 2016 and 2017 to expire as they re-evaluate their longer-term fleet planning decisions.

In addition to contracts for identified public customers, the Company has increased its focus on purchasing schedules (state and national contracts, cooperative agency purchasing agreements) with the objective of having multiple available schedules, from which customers within a prescribed region or from defined list, can purchase. The Company is currently named on over 30 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer purchases a bus under one of these agreements, the purchase is recorded as a firm order. The Company has received more than 1,050 vehicle awards from these schedules since the start of 2018, showing their growing use by transit agencies as a procurement alternative in North America.

The Company's 2022 Q4 Book-to-Bill[1] ratio (defined as new firm orders and exercised options divided by new deliveries) was 144.0%, an increase from 131.9% in 2021 Q4. This increase in Book-to-Bill was driven by a 60.4% increase in year-over-year orders combined with lower deliveries. Fiscal 2022 Book-to-Bill was 133.9%, an increase from 115.1% for Fiscal 2021. Active bids, including bids submitted, are at record levels (see page 46).

Backlog

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

Transit buses and motor coaches incorporating clean propulsion systems, including compressed natural gas, diesel-electric hybrid, and ZEBs, which consist of trolley-electric, fuel cell-electric, and battery-electric buses, represent approximately 63.6% of the total backlog as of the end of 2022 Q4, up slightly from 62.6% as of the end of 2022 Q3. As at the end of 2022 Q4, there were 2,628 ZEBs in the backlog, representing a record of 28.6% of the total backlog, up from the previous record of 21.2% in 2022 Q3.

Footnotes

1. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

	2022 Q4			2022 Q3			2021 Q4		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	4,153	4,352	8,505	4,366	5,308	9,674	3,346	4,757	8,103
New orders	1,371	1,207	2,578	388	65	453	1,157	450	1,607
Options exercised	118	(118)	—	217	(217)	—	277	(277)	—
Shipments[1]	(1,034)	—	(1,034)	(783)	—	(783)	(1,087)	—	(1,087)
Cancelled/expired	(32)	(831)	(863)	(35)	(804)	(839)	(58)	(117)	(175)
End of period	**4,576**	**4,610**	**9,186**	**4,153**	**4,352**	**8,505**	**3,635**	**4,813**	**8,448**
Consisting of:									
Heavy-duty transit buses	3,602	4,342	7,944	3,114	4,082	7,196	2,726	4,515	7,241
Motor coaches	347	268	615	358	270	628	373	298	671
Cutaway and medium-duty buses	627	—	627	681	—	681	536	—	536
Total Backlog	**4,576**	**4,610**	**9,186**	**4,153**	**4,352**	**8,505**	**3,635**	**4,813**	**8,448**

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

At the end of 2022 Q4, the Company's total backlog (firm and options) of 9,186 EUs (valued at $5.6 billion[2]), increased compared to 8,505 EUs (valued at $4.9 billion[2]) at the end of 2022 Q3. The increase was driven by high levels of new awards in North American and UK transit operations in the quarter, offset somewhat by high deliveries and option expiries. In addition, 806 EUs of new firm and option orders were pending from customers at the end of 2022 Q4, where approval of the award to the Company had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog. The summary of the values is provided below.

	2022 Q4		2022 Q3		2021 Q4	
		EUs		EUs		EUs
Total firm orders	$ 2,515.4	4,576	$ 2,276.2	4,153	$ 1,981.1	3,635
Total options	3,123.0	4,610	2,589.5	4,352	2,553.2	4,813
Total backlog[2]	**$ 5,638.4**	**9,186**	**$ 4,865.7**	**8,505**	**$ 4,534.3**	**8,448**

2. Represents a supplementary financial measure. See Non-IFRS and Other Financial Measures section.

In the Company's 2022 Q3 financial report, the average price of an EU in backlog was incorrectly stated as $640.9 thousand due to a calculation error; the correct number should have been $572.1 thousand. As of 2022 Q4, the average price of an EU in backlog is now $613.7 thousand, a 14% increase from 2021 Q4.

Consolidated Financial Statements of

NFI GROUP INC.

January 1, 2023

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March 2, 2023

Independent Auditor's Report

To the Shareholders of NFI Group Inc.

Opinion

We have audited the consolidated financial statements of NFI Group Inc. (the “Company”), which comprise the consolidated statements of financial position as at January 1, 2023 and January 2, 2022, and the consolidated statements of net loss and total comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 1, 2023 and January 2, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

Material Uncertainty related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company expects to be unable to comply with certain of its financial covenants under the terms of its credit facilities beginning on July 3, 2023. As stated in Note 2, these events indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended January 1, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Goodwill – ARBOC, ADL manufacturing, ADL aftermarket parts operations — Refer to Notes 2 and 7 of the financial statements

Key Audit Matter Description

Annually, the Company's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each cash generating units ("CGU"), which is the higher of its fair value less costs of disposal and its value in use, to their carrying amount. The Company determined the recoverable amount of the ARBOC, ADL manufacturing and ADL aftermarket parts CGUs (collectively "identified CGUS") to be value in use, which was estimated using a discounted cash flow model. This required management to make significant estimates and assumptions including those related to future cash inflows and outflows, growth rates and discount rates. At the annual evaluation date, the carrying amount of the ARBOC and ADL Manufacturing CGUs exceeded their recoverable amounts and impairment losses were recognized. The recoverable amount of the ADL aftermarket parts operations CGU exceeded its carrying amount and no impairment was recognized.

While there are several key assumptions that are required to estimate the recoverable amount of the identified CGUs, the assumptions with the highest degree of subjectivity and impact on the recoverable amounts are related to the determination of forecasts of future revenues, operating margins and discount rates. This required significant auditor attention as these estimates are subject to estimation uncertainty. Auditing these estimates and assumptions required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

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

- Evaluated management's ability to accurately forecast future revenues and operating margins by comparing actual results to management's historical forecasts;
- Evaluated the reasonableness of the forecast of future revenues and operating margins by comparing the forecasts to:
    - Historical revenues and operating margins;
    - Known changes in the Company's operations and its industry, including the impact of the global supply issues and sensitivity due to production constraints, which are expected to impact future operating performance;
    - Internal reports including production and backlog supported by contracts;

    - Internal communications to management and the Board of Directors;
    - Forecasted information included in the Company's press releases as well as in analyst reports; and
    - Macroeconomic and market specific information;

- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates, developing a range of independent estimates and comparing those to the discount rates selected by management.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Michael Boucher.

/s/ Deloitte LLP

Chartered Professional Accountants
Winnipeg, Manitoba
March 2, 2023

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

52-weeks ended January 1, 2023 ("Fiscal 2022") and 53-weeks ended January 2, 2022 ("Fiscal 2021")

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

	Fiscal 2022	Fiscal 2021
Revenue (note 23)	$ 2,053,933	$ 2,343,794
Cost of sales (note 4)	2,004,803	2,108,199
Gross profit	49,130	235,595
Sales, general and administration costs and other operating expenses	240,048	205,169
Foreign exchange gain	(5,205)	(15,585)
Impairment loss on goodwill (note 7)	103,900	—
(Loss) earnings from operations	(289,613)	46,011
Gain (loss) on disposition of property, plant and equipment	565	(112)
Unrealized foreign exchange gain (loss) on monetary items	598	(11,791)
(Loss) earnings before interest and income taxes	(288,450)	34,108
Interest and finance costs		
Interest on long-term debt	52,674	58,702
Interest on convertible debt	14,002	1,092
Accretion in carrying value of long-term debt (note 16)	5,582	2,075
Accretion in carrying value of convertible debt and cash conversion option (note 17)	7,641	602
Interest expense on lease liability	5,780	6,478
Other interest and bank charges	5,341	4,161
Fair market value gain on interest rate swap	(37,708)	(23,161)
Fair market value gain on cash conversion option (note 17)	(16,578)	(10,913)
	36,734	39,036
Loss before income tax expense	(325,184)	(4,928)
Income tax expense (recovery) (note 15)		
Current income tax (recovery) expense	(19,809)	22,430
Deferred income tax recovery	(27,612)	(12,874)
	(47,421)	9,556
Net loss for the period	$ (277,763)	$ (14,484)
Other comprehensive loss		
Actuarial gain on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	14,844	11,932
Unrealized foreign exchange loss on translation of foreign operations - this item will not be reclassified subsequently to profit or loss	(23,449)	(4,898)
Net loss on equity hedge of restricted share plan	(287)	—
Total comprehensive loss for the period	(286,655)	(7,450)
Net loss per share (basic) (note 19)	$ (3.60)	$ (0.21)
Net loss per share (diluted) (note 19)	$ (3.60)	$ (0.21)

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

NFI GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at January 1, 2023
(in thousands of U.S. dollars)

