



Financial Results 2026 First Quarter

May 7, 2026

Notes to readers

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 52-WEEKS ENDED March 29, 2026.

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of NFI Group Inc. and its subsidiaries (collectively referred to as "NFI" or the "Company") is supplemental to, and should be read in conjunction with, NFI's unaudited interim condensed consolidated financial statements (including notes) (the "Financial Statements") for the 13-week and 52-week period ended March 29, 2026 and has been prepared as of May 7, 2026.

This MD&A contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such forward-looking statements, including, but not limited to, the factors described in the Company's public filings available on SEDAR+ at www.sedarplus.ca. See "Forward-Looking Statements" in Appendix A. The Financial Statements have been prepared in accordance with IFRS® Accounting Standards 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 Accounting Standards and references to "\$" or "dollars" mean U.S. dollars, "C\$" means Canadian dollars, and "GBP" and "£" mean British Pounds Sterling.

QUARTERLY AND ANNUAL REPORTING PERIODS

The quarterly and annual reporting periods for Fiscal 2026 and Fiscal 2025 are as follows:

Period from December 29, 2025 to December 27, 2026 ("Fiscal 2026")				Period from December 30, 2024 to December 28, 2025 ("Fiscal 2025")			
	Period End Date		# of Calendar Weeks		Period End Date		# of Calendar Weeks
Quarter 1	March 29, 2026	("2026 Q1")	13	Quarter 1	March 30, 2025	("2025 Q1")	13
Quarter 2	June 28, 2026	("2026 Q2")	13	Quarter 2	June 29, 2025	("2025 Q2")	13
Quarter 3	September 27, 2026	("2026 Q3")	13	Quarter 3	September 28, 2025	("2025 Q3")	13
Quarter 4	December 27, 2026	("2026 Q4")	13	Quarter 4	December 28, 2025	("2025 Q4")	13
Fiscal year	December 27, 2026		52	Fiscal year	December 28, 2025		52

Specific references and definitions are used throughout this MD&A that are not defined terms under IFRS and do not have standard meanings, so may not be a reliable way to compare NFI to other companies. Non-IFRS measures in this MD&A have been denoted with an "NG". Please see the "Non-IFRS and Other Financial Measures" section. References to "LTM" mean last-twelve months. References to North America mean the United States of America and Canada. Measures that are considered to provide information that lacks significance or meaningful analysis have been denoted with "N.M." to signify "not meaningful".

Notes to readers

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

The Manufacturing Operations segment derives its revenue from the design, manufacture, service and support of new transit buses ("Transit"), motorcoach ("Motorcoach"), medium-duty and low-floor cutaway buses ("Medium-Duty and Cutaway"), and the installation of infrastructure for electric vehicles and the third-party sales of fiberglass reinforced polymer components. Based on management's judgment and applying the aggregation criteria in IFRS 8.12, the Company's bus/motorcoach 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, Motorcoach and Medium-Duty and Cutaway, both for the Company's and third-party products.

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

Zero-emission buses ("ZEBs") refers to vehicles that do not have internal combustion engines. In the case of NFI, ZEBs include trolley-electric, hydrogen fuel cell-electric, and battery-electric buses and motorcoaches. All of the data presented in this MD&A with respect to the number of transit buses, medium-duty buses, cutaways and motorcoaches 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 motorcoach, as the case may be, whereas one articulated transit bus represents two EUs as it takes up two production slots. 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.

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

NFI's mobility solutions

Workforce Development + Training



Institute



MCI Academy
Training for Advancing Technology



Learning
Institute

Infrastructure Solutions



Financing



Buses + Coaches



Connected Vehicles + Diagnostics



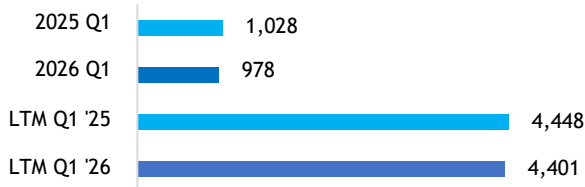
Parts, Publications + Service



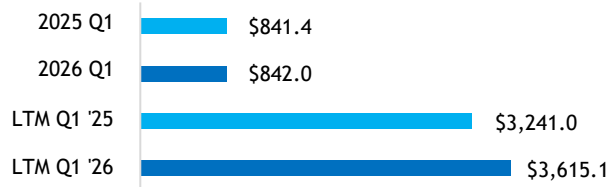
nfi.parts

Key Performance Indicators

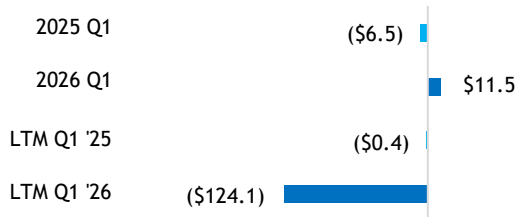
Deliveries (EUs)



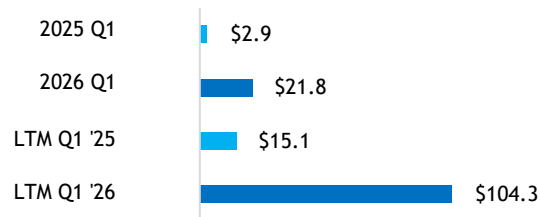
Revenue (\$ millions)



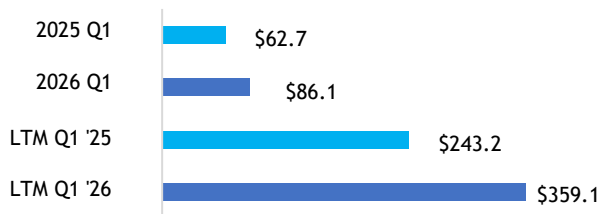
Net (Loss) Earnings (\$ millions)



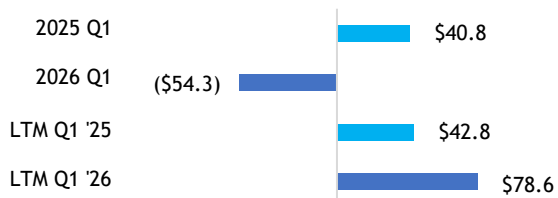
Adjusted Net Earnings^{NG} (\$ millions)



Adjusted EBITDA^{NG} (\$ millions)



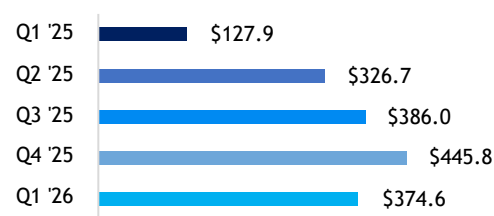
Net cash generated by (used in) operating activities (\$ millions)



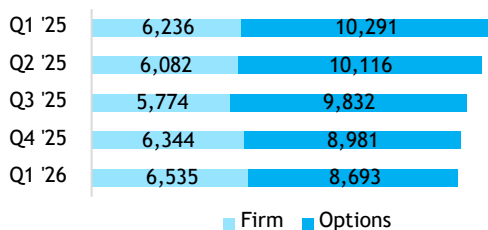
Working Capital Days^{NG}



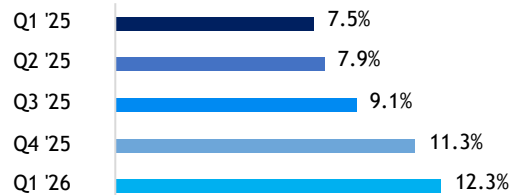
Liquidity^{NG} (\$ millions)



Backlog^{NG} (EUs)



ROIC^{NG}



2026 Q1 Highlights

During the first quarter of 2026, NFI achieved year-over-year improvement in various key operational and financial metrics, including gross margin, net earnings, Free Cash Flow^{NG}, Adjusted Net Earnings^{NG} and Adjusted EBITDA^{NG}. The Company saw significant improvement in its manufacturing segment profitability, plus it ended with a backlog^{NG} worth just over \$13 billion.

First Quarter Highlights

- **Deliveries:** 978 equivalent units ("EUs"), with 19.9% being battery- and fuel cell-electric buses ("ZEBs")
- **Revenue:** \$842.0 million, relatively flat year-over-year
- **Gross Margin:** \$132.3 million, an increase of 40.8% year-over-year, positively impacted by higher margin units being delivered from backlog^{NG}
- **Net Earnings:** \$11.5 million, an increase of \$18.0 million year-over-year
- **Adjusted Net Earnings^{NG}:** \$21.8 million and Adjusted Net Earnings^{NG} per Share of \$0.18, an improvement of \$18.9 million year-over-year
- **Net cash used in operating activities:** \$54.3 million, negatively impacted by changes in working capital items and interest and tax expenses
- **Adjusted EBITDA^{NG}:** \$86.1 million, an increase of 37.3% year-over-year
- **Backlog^{NG}:** Approximately \$13.0 billion (6,535 EUs firm and 8,693 EUs options), down 4.7% year-over-year on a dollar basis; ZEBs represent 32.8% of total backlog^{NG} EUs
- **ROIC^{NG}:** increased to 12.3%, up from 7.5% in 2025 Q1
- **Liquidity^{NG}:** \$374.6 million, an increase of \$246.7 million from 2025 Q1

Outlined below are several key events that occurred during the first quarter that impacted NFI's quarterly financial results. Full details are provided in the reconciliation tables.

North American Battery Recall Campaign

In March 2026, NFI began detailed work on its battery recall campaign through its service center network in North America. In total, 12 buses had batteries replaced and returned to customers. NFI expects to replace the batteries in approximately 700 buses through the recall campaign.

During the quarter, NFI incurred cash outflows of \$2.5 million related to the replacement of batteries under the recall. This was recorded as a reduction in the Company's provision for the recall campaign and is reflected on the consolidated cash flow statement. See NFI's MD&A dated March 11, 2026 for more details around the Battery Recall and Battery Settlement.

Market Demand

During the quarter NFI reported the following (see Appendix B for additional details):

- On an LTM basis, NFI reported new orders of 3,577 EUs reflecting continued demand within NFI's markets.
- Forward demand metrics remained strong in 2026 Q1 with 5,643 EUs in bids submitted to customers, 822 EUs in bids in process, and 26,003 EUs in the Company's forecasted five-year North American industry procurement.
- NFI's backlog^{NG}, with a combined value of just over \$13.0 billion, is down 4.7% on a dollar value year-over-year.
- The Company also had 591 EUs in bid awards pending (where NFI had received notification of award from the customer, but formal purchase order documentation had not yet been finalized) as at the end of 2026 Q1. The combination of pending awards and active bids is expected to position NFI for new additions to its backlog^{NG}

In early April, New Flyer announced that the San Diego Metropolitan Transit System has exercised an option to purchase an additional 50 forty-foot and 23 sixty-foot Xcelsior® compressed natural gas heavy-duty transit buses. The order comes in the fourth year of a five-year contract originally announced in 2022. This latest purchase, valued at approximately \$64 million including 96 equivalent units, was added to NFI's firm backlog for the fourth quarter of 2025.

The Company also continues to focus on growing its NFI Infrastructure Solutions™ business to assist customers in assessing their charging infrastructure requirements and to manage infrastructure procurement and project installation. Since its inception, Infrastructure Solutions™ has been responsible for the delivery of 555 depot plug-in (including the first 1440 KW charger, which is the equivalent of 10 individual chargers), 85 depot overhead, and 59 on-route charger projects units, for a total of 118.2 megawatts ("MW") charging capacity with 1,143 dispensers, for 75 different customers and the first hydrogen fueling station turnkey project. In 2026, Infrastructure Solutions™ is scheduled to deliver nine depot plug-in, and three on-route chargers for a total of 3.7 MW. Infrastructure Solutions™ has 27 active projects under contract. Recent reductions in ZEB demand may lower overall opportunities for NFI Infrastructure Solutions™ as certain transit agencies delay electrification projects.

Financial Results

NFI's first quarter of 2026 saw another strong quarter of performance in the Manufacturing segment as the Company benefited from favourable sales mix as it executed on its improved backlog.

The Aftermarket segment delivered a strong quarterly contribution with revenue growth, somewhat negatively impacted by sales mix and tariffs.

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

Deliveries (EUs)	2026 Q1	2025 Q1	% Change	2026 Q1 LTM	2025 Q1 LTM	% Change
Transit Bus	647	732	(11.6 %)	2,935	3,149	(6.8 %)
Motorcoach	136	134	1.5 %	672	661	1.7 %
Medium-Duty and Low-Floor Cutaway	195	162	20.4 %	794	638	24.5 %
New vehicle deliveries	978	1,028	(4.9 %)	4,401	4,448	(1.1 %)
Pre-owned coach	12	27	(55.6 %)	89	98	(9.2 %)
Zero-emission deliveries (included in the above totals)	195	348	(44.0 %)	1,173	1,183	(0.8 %)
Zero-emission deliveries as a percentage of total new vehicle deliveries	19.9 %	33.9 %	(41.3 %)	26.7 %	26.6 %	0.2 %

Revenue (\$ millions)	2026 Q1	2025 Q1	% Change	2026 Q1 LTM	2025 Q1 LTM	% Change
Transit Bus	537.9	550.3	(2.3 %)	2,309.3	2,029.4	13.8 %
Motorcoach	103.2	97.2	6.2 %	497.6	442.3	12.5 %
Medium-Duty and Low-Floor Cutaway	28.8	23.6	22.2 %	115.0	83.1	38.4 %
Total new vehicle revenue	669.9	671.1	(0.2 %)	2,921.9	2,554.8	14.4 %
Pre-owned coach	3.5	3.7	(5.8 %)	18.8	16.4	14.5 %
Infrastructure Solutions TM	4.9	10.9	(54.7 %)	36.3	34.4	5.5 %
Fiberglass reinforced polymer components	3.1	3.1	(0.8 %)	11.3	11.3	0.3 %
Manufacturing revenue	681.4	688.8	(1.1 %)	2,988.3	2,616.9	14.2 %
Aftermarket revenue	160.6	152.6	5.3 %	626.8	624.1	0.4 %
Total revenue	842.0	841.4	0.1 %	3,615.1	3,241.0	11.5 %
North America	753.3	709.8	6.1 %	3,121.0	2,599.8	20.0 %
United Kingdom and Europe	80.8	122.7	(34.2 %)	454.4	600.3	(24.3 %)
Asia Pacific	7.9	8.9	(12.1 %)	39.7	40.9	(2.9 %)

In 2026 Q1, Manufacturing deliveries decreased by a total of 50 EUs, or 4.9 % from 2025 Q1. Transit deliveries decreased from 732 EUs to 647 EUs in 2026 Q1, a decrease of 85 EUs from 2025 Q1 primarily driven by lower UK deliveries. 2026 Q1 LTM Transit deliveries decreased to 2,935 EUs from 3,149 EUs for 2025 Q1 LTM, a decrease of 214 EUs. 2026 Q1 LTM Transit deliveries were impacted by the lower UK volumes, continuing seating supply challenges, and the Battery Recall in North America announced in 2025 Q3. Motorcoach deliveries increased from 134 EUs in 2025 Q1 to 136 EUs in 2026 Q1. 2026 Q1 LTM Motorcoach deliveries increased to 672 EUs from 661 EUs, an increase of 11 EUs. Medium-Duty and Cutaway deliveries increased to 195 EUs in 2026 Q1 from 162 EUs in 2025 Q1, an increase of 33 EUs. Medium-Duty and Cutaway deliveries increased to 794 EUs in 2026 Q1 LTM from 638 EUs in 2025 Q1 LTM, an increase of 156 EUs, primarily driven by heightened demand from Canadian transit agencies.

Overall, zero-emission Transit and Motorcoach deliveries for 2026 Q1 decreased by 44.0 % from 2025 Q1. ZEBs as a percentage of total new vehicle deliveries decreased to 19.9 % in 2026 Q1 from 33.9 % in 2025 Q1. 2026 Q1 LTM ZEB deliveries were 1,173 EUs compared to the 1,183 EUs in 2025 Q1 LTM. ZEBs as a percentage of total new vehicle deliveries for 2026 Q1 LTM was 26.7 %. Transit is the primary driver of ZEB deliveries with fewer electric propulsion Motorcoach deliveries and no ZEB Medium-Duty and Cutaway deliveries. The combination of lower overall Transit deliveries and certain North American Transit customers delaying or shifting their ZEB adoption plans negatively impacted the total ZEBs as a percentage of new vehicle deliveries.