		January 1, 2023		January 2, 2022
Assets				
Current				
Cash	$	49,987	$	77,318
Accounts receivable (note 3, 22d)		366,224		396,535
Inventories (note 4)		732,096		567,698
Income tax receivable		40,142		21,396
Derivative financial instruments (note 22a, b)		1,720		442
Prepaid expenses and deposits		16,928		7,549
		1,207,097		1,070,938
Property, plant and equipment (note 5, 23)		195,783		221,338
Right-of-use asset (note 6)		107,631		121,761
Derivative financial instruments (note 22a, b)		27,800		—
Goodwill and intangible assets (note 7)		986,421		1,144,963
Accrued benefit asset (note 10)		14,747		4,116
Other long-term assets (note 8)		32,126		36,504
Deferred tax assets (note 15)		17,665		—
	$	2,589,270	$	2,599,620
Liabilities				
Current				
Accounts payable and accrued liabilities		455,368		458,864
Income tax payable		—		1,104
Derivative financial instruments (note 22a, b)		2,837		1,799
Current portion of long-term debt (note 16)		17,901		—
Current portion of long-term liabilities (note 9)		167,251		142,860
		643,357		604,627
Accrued benefit liability (note 10)		2,927		11,211
Obligations under leases (note 6)		114,044		120,414
Deferred compensation obligation (note 11)		1,497		2,769
Deferred revenue (note 13)		20,776		19,818
Provisions (note 14)		71,299		63,498
Deferred tax liabilities (note 15)		56,914		62,806
Derivative financial instruments (note 17, 22 a,b)		6,067		30,526
Long-term debt (note 16)		878,725		586,411
Convertible debentures (note 17)		216,513		225,768
	$	2,012,119	$	1,727,848
Commitments and contingencies (note 25)				
Shareholders' equity				
Share capital (note 18)		988,218		987,943
Stock option and restricted share unit reserve (note 12)		11,285		10,105
Accumulated other comprehensive (loss) income	$	(2,979)		5,921
Deficit		(419,373)		(132,197)
	$	577,151	$	871,772
	$	2,589,270	$	2,599,620

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

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended January 1, 2023
(in thousands of U.S. dollars)

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive (Loss) Income	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, December 27, 2020	**$ 681,405**	**$ 8,400**	**$ (1,113)**	**$ (68,551)**	**$ 620,141**
Net loss	—	—	—	(14,484)	(14,484)
Other comprehensive income	—	—	7,034	—	7,034
Dividends declared on common shares	—	—	—	(49,162)	(49,162)
Equity transaction cost	(10,148)	—	—	—	(10,148)
Share-based compensation, net of deferred income taxes	—	2,191	—	—	2,191
Shares issued	316,686	(486)	—	—	316,200
Balance, January 2, 2022	**$ 987,943**	**$ 10,105**	**$ 5,921**	**$ (132,197)**	**$ 871,772**
Net loss	—	—	—	(277,763)	(277,763)
Other comprehensive loss	—	—	(8,900)	—	(8,900)
Dividends declared on common shares	—	—	—	(9,413)	(9,413)
Equity transaction cost (note 17, 18)		—	—	—	—
Share-based compensation, net of deferred income taxes	—	1,455	—	—	1,455
Shares issued	275	(275)	—	—	—
Balance, January 1, 2023	**$ 988,218**	**$ 11,285**	**$ (2,979)**	**$ (419,373)**	**$ 577,151**

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

NFI GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

52-weeks ended January 1, 2023 ("Fiscal 2022") and 53-weeks ended January 2, 2022 ("Fiscal 2021")

(in thousands of U.S. dollars)

	Fiscal 2022	Fiscal 2021
Operating activities		
Net loss for the period	$ (277,763)	$ (14,484)
Income tax (recovery) expense	(47,421)	9,556
Depreciation of plant and equipment	57,013	64,368
Amortization of intangible assets	31,482	32,786
Share-based compensation	1,346	1,738
Interest and finance costs recognized in profit or loss	53,311	39,036
Fair value adjustment for total return swap	1,955	681
Unrealized foreign exchange (gain) loss on monetary items	(598)	11,791
Foreign exchange (gain) loss on cash held in foreign currency	(771)	2,897
Gain on fair value adjustment for cash conversion option	(16,578)	—
(Gain) loss on disposition of property, plant and equipment	(565)	112
Impairment loss on property, plant and equipment	2,558	682
Impairment loss on right-of-use asset	4,144	1,269
Impairment loss on goodwill	103,900	—
Defined benefit expense	3,497	6,400
Defined benefit funding	(4,265)	(3,652)
Cash (used in) generated by operating activities before non-cash working capital items and interest and income taxes paid	(88,755)	153,180
Changes in non-cash working capital items (note 20)	(96,169)	45,824
Cash (used in) generated by operating activities before interest and income taxes paid	(184,924)	199,004
Interest paid	(58,348)	(64,224)
Income taxes recovered (paid)	1,422	(19,550)
Net cash (used in) generated by operating activities	(241,850)	115,230
Financing activities		
Debt issue costs	—	(10,383)
Repayment of obligations under lease	(24,535)	(18,192)
Proceeds from (repayment of) revolving credit facilities	285,204	(546,137)
Share issuance	(2)	316,200
Proceeds from issue of convertible debentures	—	258,716
Equity transaction cost	—	(13,683)
Dividends paid	(22,388)	(46,513)
Net cash generated by (used in) financing activities	238,279	(59,992)
Investing activities		
Acquisition of intangible assets	(10,212)	(2,748)
Proceeds from disposition of property, plant and equipment	1,687	6,182
Investment in long-term restricted deposits	5,365	(712)
Acquisition of property, plant and equipment	(21,371)	(33,514)
Net cash used in investing activities	(24,531)	(30,792)
Effect of foreign exchange rate on cash	771	(2,897)
(Decrease) increase in cash	(27,331)	21,549
Cash — beginning of period	77,318	55,769
Cash — end of period	$ 49,987	$ 77,318

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

1. CORPORATE INFORMATION

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

The audited consolidated financial statements (the "Statements") are prepared on a 52-week basis ended January 1, 2023, the comparative period is a 53-week basis ended January 2, 2022. Therefore, the amounts presented in the financial statements are not entirely comparable as the prior period represents an additional week. For practical reasons the entities accounting period is normally 52-weeks long. Over time, the additional day per year accumulates to a week and the period will be 53-weeks, such is the case in the previous year.

These Statements were approved by the Company's board of directors (the "Board") on March 2, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The going concern basis asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. At January 1, 2023, as a result of ongoing supply chain disruptions, the Company expects to be unable to comply with certain of its financial covenants under the terms of its credit facilities beginning on July 1, 2023.

These events result in a material uncertainty that may cast significant doubt as to the ability of the Company to continue as a going concern. The audited consolidated financial statements do not reflect adjustments that would be necessary if the Company was not a going concern.

The Company expects operations to continue into the long-term. The Company is taking a number of operational steps including cost savings measures to ensure adequate short-term liquidity. Additionally, the Company is continuing to work directly with suppliers and sub-suppliers to search for alternate or substitute parts where possible, increase production line parts inventories and develop longer lead times to better support new vehicle production.

Subsequent to the balance sheet date, the Company entered into agreements on two additional credit facilities. A Canadian dollar $50 million debt facility from the Manitoba Development Corporation for general corporate purposes. A $50 million debt facility to support supply chain financing and an arrangement of up to $100 million of surety reinsurance support for the Company's surety and performance bonding requirements for new contracts, both provided by Export Development Canada.

NFI and its banking syndicate partners are developing new long-term credit arrangements, and the Company will be seeking agreements that provide appropriate capacity and covenants matched to the Company's anticipated financial performance and recovery. The Company is targeting completion of these new agreements before July 1, 2023, although there is no assurances that such agreements will become available.

In assessing whether the going concern assumption was appropriate, the Company took into account all relevant information available about the future including its backlog, demand for its products, government funding levels in its core markets and the Company's ability to raise additional capital from various sources, including capital markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation

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

Subsidiaries

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

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

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

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

Inter-company transactions between subsidiaries are eliminated on consolidation.

2.3 Reportable Segments

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

2.4 Foreign currency

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

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

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

All other foreign exchange gains and losses are presented in the consolidated statements of net loss and comprehensive loss within "foreign exchange gain or loss".

2.5 Revenue recognition

Manufacturing Operations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The Company, from time-to-time, may enter into arrangements with customers where the customer has requested that the Company defer shipping a vehicle and instead hold it for a specified period until the customer is able to take possession.The Company recognizes revenue for bill and hold arrangements when the arrangement is substantive, the product is identified separately as belonging to the customer and ready for physical transfer to the customer, and the Company cannot use the product or allocate it to another customer. The Company does not recognize revenue on any bus or coach firm or option orders that have not yet been delivered except on bill and hold arrangements.

The Infrastructure Solutions™ division sources, installs and commissions electric vehicle chargers, and constructs the related charging infrastructure. Revenues related to the supply, installation and commissioning of electric vehicle chargers are recognized once the chargers pass final customer acceptance testing. Revenues related to construction of charging infrastructure are recognized over time using the cost-to-cost input method. The cost-to-cost method measures the Company's progress toward completion based on the total costs incurred relative to the total estimated contract costs.

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

Aftermarket Operations

Persuasive evidence of an arrangement exists in the form of an authorized sales order. The customer is invoiced, and revenue is recorded at the time the part is delivered using a commercial shipper. For parts not kept in stock, the parts required by the customer and shipment details are provided to the supplier and the parts are shipped from the supplier directly to the customer's location, these transactions are recorded on a gross basis as the Company is the principal in the arrangement. The price list for parts clearly identifies a fixed and determinable price, while also describing that the Company has no legal obligation to accept the return of goods other than on defective and/or warrantable parts product. Aftermarket parts revenue does not contain any revenue related to the bus or coach warranty.