Manufacturing revenue for 2026 Q1 decreased by \$7.4 million, or 1.1 %, compared to 2025 Q1. This decrease was due to fewer deliveries in Transit, offset by higher deliveries for both Motorcoach, and Medium-Duty and Cutaway. 2026 Q1 LTM manufacturing revenue increased by \$371.4 million, or 14.2 %. This increase was due to the higher average sales price for Transit and Motorcoach, offset by lower UK Transit deliveries.

Quarterly revenue of the Company's Infrastructure Solutions™ division was \$4.9 million for 2026 Q1, a decrease of \$6.0 million from 2025 Q1. The recent decrease in ZEB demand has lowered overall availability of new contracts as transit agencies delay electrification projects.

Aftermarket revenue for 2026 Q1 increased by \$8.0 million, or 5.3 %, compared to 2025 Q1. The increase was mainly related to increased public customer demand in North America.

Net earnings (loss)						
(\$ millions, except per Share amounts)	2026 Q1	2025 Q1	% Change	2026 Q1 LTM	2025 Q1 LTM	% Change
Manufacturing	33.8	7.2	N.M.	(9.9)	24.6	(140.2 %)
Aftermarket	27.5	26.7	2.9 %	101.3	113.5	(10.7 %)
Corporate	(49.8)	(40.5)	(22.9 %)	(215.6)	(138.5)	(55.7 %)
Net earnings (loss)	11.5	(6.5)	N.M.	(124.1)	(0.4)	N.M.
Adjusted net earnings^{NG}	21.8	2.9	N.M.	104.3	15.1	N.M.
Net earnings (loss) per Share	0.10	(0.05)	N.M.	(1.04)	(0.00)	N.M.
Adjusted net earnings per Share^{NG}	0.18	0.02	N.M.	0.88	0.13	N.M.

Adjusted EBITDA^{NG}						
(\$ millions)	2026 Q1	2025 Q1	% Change	2026 Q1 LTM	2025 Q1 LTM	% Change
Manufacturing	58.2	33.2	75.0 %	258.2	119.7	115.6 %
Aftermarket	33.3	33.0	0.6 %	124.5	135.1	(7.9 %)
Corporate	(5.3)	(3.6)	(48.9 %)	(23.6)	(11.6)	(103.9 %)
Total Adjusted EBITDA^{NG}	86.1	62.7	37.3 %	359.1	243.2	47.7 %

Adjusted EBITDA^{NG} as a percentage of revenue

Manufacturing	8.5 %	4.8 %	77.1 %	8.6 %	4.6 %	87.0 %
Aftermarket	20.7 %	21.7 %	(4.6 %)	19.9 %	21.6 %	(7.9 %)
Total	10.2 %	7.5 %	36.0 %	9.9 %	7.5 %	32.0 %

In 2026 Q1, Manufacturing operations experienced net earnings of \$33.8 million compared to net earnings of \$7.2 million in 2025 Q1. The increase in net earnings reflects the improved margin profile as the Company executed on its strong backlog. In 2026 Q1 Manufacturing operations achieved Adjusted EBITDA^{NG} of \$58.2 million, an increase of \$25.0 million, from 2025 Q1 Adjusted EBITDA^{NG}. The increase in Manufacturing Adjusted EBITDA^{NG} was primarily due to favourable sales mix as the Company executed on its strong backlog improving gross profit (or gross margin).

The decrease in 2026 Q1 LTM net earnings is mainly due to the provision recorded for the battery recall in 2025 Q3 ("Battery Recall"), net of the battery settlement recorded in 2025 Q4 ("Battery Settlement"). The earnings also reflect the impact of the lower deliveries from the UK over the period. In 2026 Q1 LTM, Manufacturing operations had a net loss of \$9.9 million compared to net earnings of \$24.6 million in 2025 Q1 LTM, a decrease in earnings of \$34.5 million. 2026 Q1 LTM Manufacturing operations achieved Adjusted EBITDA^{NG} of \$258.2 million, an increase of \$138.5 million, from 2025 Q1 LTM Adjusted EBITDA^{NG} of \$119.7 million. The increase in Manufacturing Adjusted EBITDA^{NG} is primarily attributable to the improved mix and higher gross margin per unit in 2026 Q1 LTM compared to 2025 Q1 LTM.

2026 Q1 Aftermarket segment net earnings increased by \$0.8 million, or 2.9 %, compared to 2025 Q1. In 2026 Q1, the Aftermarket segment had an Adjusted EBITDA^{NG} of \$33.3 million (a 0.6 %, year-over-year increase). 2026 Q1 LTM Aftermarket segment net earnings were \$101.3 million, a decrease of \$12.2 million, or 10.7 %, from \$113.5 million in 2025 Q1 LTM. 2026 Q1 LTM Aftermarket operations achieved Adjusted EBITDA^{NG} of \$124.5 million compared to \$135.1 million in 2025 Q1 LTM, a decrease of \$10.6 million or 7.9 %. The decrease in Aftermarket net earnings and decrease in Adjusted EBITDA^{NG} for 2026 Q1 LTM are primarily due to lower program revenues and tariff impacts, slightly offset by increased sales to public and private customers.

2026 Q1 Corporate net loss increased by \$9.3 million to \$49.8 million mainly due to realized foreign exchange losses, and an increase of share-based compensation and incentives expense compared to 2025 Q1. 2026 Q1 Corporate Adjusted EBITDA^{NG} decreased by \$1.9 million compared to 2025 Q1. The decrease in Corporate Adjusted EBITDA^{NG} was mainly due to same items that impacted Corporate net loss over the same period. 2026 Q1 LTM Corporate net loss increased by \$77.1 million. The increase in losses was mainly due to \$54.0 million from the non-recurring impact of the Company's debt refinancing that was completed in 2025 Q2. 2026 Q1 LTM Corporate Adjusted EBITDA^{NG} primarily decreased due to the same items that impacted quarterly results. Further discussion related to the impacts on Corporate net loss and Adjusted EBITDA^{NG} can be found in the results from operations section on page 16.

Net cash (used in) generated by operating activities and Free Cash Flow ^{NG} (\$ millions, except per Share amounts)	2026 Q1	2025 Q1	% Change	2026 Q1 LTM	2025 Q1 LTM	% Change
Net cash (used in) generated by operating activities	(54.3)	40.8	N.M.	78.6	42.8	83.6 %
Free Cash Flow ^{NG}	17.5	4.4	N.M.	80.8	8.1	N.M.
Free Cash Flow ^{NG} (CAD dollars)	23.9	6.3	N.M.	111.9	11.3	N.M.
Free Cash Flow per Share ^{NG} (CAD dollars)	0.20	0.05	N.M.	0.94	0.10	N.M.

Cash used in operating activities in 2026 Q1 was \$54.3 million compared to cash generated by operating activities of \$40.8 million in 2025 Q1, an increase of \$95.1 million. The increase in cash used in operating activities was primarily driven by investments in working capital stemming from higher inventory balances, including the addition of cells from the Battery Settlement, somewhat offset by lower receivable balances. In addition, the Company recorded \$9.6 million in cash outflows related to the Battery Recall campaign and had higher tax and interest payments. The 2026 Q1 LTM net cash generated by operating activities increased by \$35.8 million compared to 2025 Q1 LTM, primarily due to cash received from the Battery Settlement in 2025 Q4, lower cash interest payments, and increased cash from milestone billing, offset by increased income taxes paid.

Free Cash Flow^{NG} in 2026 Q1 increased by \$13.1 million, compared to 2025 Q1, mainly due to a higher net income for the period, offset by higher cash capital expenditures, and acquisition of intangible assets. Free Cash Flow^{NG} increased by \$72.7 million in 2026 Q1 LTM compared to 2025 Q1 LTM. The increase was due to the Battery Settlement, higher cash generated through operations, lower interest paid, and less acquisitions of intangible assets, offset by an increase in income taxes paid.

	2026 Q1	2025 Q4	2025 Q3	2025 Q2	2025 Q1
Working Capital Days ^{NG}	41	42	49	53	52
Liquidity ^{NG,1} (\$ millions)	\$374.6	\$445.8	\$386.0	\$326.7	\$127.9
Backlog ^{NG} (EUs)	15,228	15,325	15,606	16,198	16,527
ROIC ^{NG}	12.3 %	11.3 %	9.1 %	7.9 %	7.5 %

1. The Company defines Liquidity as cash on-hand plus available capacity under its 2025 First Lien Facility. 2026 Q1 Liquidity includes the full cash portion attributed to NFI's captive insurance company of \$14.8 million. Quarters prior to 2025 Q3 did not include the captive insurance cash in the calculations. 2025 Q1 Liquidity would have been \$164.7 million if it included the captive insurance cash.

At the end of 2026 Q1, Working Capital Days^{NG} were 41, a decrease from 42 days in 2025 Q4 and 52 days in 2025 Q1. The improvement was related to increased operating results driven by higher margin performance combined with lower working capital requirements, which were positively impacted by the Battery Recall and the Battery Settlement in 2025. Increases in advance payments and milestone billing structures, plus extended payment terms with certain suppliers, also contributed to the improvement. Offsetting this positive improvement were higher receivables balances from increased deliveries, and higher work-in-progress inventory reflecting the impact of seat supply disruption and the Battery Recall on North American Transit deliveries. As the Company continues to ramp up production, NFI is continuing to focus efforts on lowering work-in-process inventory by improving supplier performance, accelerating customer acceptance programs and improving supplier payment terms to decrease Working Capital Days^{NG}.

The Company's Liquidity^{NG} position, which combines cash on-hand, plus available capacity under its 2025 first lien facility ("2025 First Lien Facility"), was \$374.6 million at the end of 2026 Q1, a decrease of \$71.2 million, or 16.0 % from 2025 Q4. The decrease in the Liquidity^{NG} position was primarily driven by lower cash flows from operating activities, reflecting cash investments in working capital balances, and higher interest and cash tax payments plus higher cash capital expenditures.

At the end of 2026 Q1, the Company's total backlog^{NG} (firm orders and options) was 15,228 EUs, a decrease of 0.6 % compared to 15,325 EUs at the end of 2025 Q4. Backlog^{NG} at the end of 2026 Q1 had a total dollar value of \$13.0 billion.

The 2026 Q1 ROIC^{NG} increased by 4.8 % to 12.3 % from 7.5% in 2025 Q1, due to the increase in 2026 Q1 LTM Adjusted EBITDA^{NG} and a decrease in the average invested capital^{NG}. Average invested capital^{NG} has decreased due to lower shareholders equity and a greater cash balance.

Outlook

Management anticipates continuing operational and financial performance growth, with expectations for improvements in revenue, gross profit, Adjusted EBITDA^{NG}, Free Cash Flow^{NG}, and ROIC^{NG} in 2026. This improvement is expected to come from the execution of NFI's backlog^{NG}, increases in manufacturing production, deliveries of higher-margin North American units, and from growth in NFI's aftermarket business. Many of these same factors support management's longer-term expectations for financial growth. While there are numerous positive expectations, the Company continues to navigate and adjust to evolving macroeconomic conditions including tariffs, competition and government funding dynamics.

Management believes market demand for NFI's products is evident through the Company's new order activity, a strong public transit funding environment, increasing fleet age in North America and a focus on fleet renewal in UK and APAC markets. The funding environment and expected replacement of transit buses and public motorcoaches drives the Company's North American Public Bid Universe which currently has active bids of 6,465 EUs. These active bids typically drive delivery activity in the near to medium-term. The Public Bid Universe' five-year forecasted customer demand of 26,003 EUs provides longer-term visibility as this will typically drive new incoming firm and option orders. The Company also continues to see increases in overall market demand within motorcoach and low-floor cutaway markets, and UK transit markets.

NFI's strategy to provide the broadest range of buses and motorcoaches, built on common production lines wherever possible, has positioned the Company well to realize upon this growing demand as it can support customers' diverse fleet plans. NFI's offering includes low and no-emission buses and motorcoaches, alongside its broader solutions offering of aftermarket parts, training, Infrastructure Solutions™ and facilitation of motorcoach financing.

Government Investments in Public Transportation

There are federal funding programs within the U.S., Canada and the UK that support the purchase of public transit buses and commuter motorcoaches. Generally, these funding programs provide visibility into order demand as they are multi-year programs that support firm orders and backlog options.

U.S. Federal Transit Administration (FTA) apportionments for the government fiscal year ended September 30, 2026, amounted to approximately \$21.1 billion, an increase of over \$160 million from the previous year. These apportionments support public transportation fleets and infrastructure throughout the United States. The current U.S. administration continues to show strong support in enhancing infrastructure and transportation projects with funding continuing to be delivered to transit agencies and operators for previously approved projects through the FTA. Discussions on the next surface transportation bill, that would succeed the current Infrastructure Investment and Jobs Act, have begun with a target to finalize in 2026.

Ridership levels in the U.S. continue to steadily increase, with the latest available APTA Ridership Trends Dashboard report (as of 2025 Q4) showing full-year bus ridership growth of 0.7% from 2024, with 22% growth from 2022. APTA's 2025 Fact Book reported that the U.S. average fleet age was down slightly year-over-year going from 8.3 years to 8.0 years, reflecting increased deliveries and a focus on investing in public transit system improvements.

Canadian government support for public transit remains strong with a focus on funding critical infrastructure projects, including buses through the Build Communities Strong Federal Funding. NFI has seen increased demand from Canadian customers linked to the public funding environment and with increases in average fleet age. The Canadian Urban Transportation Association had reported an increase in average fleet age of heavy-duty transit buses from 8.6 years in 2021 to 9.5 years in 2023.

To support growing Canadian demand, NFI completed Project "True North", the all-Canadian build of its New Flyer subsidiary, which began production late in 2025 and is expected to increase NFI's Canadian manufacturing capacity by up to 240 EUs annually by 2027. Not only will this project allow for full Canadian bus builds, but it is expected that it will also make U.S. capacity available in its U.S. facilities to service more U.S. customers across NFI's network.

Overall government support for buses in the UK has remained at elevated levels with a focus on overhauling and increasing service levels outside of London and driving fleet replacements with various propulsion types. While UK market demand has been supported by government funding, NFI has continued to see foreign competitors gain market share and a higher proportion of government funded procurements.

NFI was encouraged to see discussions within the UK government centered around the importance of domestic manufacturing and the broader economic impact it provides in Fiscal Year 2025, although recent awards in the first quarter of 2026 continued the trend of

increased awards to foreign competitors. NFI has made adjustments to its UK production in response to lower new orders to better match production capacity to its order book.

Other Markets

ARBOC continues to experience strong demand with volumes increasing and pricing reflecting appropriate input costs. ARBOC has relaunched the ‘Equess’, its medium-duty product that is primarily aimed at small to midsize transit applications, universities, airports and other specialty groups. Demand in this segment is expected to be strong, driven by existing fleet replacement and expanding transportation requirements.

Private motorcoach markets showed continued strength in 2025 driven by increasing tour and charter travel, conventions, sports and leisure travel and employee shuttle programs. While many of these same factors are driving demand expectations in 2026, tariff developments, including a 10% tariff on all motorcoach imports into the U.S., may have a negative impact on overall North American private motorcoach market demand in 2026. Management expects that selling prices for the industry will need to increase to reflect the addition of tariff costs on motorcoaches entering the United States, which may drive some operators to maintain vehicles for a longer period.

NFI anticipates that its Aftermarket segment will continue to generate strong revenue and margin contribution, with expectations for a low single digit growth rate. There is potential for the aftermarket segment to see expanded program revenues in 2026 and 2027 which would support additional revenue and margin expansion, although the timing and performance of programs is dependent on customer procurement activity.

Financial Guidance

NFI reaffirms its financial guidance for Fiscal 2026 as originally announced with its fourth quarter 2025 results on March 11, 2026. NFI’s 2026 guidance is summarized below.