2.6 Employee benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2.7 Share-based compensation plans

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

For the cash-settled plans (note 11), the expense is determined based on the fair value of the liability at the end of the reporting period until the awards are settled. Certain share-based compensation plans include non-market performance conditions. The Company`s accounting policy is to recognize the impact of non-market performance conditions by adjusting the number of awards that are expected to vest. At the end of each reporting period, the Company re-assesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions on compensation expense (note 23) in the consolidated statements of net loss and comprehensive loss.

For the equity-settled plans (note 12), share-based payments to executive management are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. The offset to the recorded cost is the stock option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related stock option reserve is transferred to share capital. Upon expiry, the recorded value is transferred to retained earnings. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statements of net loss and comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the stock option reserve. Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statements of net loss and comprehensive loss.

2.8 Cash

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

2.9 Accounts receivables

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

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

2.10 Inventories

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Property, plant and equipment

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

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

Property, plant and equipment are tested for impairment as described under “Impairment of non-financial assets” in note 2.15.

2.12 Right-of-use assets

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

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

Land, building and building improvements	4 - 35 years
Machinery and equipment	15 months - 5 years
Automobiles	13 months - 3 years
Office equipment	14 months - 5 years

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

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

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

2.13 Intangible assets

Identifiable intangible assets are initially recorded at cost. Based on management’s forecasts and business plans and the going concern of the Company, the trade names intangible asset (note 7) has been deemed to have an indefinite life, except for the "NABI Parts" tradename which is amortized over its useful life of 12 years. For purposes of impairment testing, the fair value of trade names is determined using an income approach.

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

Patents and Licenses	5-12 years
Backlog of sales orders	1-2 years
Customer relationships	21 years
Internally developed intellectual property	5-7 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Identifiable intangible assets with finite and indefinite lives are tested for impairment as described under “Impairment of non-financial assets” in note 2.15.

2.14 Goodwill

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

2.15 Impairment of non-financial assets

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

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

2.16 Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses, unless the losses relate to an onerous contract.

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

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

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

2.17 Long-term debt

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Convertible Debentures

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

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

2.19 Financial instruments

Financial assets

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

Financial assets at fair value through profit or loss

Classification

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

Recognition and measurement

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

Financial assets carried at amortized cost

Classification

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

Recognition and measurement

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

Financial liabilities carried at amortized cost

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

Hedge accounting and derivative instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash flow hedges of Restricted Share Unit plan liabilities

In Q2 2022, the Company applied hedge accounting to certain designated derivatives related to the cash flow hedge of Restricted Share Unit plan liabilities. Under hedge accounting, to the extent effective, the gain or loss on the hedging derivatives is recorded in other comprehensive loss. Amounts accumulated in other comprehensive loss are reclassified to the statement of net loss in the corresponding line item to the hedged risk.

On initial designation of the derivative as a hedging instrument, the Company formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives, the strategy in undertaking the hedge transaction and the hedged risk, the identification of the nature of the risk being hedged and how the Corporation will assess whether the hedging relationship meets the hedge effectiveness requirements. The Corporation makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements including the economic relationship, the conclusion that credit risk does not dominate the value changes from that economic relationship and the hedge ratio is appropriate. To the extent that the hedge is ineffective, such differences are recognized in the statement of net loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to the statement of net loss as part of the gain or loss on disposal.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the statement of net loss.

Cash Conversion Option

An embedded derivative is a derivative component attached to a non-derivative contract. The Company has an embedded derivative, the cash conversion option of the Company's convertible debentures (note 17). The cash conversion option meets separation criteria outlined in IFRS 9.4.3.3, and is recognized and measured separately from convertible debentures. This embedded derivative is measured in accordance with IFRS, measured initially at fair value, with changes in fair values recognized within the consolidated statements net loss.

2.20 Taxation

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Investment tax credits

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

2.22 Vendor Rebates

The Company records certain consideration received from a vendor, which is probable and can be reasonably estimated, as a reduction of the cost of purchases during the period.

2.23 Critical accounting estimates and judgments

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

Critical accounting estimates and assumptions

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

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

Inventories

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

Property, plant and equipment

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

Intangible assets and goodwill

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance provisions

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

Accrued benefit liability

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

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

Deferred compensation obligation

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

Income Taxes

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

The Company is subject to taxation in multiple jurisdictions. Significant judgment is required in determining the worldwide provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using management's best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Management reviews the adequacy of these provisions at the date of each consolidated statement of financial position. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Provision for Warranty and Campaign Costs

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

Critical judgments in applying accounting policies

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

Revenue recognition

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

Also described in note 2.5, management assessed the criteria for the recognition of revenue in an agency relationship related to the sale of extended warranties that are purchased for the customer from the OEM as set out in IFRS 15.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional currency

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

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

Goodwill

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

2.24 Standards Issued but not yet adopted

IFRS 17 – Insurance Contracts:
In May 2017, with amendments in June 2020, the IASB issued IFRS 17, Insurance Contracts which will replace IFRS 4, effective for annual reporting periods beginning on or after January 1, 2023, which introduced new guidance for recognition, measurement, presentation and disclosure of insurance contracts.

The standard requires entities to measure insurance contract liabilities as the risk-adjusted present value of the cash flows plus the contractual service margin, which represents the unearned profit the entity will recognize as future service is provided. Depending on the type of contract, this is measured using the general measurement model or the variable fee approach. Expedients are specified, provided the insurance contracts meet certain conditions. The premium allocation approach is permitted for the liability for remaining coverage on contracts with a duration of one year or less, or where the use of the premium allocation approach closely approximates the use of the general measurement model. If, at initial recognition or subsequently, the fulfillment cash flows are in a net outflow, the contract is considered onerous and the excess is recognized immediately in profit. A loss recovery component is recognized immediately in profit representing amounts recoverable from reinsurers related to onerous contracts. Management is currently assessing the impact of this standard on its consolidated financial statements.

IAS 1 - Presentation of Financial Statements:
Disclosure of Accounting policies which amends IAS 1, Presentation of financial statements was issued in February 2021, with amendments issued October 2022, effective for annual reporting periods beginning on or after January 1, 2023. The amendments to the standard clarify some requirements relating to materiality, order of notes, subtotals, accounting policies and disaggregation. The amended paragraphs require entities to disclose their material accounting policy information rather than significant accounting policies, as well as provided a four-step materiality process to determine which accounting policy disclosures are required. Management is currently assessing the impact of this standard on its consolidated financial statements.

Classification of Liabilities as Current or Non-current, which amends IAS 1, was issued January 2020, effective for annual reporting periods beginning on or after January 1, 2024. This clarified a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. Management is currently assessing the impact of this standard on its consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	January 1, 2023	January 2, 2022
Trade, net of allowance for doubtful accounts (note 15c)	$ 333,598	$ 368,548
Other	32,626	27,987
	$ 366,224	$ 396,535

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

4. INVENTORIES

	January 1, 2023	January 2, 2022
Raw materials	$ 329,388	$ 281,826
Work in process	343,424	246,364
Finished goods	59,284	39,508
	$ 732,096	$ 567,698

	Fiscal 2022	Fiscal 2021
Cost of inventories recognized as expense and included in cost of sales	$ 1,892,039	$ 2,047,664
Write-down of inventory to net realizable value in cost of sales	8,362	3,025

5. PROPERTY, PLANT AND EQUIPMENT

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Office equipment	Demo buses and coaches	Buses and coaches available for lease	Total
Cost	$ 118,253	$ 202,362	$ 53,163	$ 7,812	$ 46,358	$ 25,631	453,579
Accumulated depreciation	17,900	118,756	33,581	5,018	29,176	16,998	221,429
December 27, 2020 net book value	100,353	83,606	19,582	2,794	17,182	8,633	232,150
Additions	2,449	18,097	4,277	193	8,282	216	33,514
Transfer from (to) inventory	(50)	418	—	—	1,241	1,249	2,858
Disposals	(1,226)	(447)	(15)	(20)	(2,829)	—	(4,537)
Depreciation charge	(3,762)	(19,990)	(5,728)	(559)	(8,045)	(3,473)	(41,557)
Impairment	—	(550)	(131)	—	—	—	(681)
Cumulative translation adjustment	(63)	(127)	(73)	—	(118)	(28)	(409)
January 2, 2022 net book value	97,701	81,007	17,912	2,408	15,713	6,597	221,338
Additions	3,290	13,458	1,745	67	2,799	12	21,371
Transfer to inventory	—	—	—	—	(908)	(2,178)	(3,086)
Disposals	(138)	(475)	—	—	(640)	—	(1,253)
Depreciation charge	(4,860)	(16,384)	(4,441)	(521)	(6,752)	(2,341)	(35,299)
Impairment (note 29)	(2,558)	—	—	—	—	—	(2,558)
Cumulative translation adjustment	(904)	(2,719)	(225)	7	(902)	13	(4,730)
January 1, 2023 net book value	$ 92,531	$ 74,887	$ 14,991	$ 1,961	$ 9,310	$ 2,103	$ 195,783

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Office equipment	Demo buses and coaches	Buses and coaches available for lease	Total
Recorded as:							
Cost	$ 119,363	$ 219,753	$ 57,221	$ 7,985	$ 52,934	$ 27,068	$484,324
Accumulated depreciation	21,662	138,746	39,309	5,577	37,221	20,471	262,986
January 2, 2022 net book value	$ 97,701	$ 81,007	$ 17,912	$ 2,408	$ 15,713	$ 6,597	$221,338
Cost	$ 119,053	$ 230,017	$ 58,741	$ 8,059	$ 53,283	$ 24,915	$494,068
Accumulated depreciation	26,522	155,130	43,750	6,098	43,973	22,812	298,285
January 1, 2023 net book value	$ 92,531	$ 74,887	$ 14,991	$ 1,961	$ 9,310	$ 2,103	$195,783