2026 Guidance	\$ millions
Revenue	\$3,900 to \$4,200
Adjusted EBITDA ^{NG}	\$370 to \$410
Cash Capital Expenditures	\$50 to \$60

In addition to the factors described in this MD&A, please refer to NFI’s MD&A dated March 11, 2026 for further information regarding the assumptions and expectations for 2026 guidance. See also Forward-Looking Statements in this MD&A. Note that the guidance numbers above include the impact of all current and known U.S. and Canadian tariffs as of May 7, 2026, but do not reflect the potential impact of tariffs and other trade measures that may be imposed in the future.

Tariff Impacts

NFI is subject to tariffs on imports of steel and aluminum in the U.S. and Canada, and tariffs on imports of other goods from various international jurisdictions. NFI has also seen updates to pricing from its suppliers reflecting the impacts of tariffs on input components its suppliers source and import into the U.S. NFI’s buses and motorcoaches are also subject to a 10% tariff on all imports of buses and motorcoaches into the United States from any jurisdiction. This impacts private motorcoaches that are manufactured in Winnipeg and bus shells that are started in Winnipeg and completed in the U.S. NFI has continued to actively engage with its customers to discuss the pricing impacts of all known tariffs on buses and motorcoaches and has been negotiating and charging surcharges to reflect the costs of those tariffs.

The guidance ranges referred to above do not take into account and may be materially adversely affected by changes to tariffs and trade policy, government funding and supply chain performance. Tariff-driven cost increases may be more difficult to offset on future deliveries, especially within the private motorcoach market. There may also be near-term cash flow implications on NFI’s operations due to the timing of tariff payments, deliveries, and revenue collection, and potential decreases in order sizes due to higher prices. The impact that any future tariffs, U.S. funding developments and other trade measures could have on general economic conditions, supply chain health, customer demand and the Company’s business is uncertain and could be materially adverse. In addition, there remains a risk of additional supply or operational disruptions beyond management’s current expectations especially given conflicts currently ongoing in Iran, Ukraine,

Russia and other jurisdictions. See Appendix A Forward Looking Statements for a description of risks and other factors and the Company's filings on SEDAR+ at www.sedarplus.ca.

Selected Quarterly and Annual Financial and Operating Information

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

(\$ thousands, except per Share figures)						
Fiscal Period	Quarter	Revenue	Earnings (loss) from operations	Net earnings (loss)	Adjusted EBITDA ^{NG}	Earnings (loss) per Share
2026	Q1	841,978	50,717	11,512	86,083	0.10
	Total	841,978	50,717	11,512	86,083	0.10
2025	Q4	1,025,118	101,457	166,019	121,308	1.39
	Q3	879,857	(165,634)	(140,879)	80,947	(1.18)
	Q2	868,169	26,757	(160,774)	70,811	(1.35)
	Q1	841,420	31,096	(6,486)	62,696	(0.05)
	Total	3,614,564	(6,324)	(142,120)	335,762	(1.19)
2024	Q4	836,989	36,034	18,564	67,886	0.16
	Q3	711,344	25,516	(14,993)	53,205	(0.13)
	Q2	851,233	36,362	2,547	59,411	0.02
	Q1	722,749	10,651	(9,414)	33,936	(0.08)
	Total	3,122,315	108,563	(3,296)	214,438	(0.03)

Comparison of First Quarter 2026 Results

(\$ thousands)		
	2026 Q1	2025 Q1
Statement of Earnings (Loss) Data		
Revenue		
North America	626,028	588,469
United Kingdom and Europe	54,012	97,537
Asia Pacific	1,369	2,862
Manufacturing operations	681,409	688,868
North America	127,274	121,272
United Kingdom and Europe	26,806	25,201
Asia Pacific	6,489	6,079
Aftermarket operations	160,569	152,552
Total revenue	\$ 841,978	\$ 841,420
Earnings from operations	\$ 50,717	\$ 31,096
Earnings before finance costs and income taxes	\$ 61,456	\$ 32,352
Net earnings (loss)	\$ 11,512	\$ (6,486)
Adjusted EBITDA ^{NG}	\$ 86,083	\$ 62,696
Cash capital expenditures	\$ 11,487	\$ 5,900

Results of Operations

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

Revenue

(\$ thousands)		
	2026 Q1	2025 Q1
Manufacturing Revenue	681,409	688,868
Aftermarket Revenue	160,569	152,552
Total Revenue	841,978	841,420
Earnings from Operations	50,717	31,096
Earnings before finance costs and income taxes	61,456	32,352
Earnings (Loss) before income tax expense	20,071	(6,006)
Net earnings (loss)	11,512	(6,486)

Manufacturing revenue for 2026 Q1 decreased by \$7.5 million, or 1.1%, compared to 2025 Q1. Aftermarket revenue increased for 2026 Q1 by \$8.0 million, or 5.3% compared to 2025 Q1. See the discussion in the Highlights section on page 6 for further details on revenue.

Cost of sales

(\$ thousands)		
	2026 Q1	2025 Q1
Manufacturing		
Direct cost of sales	513,480	556,000
Depreciation and amortization	16,534	15,156
Other overhead	65,349	66,744
Manufacturing cost of sales	595,363	637,900
As percent of Manufacturing Sales	87.4 %	92.6 %
Aftermarket		
Direct cost of sales	110,906	106,537
Depreciation and amortization	3,417	3,023
Aftermarket cost of sales	114,323	109,560
As percent of Aftermarket Sales	71.2 %	71.8 %
Total Cost of Sales	709,686	747,460
As percent of Sales	84.3 %	88.8 %

Cost of sales from Manufacturing operations in 2026 Q1 was \$595.4 million (87.4 % of Manufacturing operations revenue) compared to \$637.9 million (92.6 % of Manufacturing operations revenue) in 2025 Q1, a decrease of \$42.5 million, or 6.7 %. The decrease in the quarter was driven primarily by lower overall deliveries. Manufacturing cost of sales as a percent of revenue decreased in 2026 Q1 as NFI converted on its improved backlog driving improved margin performance and from deliveries of Motorcoach and Medium-Duty and Cutaway with improved margin profiles.

Cost of sales from Aftermarket operations in 2026 Q1 was \$114.3 million (71.2 % of Aftermarket revenue) compared to \$109.6 million (71.8 % of Aftermarket revenue) in 2025 Q1, an increase of \$4.7 million, or 4.3%. The decrease in cost of sales as a percentage of revenue in 2026 Q1 was mainly due to the positive impact of sales mix, improved product margins in the UK, and the management of tariffs.

The consolidated cost of sales for 2026 Q1 decreased by \$37.8 million, or 5.1 %, compared to 2025 Q1. This decrease in cost of sales was largely driven by the positive impacts of sales mix.

Gross Margins

(\$ thousands)		
	2026 Q1	2025 Q1
Manufacturing	86,046	50,968
Aftermarket	46,246	42,992
Total Gross Margins	132,292	93,960
As a percentage of sales:		
Manufacturing	12.6 %	7.4 %
Aftermarket	28.8 %	28.2 %
	15.7 %	11.2 %

Manufacturing gross margin for 2026 Q1 of \$86.0 million (12.6 % of Manufacturing revenue), increased by \$35.1 million compared to a gross margin of \$51.0 million (7.4 % of Manufacturing revenue) for 2025 Q1. The increase in 2026 Q1 Manufacturing gross margins was primarily driven by the improved product mix as NFI converted its strong backlog. The increase in Manufacturing gross margin as a percentage of revenue in 2026 Q1 was driven by the same underlying factors that impacted the dollar-based results.

Aftermarket gross margins for 2026 Q1 of \$46.2 million (28.8 % of Aftermarket revenue) increased by \$3.3 million, or 7.6 %, compared to 2025 Q1 gross margins of \$43.0 million (28.2 % of Aftermarket revenue). 2026 Q1 gross margins increased due to improved product mix and lower impacts of tariffs. Aftermarket gross margin as a percentage of revenue increased by 0.6 % in 2026 Q1, reflecting the same items that impacted the dollar-based results.