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

6. RIGHT-OF-USE ASSETS

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Total
Cost	140,250	49,708	13,690	$ 203,648
Accumulated Depreciation	27,411	30,014	12,850	70,275
December 27, 2020 net book value	112,839	19,694	840	$ 133,373
Additions	17,178	706	—	17,884
Disposals	(5,756)	(44)	—	(5,800)
Impairment	(1,181)	(88)	—	(1,269)
Depreciation charge	(15,288)	(7,140)	(384)	(22,812)
Cumulative translation adjustment	304	81	—	385
January 2, 2022 net book value	$ 108,096	$ 13,209	$ 456	$ 121,761
Additions	15,133	1,210	1,501	17,844
Disposals	(4,223)	(78)	—	(4,301)
Impairment	(4,144)	—	—	(4,144)
Depreciation charge	(14,401)	(5,818)	(444)	(20,663)
Cumulative translation adjustment	(2,681)	(184)	—	(2,865)
January 1, 2023 net book value	$ 97,780	$ 8,339	$ 1,513	$ 107,632

	Land, building and building improvements	Machinery and equipment	Computer hardware and software	Total
Recorded as:				
Cost	146,952	49,454	13,690	210,096
Accumulated Depreciation	38,856	36,245	13,234	88,335
January 2, 2022 net book value	108,096	13,209	456	121,761
Cost	151,037	50,402	15,191	216,630
Accumulated Depreciation	53,257	42,063	13,678	108,998
January 1, 2023 net book value	$ 97,780	$ 8,339	$ 1,513	$ 107,632

Total cash outflows for payments on lease liabilities was $27.3 million for the period ended January 1, 2023 (2021: $23.9 million) of which $24.5 million (2021: $18.2 million) was for principal repayments.

Right-of-use asset impairments are associated with a service center location and production facility location that will not be used by the Company for the remaining duration of the lease as a result of the "NFI Forward" restructuring program (see note 29). The impairments total of $4.1 million (2021: $1.3 million) are reflected in the Manufacturing reportable segment.

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

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

7. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Trade names	Patents and Licenses	Customer relationships	Backlog of sales orders	Internally developed intellectual property	Total
Cost	$ 529,487	$ 270,499	$ 154,405	$ 530,228	$ 21,004	—	$ 1,505,623
Accumulated amortization	—	1,788	133,260	172,190	21,004	—	328,242
December 27, 2020 net book value	529,487	268,711	21,145	358,038	—	—	1,177,381
Additions	—	—	1,078	—	—	1,670	2,748
Amortization charge	—	(275)	(7,576)	(24,935)	—	—	(32,786)
Impairment loss	—	—	—	—	—	—	—
Cumulative translation adjustment	(904)	(145)	61	(1,392)	—	—	(2,380)
January 2, 2022 net book value	528,583	268,291	14,708	331,711	—	1,670	1,144,963
Additions	—	—	—	—	—	10,212	10,212
Amortization charge	—	(275)	(6,797)	(23,661)	—	(749)	(31,482)
Impairment loss	(103,900)	—	—	—	—	—	(103,900)
Cumulative translation adjustment	(14,980)	(4,857)	(1,030)	(11,961)	—	(544)	(33,372)
January 1, 2023 net book value	$ 409,703	$ 263,159	$ 6,881	$ 296,089	$ —	$ 10,589	$ 986,421
Recorded as:							
Cost	$ 528,583	$ 270,354	$ 155,800	$ 528,995	$ 21,738	$ 1,670	1,507,140
Accumulated amortization	—	2,063	141,092	197,284	21,738	—	362,177
January 2, 2022 net book value	528,583	268,291	14,708	331,711	—	1670	1,144,963
Cost	409,703	265,497	154,770	517,034	—	11,338	1,358,342
Accumulated amortization	—	2,338	147,889	220,945	—	749	371,921
January 1, 2023 net book value	$ 409,703	$ 263,159	$ 6,881	$ 296,089	$ —	$ 10,589	$ 986,421

The recoverable amount of the Company's CGUs is determined based on the greater of value-in-use calculations and fair value less costs to sell. Value-in-use calculations, which was determined to be the recoverable amount, use estimated cash flow projections based on adjusted financial plans approved by the Board covering five-year periods and discount rates based on weighted average cost of capital of like businesses that range between 13% and 17% per annum for the ADL and the North American bus/coach manufacturing CGUs; between 13% and 18% for the ARBOC CGU; and between 11.4% and 15.6% per annum for the NFI parts - aftermarket parts and ADL parts CGUs. Cash flows beyond this period are extrapolated using a steady estimated growth rate based on the long-term average annual growth rate of 3% for each industry in which the CGUs operate. Management has determined planned cash flows based on a projected production schedule, past performance and expectations of market development. The discount rates used reflect specific risks relating to the relevant CGUs.

Based upon the results of the quantitative impairment tests, the Company concluded:

- the estimated recoverable amount of the ARBOC manufacturing CGU, which is the value-in-use, was $91.2 million and that the carrying amount exceeded the recoverable amount, which resulted in a goodwill impairment charge of $23.2 million;
- the estimated recoverable amount of the ADL manufacturing CGU, which is the value-in-use, was $177.7 million and that the carrying amount exceeded the recoverable amount, which resulted in a goodwill impairment charge of $80.7 million.

Both the ARBOC and ADL manufacturing CGUs goodwill impairment reflects increases in market interest rates, as well as timing of the market recovery from the COVID-19 pandemic and the related supply chain disruptions.

The impacts of the COVID-19, and the global supply chain issues have impacted the cash flow projections for all of the CGUs. Sensitivity testing is conducted as part of the annual impairment tests. Management believes that any reasonable change in the key assumptions used to determine the recoverable amounts would not result in an impairment at the North American bus/coach manufacturing CGU, or NFI Parts- aftermarket parts CGU.

Impairment of the remaining CGUs may result if one of the following changes occurs:

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

7. GOODWILL AND INTANGIBLE ASSETS (Continued)

ADL parts CGU

- the discount rate is higher by at least 3%

Based upon historical operating results, management's forecasts and business plans, the Company's trade names were assigned an indefinite life, except for the "NABI Parts" tradename (net book value of $1,100 at January 1, 2023) which is amortized over its useful life, which ends in 2025.

8. OTHER LONG-TERM ASSETS

	January 1, 2023	January 2, 2022
Long-term restricted deposit	$ 25,351	$ 30,712
Long-term accounts receivable	6,775	5,792
	$ 32,126	$ 36,504

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

9. CURRENT PORTION OF LONG TERM LIABILITIES

	January 1, 2023	January 2, 2022
Deferred revenue (note 13)	$ 128,426	$ 98,408
Provisions (note 14)	20,708	20,151
Deferred compensation obligation (note 11)	536	1,040
Obligations under leases	17,581	23,261
	$ 167,251	$ 142,860

10. ACCRUED BENEFIT ASSET (LIABILITY)

Defined benefit plan

Certain of the Company's subsidiaries have defined benefit plans which cover certain employees in Canada and the United States. Actuarial valuations for the Company's subsidiaries were last performed as at December 31, 2020 and December 31, 2021.

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

10. ACCRUED BENEFIT ASSET (LIABILITY) (Continued)

Information in respect of the Company's defined benefit plans is as follows:	**January 1, 2023**	January 2, 2022
Change in plan assets		
Plan assets at fair value — beginning of period	$ 109,324	$ 108,750
Interest income	3,175	2,520
Remeasurement gains (losses) - return on plan assets (excluding amounts in net interest)	(16,203)	4,948
Administrative expenses	(239)	(183)
Employer's contributions	4,254	3,565
Benefits paid	(5,651)	(6,478)
Plan settlement	(3,706)	—
Foreign exchange loss	(5,892)	(3,798)
Plan assets at fair value — end of period	85,062	109,324
Change in defined benefit obligation		
Defined benefit obligation — beginning of period	116,419	129,492
Current service cost	4,597	5,088
Interest cost	3,362	2,998
Benefits paid	(9,358)	(12,522)
Foreign exchange loss	(4,828)	2,331
Actuarial gain arising from changes in financial assumptions	(36,950)	(10,834)
Actuarial gain arising from experience adjustments assumptions	—	(134)
Defined benefit obligation — end of period	73,242	116,419
Accrued benefit asset (liability) - present value of unfunded obligations	$ 11,820	$ (7,095)

The actual loss on the plan assets for Fiscal 2022 was $13,028 (Fiscal 2021: $7,468).

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

		Fiscal 2022	Fiscal 2021
Country	Mortality Table	Discount Rate	
Canada	CPM2014 Private sector with Scale MI-2017 with size adjustment	5.10 %	2.40 %
Canada	CPM2014 Private combined with the MI-2017 improvement scale	2.20% - 5.10%	3.00 %
US	Private-2012 MP2021	5.15 %	

			Discount rate - sensitivity		**Life expectancy - sensitivity**	
			1% increase	1% decrease	one year increase	one year decrease
Country	Last valuation date	Next valuation date	Then obligation would decrease by:	Then obligation would increase by:	Then obligation would increase by:	Then obligation would decrease by:
Canada	Dec. 31, 2020	Dec. 31, 2023	14.0 %	17.5 %	1.3 %	1.3 %
Canada	Dec. 31, 2019	Dec. 31, 2022	24.2 %	30.2 %	2.4 %	2.3 %

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

Investment risk

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

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

10. ACCRUED BENEFIT ASSET (LIABILITY) (Continued)

Interest rate risk

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

Longevity risk

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

The Company's defined benefit plans are a fixed benefit plan and, as a result, the rate of compensation increases does not have any impact on the actuarially determined accrued benefit liability. Expected contributions to the defined benefit plan for the 52-week period ending January 1, 2023 are $3,700.