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

(\$ thousands)		
	2026 Q1	2025 Q1
Selling expenses	8,008	8,104
General and administrative expenses	64,036	55,130
Other expenses	7,449	-
Total SG&A	79,493	63,234

The consolidated SG&A for 2026 Q1 of \$79.5 million (9.4 % of consolidated revenue) increased by \$16.3 million, or 25.7 %, compared to \$63.2 million (7.5 % of consolidated revenue) in 2025 Q1. The increase in consolidated SG&A is primarily due to the increase in general payroll and administrative expenses, as well as higher incentive compensation. Other expenses totaling \$7.5 million include non-recurring restructuring costs related to the furlough program for the Scottish facilities and includes the write-off of the furlough receivable.

Realized foreign exchange loss (gain)

In 2026 Q1, the Company recorded a realized foreign exchange loss of \$2.1 million compared to a gain of \$0.4 million in 2025 Q1.

The Company uses foreign exchange forward contracts to buy various currencies in which it operates with U.S. dollars, Canadian dollars and GBP. The purchases of these currencies using foreign exchange forward contracts at unfavourable forward rates compared to the spot rates at settlement were the primary reason for the losses in 2026 Q1.

Earnings from operations

Consolidated earnings from operations in 2026 Q1 was \$50.7 million (6.0 % of consolidated revenue) compared to earnings of \$31.1 million (3.7 % of consolidated revenue) in 2025 Q1, an increase of \$19.6 million.

Earnings from operations attributable to the Manufacturing segment was \$33.8 million for 2026 Q1 (5.0 % of Manufacturing revenue) compared to earnings of \$7.7 million (1.1 % of Manufacturing revenue) in 2025 Q1. The increase in earnings as a percentage of revenue for 2026 Q1 is mainly due to the improved sales mix.

Earnings from operations related to Aftermarket operations in 2026 Q1 was \$27.5 million (17.1 % of Aftermarket revenue) compared to \$26.7 million (17.5 % of Aftermarket revenue) in 2025 Q1. Earnings from Aftermarket operations increased slightly in 2026 Q1 due to higher sales and improved product mix.

Unrealized foreign exchange gain (loss) on monetary items

(\$ thousands)	2026 Q1	2025 Q1
Unrealized gain on forward foreign exchange contracts	1,682	1,216
Unrealized gain (loss) on other long-term monetary assets and liabilities	2,298	(110)
Unrealized foreign exchange gain on monetary items	3,980	1,106

At March 29, 2026, the Company had \$182.9 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 2026 to December 2026. The related asset of \$1.4 million (December 29, 2024: liability of \$1.2 million) is recorded on the unaudited interim condensed consolidated statements of financial position as a current derivative financial instruments asset and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive earnings (loss).

Earnings before interest and income taxes (“EBIT”)

In 2026 Q1, the Company recorded EBIT of \$61.5 million compared to an EBIT of \$32.4 million in 2025 Q1. The increase in EBIT for 2026 Q1 was driven primarily by sales of product with an improved margin profile, greater unrealized FX gains on non-current monetary items, and the Company’s share of equity method income recorded from the GR Seating joint venture.

In 2025 Q4, the Company entered a 50/50 joint venture to form GR Seating. Under IFRS Accounting Standards, this investment is accounted for using the equity method, requiring the Company to recognize its share of the joint venture’s earnings or losses. In 2026 Q1, the Company recorded equity income of \$6.8 million related to its investment in the joint venture.

Interest and finance costs

The interest and finance costs for 2026 Q1 of \$41.4 million increased by \$3.0 million compared to \$38.4 million in 2025 Q1. This increase for the quarter is primarily due to the fair market value loss on the Company’s optional redemption of 2025 second lien notes, offset by the reduced interest costs from long-term debt balances.

Earnings (loss) before income taxes (“EBT” or “LBT”)

EBT in 2026 Q1 was \$20.1 million, an increase of \$26.1 million compared to the LBT of \$6.0 million in 2025 Q1. The primary drivers of the changes of EBT are addressed in the sections above.

Income tax expense

The income tax expense for 2026 Q1 was \$8.6 million compared to an expense of \$0.5 million in 2025 Q1. The increased income tax expense is primarily due to the increase in earnings before tax.

The Effective Tax Rate (“ETR”) for 2026 Q1 was 42.6 % and the ETR for 2025 Q1 was (8.0 %). The 2026 Q1 ETR was detrimentally impacted by the nonrecognition of deferred tax assets associated with the UK operations, and excess unapplied U.S. foreign tax credits written off in the period.

Income tax expense recognized in the unaudited interim condensed consolidated statement of net earnings (loss) and total comprehensive earnings (loss) as at March 29, 2026 does not include any amount related to BEPS Pillar Two (“Pillar Two”) income taxes.

Pillar Two is not expected to have a material impact on the Company’s tax expense.

Net earnings (loss)

The Company reported net earnings of \$11.5 million in 2026 Q1, an increase of \$18.0 million, compared to net loss of \$6.5 million in 2025 Q1. The increase in net earnings for 2026 Q1 is primarily due to favourable sales mix which increased gross profit, and the equity method income from GR Seating, offset by increased interest and finance costs and income tax expense.

(\$ millions, except per Share figures)		
	2026 Q1	2025 Q1
Earnings from operations	50,717	31,096
Gain on disposition of property, plant and equipment and right-of-use asset	128	150
Impairment loss on goodwill and intangible assets	(129)	-
Unrealized foreign exchange gain on monetary items	3,980	1,106
Share of profit of joint ventures accounted for using the equity method	6,760	-
Interest and finance costs	(41,385)	(38,358)
Income tax expense	(8,559)	(480)
Net Earnings (loss)	11,512	(6,486)
Net earnings (loss) per Share (basic)	\$ 0.10	\$ (0.05)
Net earnings (loss) per Share (fully diluted)	\$ 0.10	\$ (0.05)

The Company recorded net earnings per Share for 2026 Q1 of \$0.10 compared to net loss per Share of \$0.05 in 2025 Q1. The Company reported diluted net earnings per Share of \$0.10 in 2026 Q1. The per Share net earnings in 2026 Q1 increased primarily due to the same items that impacted net earnings.

Cash Flow

The cash flows of the Company are summarized as follows:

(\$ thousands)		
	2026 Q1	2025 Q1
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	72,532	49,930
Interest paid	(38,182)	(33,618)
Cash flow (invested in) provided by working capital	(67,829)	23,748
Net cash (used in) generated by operating activities	(54,267)	40,800
Net cash generated by financing activities	22,989	21,110
Net cash used in investing activities	(17,736)	(2,976)

Cash flow from operating activities

The 2026 Q1 net cash used in operating activities was \$54.3 million compared to net cash generated by operating activities \$40.8 million in 2025 Q1. This increase in cash used was primarily due to higher cash interest and income taxes paid, offset by an increase of cash generated by operating activities to \$72.5 million from \$49.9 million in 2025 Q1.

Cash flow from financing activities

The cash generated by financing activities increased to \$23.0 million during 2026 Q1 from \$21.1 million in 2025 Q1. This increase in cash generated was due to increased proceeds totaling \$29.6 million from the Company's 2025 First Lien Facility, offset by an increase of repayments made to obligations under leases of \$6.7 million.

Cash flow from investing activities

Cash used in investing activities increased in 2026 Q1, primarily due to the increase in acquisitions of intangible assets and property, plant, and equipment. Long-term restricted deposits are collateral for a certain amount of the Company's letters of credit. The Company made no investments in long-term restricted deposits during 2026 Q1.

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, typically covering 80% of the capital cost of new transit buses, motorcoaches, or cutaways, with the remaining 20% funded by state and municipal sources. There are a few U.S. public sector customers that obtain 100% of their funding from state and municipal sources. Canadian customers have similar funding sources in Canada. The maximum exposure to the risk of credit for accounts receivables corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the customer base being principally comprised of municipal and other local transit authorities.