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

	Fiscal 2022	Fiscal 2021
Current service costs	$ 4,597	$ 5,088
Net interest expense	187	477
Administrative expenses	239	183
Foreign exchange loss	—	652
Components of defined benefit costs recognized in net earnings (loss)	$ 5,023	$ 6,400

	Fiscal 2022	Fiscal 2021
Remeasurement (losses) gains - return on plan assets (excluding amounts in net interest)	$ (16,203)	$ 4,948
Actuarial gains arising from changes in financial assumptions	36,950	10,834
Actuarial gains arising from experience adjustments assumptions	—	134
Foreign exchange gain	(30)	65
	20,717	15,981
Deferred income taxes recorded through other comprehensive loss	(5,873)	(4,049)
Net actuarial gains recognized in other comprehensive loss	$ 14,844	$ 11,932

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

	January 1, 2023	January 2, 2022
Asset category		
Cash and cash equivalents	72.7%	0.0%
Canadian equities	4.9%	18.0%
Foreign equities	11.6%	27.6%
Real estate	0.0%	5.5%
Bonds	10.8%	48.9%
	100.0%	100.0%

At January 1, 2023, the Company was in the process of transferring its cash assets into the other investment categories in accordance with its plan documents, the temporary allocation is due to changing the service provider, who holds the Company's investments.

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

11. DEFERRED COMPENSATION OBLIGATION

	January 1, 2023	January 2, 2022
Restricted share units under PRSU Plan (officers and executive management)	536	1,040
Deferred share units under DSU Plan (non-employee board of directors)	1,497	2,769
	2,033	3,809
Less: current portion	536	1,040
	$ 1,497	$ 2,769

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

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

The actual value of an RSU on the settlement date is contingent on the Share price only and RSUs generally vest and settle as to one-third on each of the first, second and third anniversaries of the grant date. PSUs and RSUs also immediately vest upon a participant's termination without cause or resignation for good reason within a specified period of time following the closing of a transaction resulting in certain change of control events and upon certain terminations of employment and, with respect to PSUs and RSUs granted prior to 2019, upon the closing of a transaction resulting in certain change of control events.

RSUs and PSUs granted in Fiscal 2022 were determined based on the volume weighted average trading price of a Share for the last five trading days of 2021 and the desired compensation value.

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

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

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

11. DEFERRED COMPENSATION OBLIGATION (Continued)

	PSUs	RSUs	DSUs	Total
Units outstanding at December 27, 2020	217,891	77,018	145,588	440,497
Units granted	129,106	64,553	23,704	217,363
Distribution units granted	2,039	3,549	5,042	10,630
Units Expired	(349,036)	(10,754)	—	(359,790)
Units Redeemed	—	(21,644)	—	(21,644)
Vested and reclassified as current liability	—	(57,320)	—	(57,320)
Units outstanding at January 2, 2022	—	55,402	174,334	229,736
Units granted	163,287	81,643	43,513	288,443
Distribution units granted	—	2,104	3,011	5,115
Units Expired	(163,287)	(1,481)	—	(164,768)
Vested and reclassified as current liability	—	(63,541)	—	(63,541)
Units outstanding at January 1, 2023	—	74,127	220,858	294,985
Vested units	—	—	220,858	220,858
Unvested units	—	74,127	—	74,127

12. SHARE-BASED COMPENSATION - EQUITY SETTLED

The Board adopted a Share Option Plan (the “2013 Option Plan”) for NFI on March 21, 2013, under which employees of NFI and certain of its affiliates may receive grants of share options. The 2013 Option Plan was amended and restated on December 8, 2015, December 31, 2018 and August 5, 2020. A maximum of 3,600,000 Shares are reserved for issuance under the 2013 Option Plan. One quarter of the share options become vested on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of such date.

The Board adopted a new share option plan on March 12, 2020 (the "2020 Option Plan"), which was approved by shareholders on May 7, 2020 and amended on August 5, 2020, under which employees of NFI and certain of its affiliates may receive grants of options for shares. A maximum of 3,200,000 Shares are reserved for issuance under the 2020 Option Plan. The options become vested as to one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date. No options have been granted under the 2020 Option Plan.

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

Option Grant dates	Number	Exercised	Expired	Vested	Unvested	Expiry date	Exercise price	Fair Value at grant date
March 26, 2013	490,356	(490,356)	—	—	—	March 26, 2021	$10.20	$1.55
December 30, 2013	612,050	(602,419)	(9,631)	—	—	December 30, 2021	$10.57	$1.44
December 28, 2014	499,984	(252,233)	(11,368)	(236,383)	—	December 28, 2022	$13.45	$1.83
December 28, 2015	221,888	(19,532)	—	(202,356)	—	December 28, 2023	$26.75	$4.21
September 8, 2016	2,171	—	(2,171)	—	—	September 8, 2024	$42.83	$8.06
January 3, 2017	151,419	(1,610)	(11,888)	(137,921)	—	January 3, 2025	$40.84	$7.74
January 2, 2018	152,883	—	(29,198)	(123,685)	—	January 2, 2026	$54.00	$9.53
January 2, 2019	284,674	—	(59,186)	(169,118)	56,370	January 2, 2027	$33.43	$5.01
July 15, 2019	2,835	—	—	(2,126)	709	July 15, 2027	$35.98	$4.90
December 31, 2019	519,916	—	(78,772)	(330,861)	110,283	December 31, 2027	$26.81	$3.36
December 28, 2020	258,673	—	(26,603)	(116,041)	116,029	December 28, 2028	$24.70	$6.28
February 10, 2021	1,894	—	—	(947)	947	December 28, 2028	$28.74	$6.28
August 16, 2021	601	—	—	(150)	451	August 16, 2029	$30.79	$6.28
January 3, 2022	311,892	—	(7,940)	—	303,952	January 3, 2030	$20.26	$6.10
April 1, 2022	1,728	—	—	—	1,728	April 3, 2030	$16.25	$6.51
	3,512,964	(1,366,150)	(236,757)	(1,319,588)	590,469		$27.41	

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

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

The vested options granted on December 28, 2014 due to expire on December 28, 2022 remain exercisable.

The following reconciles the share options outstanding:

	Fiscal 2022		Fiscal 2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,617,759	C$28.82	1,503,117	C$29.32
Granted during the period	313,620	C$20.24	261,168	C$24.73
Expired during the period	(21,322)	C$28.84	(110,449)	C$31.93
Exercised during the period	—	C$0.00	(36,077)	C$10.49
Balance at end of period	1,910,057	C$27.41	1,617,759	C$28.82

Fair values were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values of the share-based payment plans granted in Fiscal 2022 and Fiscal 2021 are the following:

Options grant date	**January 3, 2022**	**December 28, 2020**
Fair value at grant date (C$)	$6.10-$6.51	$6.28
Share price (C$)	$16.25-$20.26	$24.70
Exercise price (C$)	$16.25-$20.26	$24.70
Expected volatility	46.0%-47.9%	44.0 %
Option life (expected weighted average life)	5.5 years	5.5 years
Expected dividends	1.63%-3.77%	4.57 %
Risk-free interest rate (based on government bonds)	1.29%-2.45%	0.45 %

On May 8, 2014, shareholders' approved the Company's Restricted Share Unit Plan for Non-Employee Directors (the "Director RSU Plan"). The Director RSU Plan was amended and restated on December 8, 2015, December 31, 2017, March 14, 2019 and September 14, 2020. A maximum of 500,000 Shares are reserved for issuance under the Director RSU Plan. Pursuant to the Director RSU Plan, non-employee directors are permitted to elect, once each calendar year, to receive all or a portion of their annual retainer in the form of restricted share units ("Director RSUs") and/or DSUs instead of cash. A Director RSU is a right to acquire a fully-paid and non-assessable Share credited by means of a bookkeeping entry to an account in the name of the non-employee director.

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

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

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

	Number of Director RSUs
Balance – December 27, 2020	45,470
Director RSUs issued	37,926
Director RSUs exercised	(13,828)
Balance – January 2, 2022	69,568
Director RSUs issued	64,947
Director RSUs exercised	(24,374)
Balance – January 1, 2023	110,141

13. DEFERRED REVENUE

	January 1, 2023	January 2, 2022
Extended warranties	$ 25,835	$ 25,970
Progress payments	123,367	92,256
	149,202	118,226
Less: current portion of deferred revenue (note 9)	(128,426)	(98,408)
	$ 20,776	$ 19,818

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

14. PROVISIONS

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

The restructuring provision consists of employee termination benefits associated with the "NFI Forward" restructuring initiative that was announced on July 27, 2020 (note 29).

The Company generally provides its customers with a base warranty on the entire vehicle, a corrosion warranty on the related structure and a defect warranty on batteries.

The Company provides for onerous contracts when the unavoidable costs of meeting the contract are greater than the economic benefits expected to be received under it.