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

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

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

(\$ thousands)	March 29, 2026	December 28, 2025
Current, including holdbacks	\$ 670,061	\$ 681,937
<u>Past due amounts but not impaired</u>		
1 - 60 days	11,937	28,087
Greater than 60 days	16,528	15,088
Less: Allowance for doubtful accounts	(6,128)	(3,314)
Total accounts receivables, net	\$ 692,398	\$ 721,798

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 March 29, 2026:

(\$ thousands)	Total	2026	2027	2028	2029	2030	Post 2030
Leases	\$ 224,523	\$ 26,434	\$ 30,460	\$ 22,159	\$ 17,036	\$ 13,867	\$ 114,567
Accrued benefit liability	2,783	2,783	-	-	-	-	-
	\$ 227,306	\$ 29,217	\$ 30,460	\$ 22,159	\$ 17,036	\$ 13,867	\$ 114,567

As at March 29, 2026, outstanding surety bonds guaranteed by the Company totaled \$325.2 million (December 28, 2025: \$315.1 million). The estimated maturity dates of the surety bonds outstanding at March 29, 2026 range from April 2026 to May 2035.

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.

The Export Development Canada ("EDC") guarantee facility in the amount of \$190.0 million consists of the Performance Security Guarantee ("PSG") up to \$135.0 million and the Surety Reinsurance Support up to \$55.0 million.

The PSG program is in place to cover a standby letter of credit or letter of guarantee (in each case an "LOC"), required as part of a collateral package provided to support a surety facility where the new bonding capacity is a minimum of at least twice the face value of the

LOC. The underlying surety facility must only be supporting surety bonds required under contracts entered into by NFI, and where such surety bonds are bid bonds, performance bonds, regulatory bonds, license and permit bonds.

As at March 29, 2026, \$175.4 million outstanding letters of credit were drawn against the 2025 First Lien Facility.

Management believes that the Company was in compliance in all material respects with all applicable contractual obligations as at March 29, 2026. The Company has not provided for any costs associated with these letters of credit.

Share Option Plan

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

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

The following reconciles the Share options outstanding:

	Q1 2026		Q1 2025	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	2,055,606	C\$21.95	1,973,558	C\$24.25
Granted during the period	462,816	C\$15.52	317,517	C\$13.81
Expired during the period	(125,562)	C\$53.84	(137,921)	C\$40.84
Exercised during the period	(7,832)	C\$11.38	(7,162)	C\$10.46
Balance at end of period	2,385,028	C\$19.11	2,145,992	C\$21.68

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company’s Restricted Share Unit Plan for Non-Employee Directors, a maximum of one million Shares are reserved for issuance to non-employee directors. The Company issued 24,121 director restricted share units (“Director RSUs”) under the 2014 Director RSU plan, with a total value of \$0.3 million, and 12,439 Director RSUs under the 2025 Director RSU plan, with a total value of \$0.2 million, in 2026 Q1. Approximately \$0.1 million of the issued Director RSUs were exercised and exchanged for 7,391 Shares.

Critical accounting estimates and judgments

The Company’s critical accounting estimates and judgments can be found within note 3.1 of the unaudited interim condensed consolidated financial statements.

Amended Standards Adopted

IFRS 7 and 9 - Amendments to the Classification and Measurement of Financial Instruments

The changes set criteria for derecognition of a financial liability settled through electronic transfer and include amendments for the classification of financial assets involving contractual terms that are consistent with a basic lending arrangement, assets with non-recourse features, and contractually linked instruments. Disclosure requirements change for investments in equity instruments designated at fair value through other comprehensive income and include a new requirement for disclosure of contractual terms that could change the timing or amount of contractual cash flows based on a contingent event that does not relate directly to changes in basic lending risks and costs.

IFRS 7 and 9 - Amendments for contracts referencing nature-dependent electricity related to hedge accounting

The changes relate to designation of contracts relating to nature-dependent electricity as hedging instruments and their disclosure requirements. Under the amendments an entity is permitted to designate as the hedged item a variable nominal amount of forecast

electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument.

IFRS 10 and IAS 28 - Amendments for sale or contribution of assets between an investor and its associate or joint venture

The changes relate to equity method procedures on the sale or contribution of assets between an investor or joint venture. Under the amendments, the gain or loss resulting from a downstream transaction involving assets that constitute a business between an entity including its consolidated subsidiaries and its associate or joint venture is recognized in full in the investor's financial statements. An entity might sell or contribute assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. The changes also set out guidance for the accounting for the loss of control of a subsidiary that does not contain a business as a result of a transaction involving an associate or a joint venture that is accounted for using the equity method.

Standards Issued but not adopted

IFRS 18 - Presentation and disclosure in the financial statements

IFRS 18 sets out requirements for the presentation and disclosure of information in the consolidated financial statements to help ensure they provide relevant information that faithfully represents the Company's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 - Presentation of Financial Statements once effective. Initial adoption of the requirements under IFRS 18 will be obligatory for annual reporting periods on or after January 1, 2027. Management is currently assessing the impact of these standards on the Financial Statements.

Non-IFRS and Other Financial Measures

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

Adjusted EBITDA^{NG} and Net Operating Profit After Taxes^{NG}

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

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

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

(\$ thousands)				
	2026 Q1	2025 Q1	52-Weeks Ended March 29, 2026	52-Weeks Ended March 30, 2025
Net earnings (loss)	11,512	(6,486)	(124,122)	(368)
Addback				
Income tax expense	8,559	480	27,582	3,341
Interest expense ⁷	41,385	38,358	129,171	138,644
Depreciation and amortization	19,951	18,181	79,326	77,074
(Gain) loss on disposition of property, plant and equipment and right of use assets	(128)	(149)	(72)	140
Unrealized foreign exchange gain on non-current monetary items and forward foreign exchange contracts	(3,980)	(1,106)	(1,048)	(14,232)
Equity settled stock-based compensation	1,783	372	4,230	2,216
Expenses incurred outside of normal operations ⁸	3,045	10,636	20,219	21,665
Loss on debt extinguishment ¹⁰	-	-	43,185	234
Impairment loss on goodwill and intangible assets ⁹	129	-	93,646	1,250
Fee for early repayment of 2023 second lien debt ¹²	-	-	10,825	-
Impairment loss on property, plant, and equipment ¹¹	-	-	504	-
Share of profit of joint ventures accounted for using the equity method ¹⁶	(6,760)	-	(1,994)	-
Battery Recall and Battery Settlement ¹⁴	3,138	-	60,550	-
Restructuring costs ⁶	7,449	2,410	17,780	13,234
Prior year sales tax provision ¹⁵	-	-	(631)	-
Adjusted EBITDA^{NG}	86,083	62,696	359,151	243,198
Depreciation of property, plant and equipment and right of use assets	(11,784)	(10,744)	(49,411)	(45,469)
Tax at 31%	(23,033)	(16,105)	(96,019)	(61,296)
NOPAT^{NG}	51,266	35,847	213,721	136,433
Adjusted EBITDA is comprised of:				
Manufacturing	58,168	33,232	258,177	119,640
Aftermarket	33,252	33,048	124,531	135,132
Corporate	(5,337)	(3,584)	(23,557)	(11,574)

See footnotes on page 25

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

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

The Company generates its Free Cash Flow^{NG} from operations and management expects this will continue to be the case for the foreseeable future. Net cash flows generated from operating activities are significantly impacted by changes in non-cash working capital. The Company uses its 2025 First Lien Facility to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow^{NG}.