The movements in the provisions are as follows:

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

14. PROVISIONS (Continued)

	Insurance Risk Retention	Restructuring	Warranty	Onerous Contracts	Total
December 27, 2020	$ 23,179	3,706	$ 57,928	$ —	84,813
Additions	7,785	3,114	44,837	—	55,736
Amounts used/realized	(4,745)	(3,695)	(46,975)	—	(55,415)
Unused provision	(974)	(654)	—	—	(1,628)
Unwinding of discount and effect of changes in the discount rate	—	—	39	—	39
Exchange rate differences	(2)	14	92	—	104
January 2, 2022	$ 25,243	2,485	$ 55,920	$ —	$ 83,649
Additions	6,720	7,000	24,439	3,705	41,864
Amounts used/realized	(5,690)	(2,485)	(21,133)	(1,582)	(30,890)
Unused provision	(248)	—	—	(351)	(248)
Unwinding of discount and effect of changes in the discount rate	—	—	17	—	17
Exchange rate differences	4	—	(2,050)	14	(2,032)
	26,029	7,000	57,193	1,786	92,008
Less current portion (note 9)	1,022	—	17,900	1,786	20,708
January 1, 2023	$ 25,007	$ 7,000	$ 39,293	$ —	$ 71,300

15. DEFERRED TAXES AND INCOME TAX EXPENSE

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

	January 1, 2023	January 2, 2022
As presented on statements of financial position:		
Deferred tax assets	$ 17,665	$ —
Deferred tax liabilities	56,914	62,806
	$ 39,249	$ 62,806

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

	Fiscal 2022	Fiscal 2021
Beginning of period	$ (62,806)	$ (76,689)
Exchange rate differences	(598)	1,217
Tax recorded through net loss	27,612	12,874
Tax recorded through other comprehensive loss	(5,794)	(4,074)
Tax recorded through equity	2,337	3,866
End of period	$ (39,249)	$ (62,806)

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

15. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

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

Deferred tax liabilities	Property Plant and Equipment	Goodwill and Intangibles	Right of Use Assets	Other	Total
December 27, 2020	**(20,381)**	**(152,131)**	**(26,150)**	**(3,228)** $	(201,890)
Tax recorded through net loss	3,132	(497)	2,679	(5,743)	(429)
Cumulative translation adjustment	—	(113)	—	—	(113)
January 2, 2022	**(17,249)**	**(152,741)**	**(23,471)**	**(8,971)**	**(202,432)**
Tax recorded through net loss	8,148	8,027	(638)	(7,923)	7,614
Tax recorded through other comprehensive loss				79	79
Cumulative translation adjustment		2,337			2,337
January 1, 2023	**$ (9,101)**	**$ (142,377)**	**$ (24,109)**	**$ (16,815)**	**$ (192,402)**

Deferred tax assets	Reserves and accruals not currently deductible	Provisions	Right of Use Assets	Loss carry forward	Pension	Deferred Financing Costs and Interest	Other	Total
December 27, 2020	$ 27,803	$ 23,442	$ 28,109	$ 28,332	$ 6,811	$ 1,269	$ 9,435	$ 125,201
Tax recorded through net loss	(10,464)	(5,079)	(2,410)	18,184	1,148	10,217	1,707	13,303
Tax recorded through other comprehensive loss	—	—	—	—	(4,074)	—	—	(4,074)
Tax recorded through equity	—	—	—	—	—	3,586	393	3,979
Exchange rate differences	285	233	280	282	68	13	56	1,217
January 2, 2022	$ 17,624	$ 18,596	$ 25,979	$ 46,798	$ 3,953	$ 15,085	$ 11,591	$ 139,626
Tax recorded through net loss	(5,504)	3,112	1,368	8,191	1,937	12,606	(1,712)	$ 19,998
Tax recorded through other comprehensive loss	—	—	—	—	(5,873)	—	—	$ (5,873)
Exchange rate differences	(75)	(79)	(110)	(196)	(17)	(66)	(55)	$ (598)
January 1, 2023	$ 12,045	$ 21,629	$ 27,237	$ 54,793	$ —	$ 27,625	$ 9,824	$ 153,153

Deferred income tax assets are recognized to the extent it is probable that sufficient future taxable income will be available to allow a deferred tax asset to be utilized. At January 1, 2023, the Company has recognized all of its deferred income tax assets with the exception of: loss carry forwards in Canada - $11,131, restricted interest in the UK - $9,663, and $8,681 of U.S. excess foreign tax credits that will likely not be applied against U.S. income tax otherwise payable.

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

15. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

At January 1, 2023 the Company has the following tax credit and loss pools expiring as follows:

	United States		Canada	Other
	Tax Credits	Tax Losses	Tax Losses	Tax Losses
2023-2027	—	480	—	—
2028	1,003	96	—	—
2029	—	96	—	—
2030	5,373	68	—	—
2031	2,305	—	—	—
2032	—	—	—	—
2033	—	—	—	—
2034-2037	—	—	307	—
2038	—	—	11,099	—
2039	—	—	24,271	—
2040	—	—	20,972	—
2041	—	—	10,675	—
2042	—	—	49,341	—
No expiry	—	39,570	—	145,546

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

	Fiscal 2022	Fiscal 2021
Earnings before income tax expense	$ (325,184)	$ (4,928)
Tax calculated using a 21% U.S. tax rate	(68,289)	(1,035)
Tax effect of:		
Withholding and other taxes	(539)	1,732
Non-taxable income	(1,473)	(2,523)
Non-deductible impairment loss on goodwill	21,819	—
Derecognition of previously recognized assets	20,794	—
Revision of tax estimates	1,039	2,762
Foreign exchange impact	3,899	(1,266)
State taxes	(8,276)	2,578
Impact of rate change on deferred income taxes	(1,854)	2,669
Foreign tax credit pools and base erosion and anti-abuse tax	(17,750)	4,889
Rate differential on income taxed at other than U.S. statutory rate	3,186	(17)
Other	23	(233)
Income tax expense	$ (47,421)	$ 9,556

Current income tax (recovery) expense	$ (19,809)	$ 22,430
Deferred income tax recovery	(27,612)	(12,874)
Income tax expense for the period	$ (47,421)	$ 9,556

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

16. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value January 1, 2023**	Net Book Value January 2, 2022
Revolving Credit Facility, Secured (“Credit Facility”)	882,000	3,275	878,725	586,649
Revolving Credit Facility, Secured ("UK Facility")	18,295	394	17,901	(238)
	900,295	3,669	896,626	586,411
Less current portion	18,295	394	17,901	—
	882,000	3,275	878,725	586,411

The Credit Facility has a total borrowing limit of $1 billion, which includes a $100 million letter-of-credit facility. At January 1, 2023, the Credit Facility included a $25 million minimum liquidity requirement. $22.5 million of outstanding letters-of-credit were drawn against the Credit Facility at January 1, 2023. The Credit Facility bears interest at a rate equal to LIBOR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates and matures on August 2, 2024.

The UK facility has a total borrowing limit of £40 million to support ADL's operations in the UK. Amounts drawn under the UK Facility bear interest at a rate equal to LIBOR plus an applicable margin. The UK Facility matures on June 30, 2023.

On December 29, 2022, the Company amended the Credit Facility and the UK Facility (together the "amended facilities"). The amended facilities provide the Company with certain covenant relief until June 30, 2023 as it recovers from the impacts of COVID-19 pandemic, and the related global supply chain disruptions.

Subsequent to January 1, 2023, the Company entered into a new long-term debt agreement. (Note 30)

17. CONVERTIBLE DEBENTURES

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

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

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

	Face Value	Unamortized Transaction Costs	**Net Book Value January 1, 2023**	Net Book Value January 2, 2022
Convertible Debt	224,516	8,004	216,512	225,768
Cash Conversion Option	5,150	—	5,150	20,618
	229,666	8,004	221,662	246,386

18. SHARE CAPITAL

	January 1, 2023	January 2, 2022
Authorized - Unlimited		
Issued - 77,155,016 Common Shares (January 2, 2022: 77,130,747)	$ 988,218	$ 987,943

18. SHARE CAPITAL (Continued)

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

Shares	Number (000s)		Net Book Value
Balance – January 2, 2022	77,131	$	987,943
Director RSUs exercised	24		275
Balance – January 1, 2023	77,155	$	988,218

19. LOSS PER SHARE

		Fiscal 2022		Fiscal 2021
Net loss attributable to equity holders	$	(277,763)	$	(14,484)
Weighted average number of Shares in issue		77,144,445		70,039,835
Weighted average number of Shares for diluted earnings per Share		77,144,445		70,039,835
Net loss per Share (basic)	$	(3.6006)	$	(0.2068)
Net loss per Share (diluted)	$	(3.6006)	$	(0.2068)

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

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

20. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash inflow (outflow)		Fiscal 2022		Fiscal 2021
Accounts receivable	$	26,964	$	22,555
Income tax receivable		(1,463)		(5,517)
Inventories		(160,939)		86,480
Prepaid expenses and deposits		(9,655)		5,760
Accounts payable and accrued liabilities		8,239		(64,576)
Income tax payable		—		1,104
Deferred revenue		35,788		3,164
Provisions		8,358		(1,164)
Other		(3,461)		(1,982)
	$	(96,169)	$	45,824

21. DEFINED CONTRIBUTION PENSION PLANS

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

		Fiscal 2022		Fiscal 2021
Defined contribution pension expense	$	10,963	$	10,270

Cash payments contributed by the Company during Fiscal 2022 for its defined benefit plans and defined contribution pension plans amounted to $15.2 million (2021: $13.8 million).

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Fair value measurement of financial instruments

The Company has made the following classifications:

Cash	Fair value through profit or loss
Restricted deposit	Fair value through profit or loss
Receivables	Amortized cost
Deposits	Amortized cost
Accounts payables and accrued liabilities	Amortized cost
Convertible Debt	Amortized cost
Other long-term liabilities	Amortized cost
Long-term debt	Amortized cost
Derivative financial instruments	Fair value through profit or loss

(b) Fair value measurement of financial instruments

The Company categorizes its fair value measurements of financial instruments recorded at fair value according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 - fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 - fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable market data.

Level 3 - fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable data, including assumptions about risk.

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

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	January 1, 2023				
	Fair value level		Carrying amount		Fair value
Financial assets recorded at fair value					
Cash	Level 1	$	49,987	$	49,987
Long-term restricted deposit	Level 1	$	25,351	$	25,351
Foreign exchange forward contracts	Level 2	$	1,720	$	1,720
Derivative financial instrument assets - current		$	1,720	$	1,720
Interest Rate Swap	Level 2	$	27,800	$	27,800
Derivative financial instrument asset - long term		$	27,800	$	27,800
Financial liabilities recorded at fair value					
Equity Hedge	Level 2	$	2,837	$	2,837
Derivative financial instrument liabilities - current		$	2,837	$	2,837
Cash Conversion Option	Level 2		5,150	$	5,150
Equity Hedge	Level 2	$	917	$	917
Derivative financial instrument liabilities - long term			6,067	$	6,067

	January 2, 2022				
	Fair value level		Carrying amount		Fair value
Financial assets recorded at fair value					
Cash	Level 1	$	77,318	$	77,318
Long-term restricted deposit	Level 1	$	30,712	$	30,712
Foreign exchange forward contracts	Level 2	$	442	$	442
Derivative financial instrument assets - current		$	442	$	442
Financial liabilities recorded at fair value					
Total return swap contracts	Level 2	$	1,799	$	1,799
Derivative financial instrument liabilities - current		$	1,799	$	1,799
Interest rate swap	Level 2	$	30,526	$	30,526
Cash Conversion Option	Level 2	$	20,618	$	20,618
Derivative financial instrument liabilities - long term		$	51,144	$	51,144

(c) Risk Management

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

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market risk (interest rate risk and foreign currency risk)

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk, equity price risk and foreign currency risk, affect the fair values of financial assets and liabilities. The Company uses derivative financial instruments including interest rate swaps, foreign exchange options and forwards foreign exchange contracts to manage its risks associated with potentially adverse changes in interest rates and foreign exchange rates. These instruments are financial contracts whose values depends on interest rates and foreign currency prices. The use of derivatives allows the transfer, modification and reduction of current and expected risks, including interest rate, foreign exchange and other market risks. The Company uses derivative financial instruments to manage interest rate and foreign exchange risks in accordance with its risk management policies.

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

Interest rate risk

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

The interest rate swap is subject to interest rate risk. As an illustration, if the interest rates as at the date of the consolidated statements of financial position date had been 100 basis points lower, with all other variables held constant, net loss and comprehensive loss for Fiscal 2022 would have been higher by $6.1 million (Fiscal 2021: $11.8 million), arising mainly as a result of the related fair value adjustment recorded due to lower interest rate. If interest rates had been 100 basis points higher, with all other variables held constant, net loss and comprehensive loss for Fiscal 2022 would have been lower by $6.1 million (Fiscal 2021: $11.8 million), arising mainly as a result of the related fair value adjustment recorded due to higher interest rate. The fair value adjustments have a greater impact than the interest charged, as the Company is over hedged as it relates to the swap position.

On February 13, 2019, the Company blended the unrealized gain from the existing swap into a $600 million amortizing notional interest rate swap designed to hedge floating rate exposure on the Credit Facility. The interest rate swap fixes the interest rate at 2.27% plus applicable margin until October 2023. The notional value of the swap as at January 1, 2023 was $540 million.

On July 9, 2020, the Company entered into a $200 million amortizing notional interest rate swap designed to hedge floating rate exposure on its Credit Facility. The interest rate swap fixes the interest rate at 0.243% plus applicable margin until July 2025. The swap begins amortizing on January 9, 2023 at a rate of $20 million per annum.

Equity price risk

The Company entered into a total return swap transaction to hedge the exposure associated with increases in value of its Shares on a portion of the outstanding PSUs, RSUs and DSUs. The total return swap has a re-investment feature which increases the number of Shares in the swap when dividends are paid by the Company. As at January 1, 2023 the Company held a position of 259,812 Shares at a weighted average price of C$28.68.

To mitigate the impact to the statement of net loss of a change in the Company's share price, a derivative instrument was entered into for each of the years 2020, 2021, and 2022 RSU grants, which fixes the cost of the initial grant for the Company. Any changes in fair value will either be paid to the counterparty or be paid to the Company by the counterparty at the vesting date. This derivative fixes the cost to the Company and does not impact the variability of the award received by the participant. The derivative financial instrument hedges the exposure to variability in cash flow associated with the future settlement of restricted shares issued under the Restricted Share Plan that would impact profit or loss and therefore qualifies as a cash flow hedge. On a combined basis, the initial grant date fair value for the 2020, 2021, and 2022 programs was $4,148. The instruments are classified as a long-term financial liability of $3,754 (2021:$1,799) and are recorded as a separate line within other comprehensive income.

Hedging gains and losses are reclassified from other comprehensive income to the consolidated statement of net loss to the extent effective. Accordingly, $287 was reclassified from other comprehensive income in Fiscal 2022 (Fiscal 2021: $nil). No hedge ineffectiveness was recorded during 2021 or 2020.

Foreign currency risk

The U.S. dollar is the Company's functional currency. Fluctuations in the exchange rate between the U.S. dollar, Canadian dollar and GBP will affect the Company's reported results. However, the impact of changes in foreign exchange rates on the Company's reported results differ over time depending on whether the Company is generating a net cash inflow or outflow of Canadian dollars and GBP.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

This is largely dependent on the Company's revenue mix by currency as operating costs denominated in Canadian dollars and GBP have been historically relatively stable.

During Fiscal 2022, the Company generated a net outflow of Canadian dollars. As a matter of policy, the Company enters into foreign exchange forward contracts to protect the expected net Canadian dollar exposure from exchange fluctuation. The Company recorded a net realized foreign exchange gain of $5.2 million during Fiscal 2022 (Fiscal 2021: $15.6 million). This was comprised of a $4.1 million gain on settlement of foreign exchange contracts and a $1.1 million foreign currency gain on translation of Canadian dollar denominated working capital and dividends.

At January 1, 2023, the Company had $50 million of foreign exchange forward contracts to buy currencies in which the Company operates (U.S. dollars, Canadian dollars, or GBP). These foreign exchange contracts range in expiry dates from April 2023 to July 2023. The related asset of $1.7 million (January 2, 2022: $0.4 million) is recorded on the statements of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the consolidated statements of net loss and comprehensive loss.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily Canadian dollar balances. As an illustration, at January 1, 2023 if the Canadian dollar had weakened 10 percent against the U.S. dollar, with all variables held constant, net loss for Fiscal 2022 would have been lower by $13.9 million (Fiscal 2021: $18.3 million). Conversely, if the Canadian dollar had strengthened 10 percent against the U.S. dollar, with all other variables held constant, net loss would have been higher by $17.0 million for Fiscal 2022 (Fiscal 2021: $22.3 million).

(d) Liquidity Management

The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At January 1, 2023 the Company had a cash balance of $50.0 million (January 2, 2022: $77.3 million), $882.0 million drawn under the Credit Facility due in 2024 (January 2, 2022: $586.6 million), $18.3 million drawn under the UK Facility (January 2, 2022: $nil), and $22.5 million of outstanding letters of credit (January 2,2022: $11.8 million). In addition, as at January 1, 2023 there are $43.6 million of the letters of credit outstanding outside of the Credit Facility. The Credit Facility has a total borrowing limit of $1.0 billion, which includes a $100 million letter-of-credit facility. The UK Facility has a total borrowing limit of £40.0 million. The liquidity position as at January 1, 2023 is $173.5 million, without consideration given to the minimum liquidity requirement under the amended facilities of $25 million.

The Company's principal sources of funds are cash generated from its operating activities, share and other issuances and borrowing capacity remaining under the credit facilities.

At January 1, 2023, as a result of ongoing supply chain disruptions, the Company expects to be unable to comply with certain of its financial covenants under the terms of its credit facilities beginning on July 1, 2023.

The Company believes that through its action plan (Note 2.1) and in working with its banking partners, it can obtain the long-term credit arrangements that provide appropriate capacity and covenants matched to the Company's anticipated financial performance and recovery. The Company believes that, its cash position and capacity under its existing credit facilities, and the long-term credit arrangements it expects to achieve together with anticipated future cash flows and access to capital markets, will be sufficient to fund operations, meet financial obligations as they come due, and provide the funds necessary for capital expenditures, and other needs for the foreseeable future.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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

	Total Leverage Ratio	**Interest Coverage Ratio**	**Total Net Debt to Capitalization**	**Minimum Cumulative Adjusted EBITDA**	**Minimum Liquidity**
January 1, 2023	Waived	Waived	Waived	Waived	$25,000
January 2, 2023 - March 31, 2023	Waived	Waived	<0.62:1.00	>($28,000)	$25,000
April 1, 2023 - April 30, 2023	Waived	Waived	<0.62:1.00	>($31,000)	$25,000
May 1, 2023 - May 31, 2023	Waived	Waived	<0.62:1.00	>($35,000)	$25,000
June 1 - June 30, 2023	Waived	Waived	<0.62:1.00	>($35,000)	$25,000
July 3, 2023 - October 1, 2023	<4.50	>2.00	N/A	N/A	$25,000
October 2, 2023 - December 31, 2023	<4.00	>2.50	N/A	N/A	$25,000
January 1, 2024 and thereafter	<3.75	>3.00	N/A	N/A	$25,000

The calculation of the liquidity position, without consideration given to the minimum liquidity requirements under the Amended Facilities at January 1, 2023 is provided below. As at January 1, 2023, the Company was in compliance with the requirements under the Amended Facilities.

US dollars in thousands	**January 1, 2023**	January 2, 2022
Liquidity Position (must be greater than $25 million[2021: must be greater than $50 million])	$ 173,507	$ 794,332

Compliance with financial covenants under the Amended Facilities is reported quarterly to the Board. Other than the requirements imposed by letters of credit collateral (note 8) and borrowing agreements, the Company is not subject to any externally imposed capital requirements. Capital management objectives are reviewed on an annual basis or when strategic capital transactions arise.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at January 1, 2023:

US dollars in thousands	**Total**	**2023**	**2024**	**2025**	**2026**	**2027**	**Post 2027**
Leases	208,795	25,533	20,558	16,013	13,875	12,223	120,593
Accrued benefit liability	3,700	3,700	—	—	—	—	—
	$ 212,495	$ 29,233	$ 20,558	$ 16,013	$ 13,875	$ 12,223	$ 120,593

(e) Credit risk

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

	January 1, 2023	January 2, 2022
Current, including holdbacks	$ 344,920	$ 375,012
Past due amounts but not impaired		
1 – 60 days	15,931	15,857
Greater than 60 days	5,480	5,892
Less: Allowance for doubtful accounts	(107)	(270)
Total accounts receivables, net	$ 366,224	$ 396,491

As at January 1, 2023, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(f) Capital management

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

23. SEGMENT INFORMATION

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

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

The Manufacturing Operations segment has recorded vendor rebates of $235 (2021: $266), which have been recognized into earnings during 2022, but for which the full requirements for entitlement to these rebates have not yet been met.

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

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

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

Segment information about profits and assets is as follows:

	Fiscal 2022			
	Manufacturing Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 1,568,761	$ 485,172	—	$ 2,053,933
Operating costs and expenses	1,925,707	418,170	35,240	2,379,117
(Loss) earnings before income tax expense	(356,946)	67,002	(35,240)	(325,184)
Total assets	1,801,272	485,263	302,735	2,589,270
Addition of capital expenditures	21,169	202	—	21,371
Addition of goodwill and intangibles assets	10,212	—	—	10,212
Impairment loss on goodwill	(103,900)	—	—	(103,900)
Indefinite-life intangible assets	248,175	18,959	—	267,134
Goodwill	221,942	187,761	—	409,703

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

23. SEGMENT INFORMATION (Continued)

	Fiscal 2021			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 1,869,766	$ 474,028	—	$ 2,343,794
Operating costs and expenses	1,915,870	390,698	42,154	2,348,722
(Loss) earnings before income tax expense	(46,104)	83,330	(42,154)	(4,928)
Total assets	1,812,254	480,759	306,607	2,599,620
Addition of capital expenditures	32,116	1,398	—	33,514
Addition of goodwill and intangibles assets	2,748	—	—	2,748
Indefinite-life intangible assets	248,175	18,959	—	267,134
Goodwill	336,870	191,713	—	528,583

The Company's revenue by geography is summarized below:

	Fiscal 2022	Fiscal 2021
North America	$ 1,554,952	$ 1,776,248
UK and Europe	440,843	440,500
Asia Pacific	58,138	127,046
Other	—	—
Total	$ 2,053,933	$ 2,343,794

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

	Fiscal 2022	Fiscal 2021
Transit buses	$ 1,212,508	$ 1,429,462
Motor coaches	296,226	361,579
Medium-duty and cutaway buses	31,778	35,357
Pre-owned coach	12,773	20,713
Infrastructure solutions	8,498	17,598
Fiberglass reinforced polymer components	6,978	5,057
Manufacturing revenue	$ 1,568,761	$ 1,869,766

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

24. RELATED PARTY TRANSACTIONS

Compensation of key management

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

	Fiscal 2022	Fiscal 2021
Salaries and short-term employee benefits	$ 10,412	$ 11,775
Post-employment benefits	554	619
Share-based payment benefits	492	2,144
	$ 11,458	$ 14,538

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

25. COMMITMENTS AND CONTINGENCIES

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

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

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at January 1, 2023 range from February 2023 to December 2039.

At January 1, 2023, outstanding surety bonds guaranteed by the Company totaled $375.6 million (January 2, 2022: $375.9 million). The Company has not recorded any liability under these guarantees, as management believes that no material events of default exist under any contracts with customers.

(c) The Company has a letter of credit sub-facility of $100.0 million as part of the Credit Facility (January 2, 2022: $100.0 million). As at January 1, 2023, letters of credit totaling $24.5 million (January 2, 2022: $11.8 million) remain outstanding as security for contractual obligations of the Company under the Credit Facility.

As at January 1, 2023, letters of credit in the UK totaling $18.3 million were outstanding as security obligations of the Company outside of the UK facility (January 2, 2022: $40.6 million). Additionally, there are $25.3 million (January 2, 2022: $25.3 million) of letters of credit outstanding outside of the Credit Facility.

As at January 1, 2023, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

(d) Through the normal course of operations, the Company has guaranteed payments and residual values to third party lenders on behalf of customers. As at January 1, 2023, the Company had guaranteed $2.8 million of these arrangement. The Company has not provided for any of these costs, as it does not believe they will have to pay out on any of these arrangements.

26. GUARANTEES

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

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

27. SUPPLEMENTARY EXPENSE INFORMATION

	Fiscal 2022	Fiscal 2021
Employee salary and benefit expenses	$ 404,511	$ 412,616
Depreciation of plant and equipment	57,013	64.368
Amortization of intangible assets	31,482	32.786

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

28. GOVERNMENT GRANTS

On March 27, 2020, the Canada Emergency Wage Subsidy ("CEWS") program was introduced by the Government of Canada, reimbursing eligible employers who have experienced the required reduction in revenue for a portion of wages paid to employees during the COVID-19 pandemic. As of October 2021, the Company was no longer eligible for the CEWS program.

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

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

On September 27, 2020, the Canada Emergency Rent Subsidy ("CERS") program was introduced by the Government of Canada, reimbursing eligible employers who have experienced the required reduction in revenue for a portion of their commercial rent or property expenses during the COVID-19 pandemic. The CERS program ended on October 23, 2021.

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

The claims submitted or expected to be submitted under the CEWS, CJRS and CERS programs are included on the Company's consolidated statements of net loss and comprehensive loss as follows:

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

28. GOVERNMENT GRANTS (Continued)

	Fiscal 2022	Fiscal 2021
Canada Emergency Wage Subsidy (CEWS)		
Cost of sales	—	43,116
Selling, general and administration costs and other operating expenses	—	6,716
Total	—	49,832
Coronavirus Job Retention Scheme (CJRS)		
Cost of sales	—	5,266
Selling, general and administration costs and other operating expenses	—	107
Total	—	5,373
Canada Emergency Rent Subsidy (CERS)		
Selling, general and administration costs and other operating expenses	—	1,236
Total	—	1,236
Total government grants - cost of sales	—	48,382
Total government grants - selling, general and administration costs and other operating expenses	—	8,059
Total government grants	—	56,441

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

	January 1, 2023	January 2, 2022
Canada Emergency Wage Subsidy (CEWS)	—	1,183
Canada Emergency Rent Subsidy (CERS)	—	53
Total	—	1,236

29. RESTRUCTURING

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

With the majority of the original projects completed, the Company is now implementing a series of additional projects called "NFI Forward 2.0", that are expected to generate additional savings in 2023 and beyond. Within NFI Forward 2.0, the Company completed a detailed review of its remaining North American footprint with a view to match production capacity and facility investments to customer demand, local labor availability and zero-emission fleet investment plans. The items included in net loss for NFI Forward and NFI Forward 2.0 are as follows:

	Fiscal 2022	Fiscal 2021
Employee termination benefits	$ 1,116	$ 4,284
Right-of-use asset and property, plant and equipment impairments	6,213	1,169
Write-down of inventory to net realizable value	1,574	4,725
Pension liability	7,000	681
Other	3,139	1,294
Total restructuring costs	$ 19,042	$ 12,153

30. SUBSEQUENT EVENT

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

The Government of Manitoba Facility and EDC supply chain financing facility both have one-year terms with options to extend for up to an additional 24 months, subject to approval by the lender and the Company. The EDC bonding support facility has a one-year term for each new contract, subject to annual renewals. Interest payments under these facilities are based on base rate plus applicable margin.

The Company has determined that this event is a non-adjusting subsequent event. Accordingly, the financial position and results of operations as of, and for the 52-weeks ended January 1, 2023 have not been adjusted to reflect these agreements.