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

(\$ thousands, except per Share figures)				
	2026 Q1	2025 Q1	52-Weeks Ended March 29, 2026	52-Weeks Ended March 30, 2025
Net cash (used in) generated by operating activities	(54,267)	40,800	78,601	42,785
Changes in non-cash working capital items ²	67,829	(23,748)	19,687	40,702
Interest paid ²	38,182	33,618	95,722	121,544
Interest expense ²	(30,212)	(32,326)	(118,683)	(123,407)
Income taxes paid (recovered) ²	20,788	(740)	58,494	4,325
Current income tax expense ²	(13,950)	(12,483)	(81,425)	(43,796)
Repayment of obligations under lease	(6,723)	(5,372)	(23,349)	(23,223)
Cash capital expenditures	(11,487)	(5,900)	(39,463)	(28,002)
Acquisition of intangible assets	(6,249)	(2,206)	(15,503)	(16,947)
Proceeds from disposition of property, plant and equipment	-	-	102	241
Defined benefit funding ³	733	717	2,676	2,721
Defined benefit expense ³	(913)	(490)	(4,052)	(3,318)
Expenses incurred outside of normal operations ⁸	3,045	10,636	20,219	21,665
Foreign exchange gain (loss) on cash held in foreign currency ⁴	101	(506)	900	(460)
Fee for early repayment of 2023 second lien debt ¹²	-	-	10,825	-
Asset impairment ¹³	-	-	(1,619)	-
Battery Recall and Battery Settlement ¹⁴	3,138	-	60,550	-
Restructuring costs ⁶	7,449	2,410	17,780	13,234
Prior year sales tax provision ¹⁵	-	-	(631)	-
Free Cash Flow^{NG}	17,464	4,410	80,831	8,066
U.S. exchange rate ¹	1.3709	1.4317	1.3849	1.4041
Free Cash Flow (C\$)^{NG}	23,941	6,314	111,941	11,326
Free Cash Flow per Share (C\$)^{NG, 5}	0.2010	0.0530	0.9400	0.0952

See footnotes on page 25

1. U.S. exchange rate (C\$ per US\$) is the average exchange rate for the period.
2. Changes in non-cash working capital are excluded from the calculation of Free Cash Flow^{NG} as these temporary fluctuations are managed through the 2025 First Lien Facility which are available to fund general corporate requirements, including working capital requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the unaudited interim condensed consolidated statements of cash flows net of interest and income taxes paid.
3. The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow^{NG} as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.
4. Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS Accounting Standards; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow^{NG}.
5. Per Share calculations for Free Cash Flow^{NG} (C\$) are determined by dividing Free Cash Flow^{NG} by the total number of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2026 Q1 was 119,100,537 and 119,043,590 for 2025 Q1. The weighted average number of Shares outstanding for 2026 Q1 LTM and 2025 Q1 LTM was 119,085,480 and 119,026,116, respectively.
6. Normalized to exclude non-operating restructuring costs. Costs primarily related to severance costs, labour inefficiencies, medical costs, right-of-use asset impairments, and inventory impairments associated with restructuring initiatives. In 2025 Q2, NFI recorded a \$14.8 million restructuring provision related to the expected employee reductions at Alexander Dennis. In 2025 Q3, with the advocacy and intervention of the Scottish government and Scottish Enterprise, NFI announced that the Scottish manufacturing sites would remain open. This resulted in net recoveries of \$7.9 million related to previously expected employee reductions. In 2025 Q4, NFI recorded \$3.5 million non-operating restructuring costs related to Alexander Dennis. On March 31st 2026, the Company announced that the Falkirk, Scotland manufacturing site would be closed and the Larbert, Scotland site would be converted to manufacture chassis. This resulted in a write-off of the furlough receivable from the Scottish government, as well as other restructuring costs totaling \$7.5 million in 2026 Q1.
7. Includes fair market value adjustments to interest rate swaps, cash conversion option on the Debentures, and the prepayment option on the Company's second lien debt. 2026 Q1 includes a gain of \$0.4 million compared to a gain of \$0.2 million in 2025 Q1 for the interest rate swaps. 2026 Q1 includes a loss of \$0.7 million and 2025 Q1 includes a gain of \$1.7 million on the cash conversion option. The prepayment option related to the 2023 Second Lien Debt had a loss of \$2.3 million in 2025 Q1. Following the high-yield debt issuance in 2025 Q2, the prepayment option expired. The 2025 second lien optional redemption had a loss of \$7.6 million in 2026 Q1.
8. Includes adjustments made related to items that occurred outside of normal operations. Labour and overhead costs from the seat supply disruption were \$16.8 million in 2026 Q1 LTM compared to \$21.7 million in 2025 Q1 LTM. 2026 Q1 includes costs incurred for legal services for the Battery Recall and Battery Settlement and costs associated with the CEO transition.
9. In 2024 Q4, the Company recognized an impairment loss on an internally developed intangible asset that was discontinued for \$1.3 million. In 2025 Q2, the Company recorded \$80.9 million intangible asset impairment, and \$10.0 million goodwill impairment related to the Alexander Dennis manufacturing business unit. In 2025 Q4, the Company recorded a \$2.7 million intangible asset impairment loss related to a New Product Development project.
10. In 2024 Q2, the Company recognized an accounting loss of \$0.2 million for the debt extinguishment related to the amendments made to the Manitoba Development Centre ("MDC") senior unsecured facility. In 2025 Q2, the Company recognized an accounting loss of \$43.2 million for the debt extinguishment as a result of the Company's comprehensive refinancing with the 2025 First Lien Facility.
11. In 2025 Q2, NFI recorded impairments related to the reductions in expected new vehicle demand in response to increased competition within the UK market. This resulted in \$4.3 million property, plant and equipment impairment within the Alexander Dennis manufacturing business unit. In 2025 Q3, with the advocacy and intervention of the Scottish government and Scottish Enterprise, NFI announced that the Scottish manufacturing sites would remain open. This resulted in recoveries of \$3.8 million in 2025 Q3 related to the previous impairment recorded on property, plant and equipment.
12. In 2025 Q2, the Company incurred an early repayment fee of \$10.8 million associated with the 2023 second lien debt.
13. In 2025 Q2, NFI recorded an impairment on the previously recorded California Air Resources Board (CARB) credit of \$1.6 million.
14. During 2025 Q3, NFI declared a Battery Recall related to certain battery modules from XALT. The recall impacted approximately 700 battery-electric buses and coaches (primarily New Flyer buses). In 2025 Q4, NFI reached a settlement and signed the MSA with XALT Energy, LLC and its parent company. As part of this settlement, NFI received cash and assets totaling \$166.0 million. This also includes

other miscellaneous amounts related to the Battery Settlement. 2026 Q1 includes \$3.1 million in costs related to the management of the Battery Recall program.

15. In 2025 Q4, the Company released a prior years sales tax provision for \$0.6 million.
16. During 2025 Q4, NFI and GILLIG, formed a 50/50 joint venture to acquire the assets of American Seating Corporation. In 2026 Q1, NFI recorded \$6.8 million equity method income from GR Seating.

Adjusted Net Earnings^{NG} and Adjusted Net Earnings per Share^{NG}

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

The Company defines Adjusted Net Earnings^{NG} as Net Earnings 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^{NG} based on the historical financial statements of the Company for the periods indicated.

The Company defines Adjusted Net Earnings^{NG} per share as Adjusted Net Earnings^{NG} divided by the average number of Shares outstanding.

(\$ thousands, except per Share figures)				
	2026 Q1	2025 Q1	52-Weeks Ended March 29, 2026	52-Weeks Ended March 30, 2025
Net earnings (loss)	11,512	(6,486)	(124,122)	(368)
Adjustments, net of tax ^{1,2}				
Unrealized foreign exchange gain	(2,746)	(763)	(723)	(9,819)
Unrealized (gain) loss on interest rate swap	(256)	(116)	(208)	1,238
Unrealized loss (gain) on cash conversion option	495	(1,196)	439	(3,022)
Unrealized loss (gain) on prepayment option of 2023 second lien debt ³	-	1,586	(11,006)	(3,268)
Unrealized loss on 2025 second lien optional redemption ³	5,251	-	5,561	-
Accretion associated to gain on debt modification	-	(709)	(304)	(2,080)
Loss on debt extinguishment ⁴	-	-	29,798	161
Equity settled stock-based compensation	1,230	257	2,918	1,529
(Gain) loss on disposition of property, plant and equipment and right-of-use asset	(88)	(103)	(50)	97
Expenses incurred outside of normal operations ⁵	2,101	7,339	13,951	14,949
Accretion in carrying value of convertible debt and cash conversion option	1,557	1,446	6,049	5,693
Deferred tax assets not recognized ¹⁰	-	-	34,443	-
Other tax adjustments	-	-	(6,311)	-
Impairment loss on property, plant, and equipment ⁸	-	-	504	-
Impairment loss on goodwill and intangible assets ⁶	129	-	93,646	863
Fee for early repayment of 2023 second lien debt ⁹	-	-	7,469	-
Share of profit of joint ventures accounted for using the equity method ¹³	(4,664)	-	(1,375)	-
Battery Recall and Battery Settlement ¹¹	2,165	-	41,780	-
Restructuring costs ⁷	5,140	1,663	12,269	9,132
Prior year sales tax provision ¹²	-	-	(435)	-
Adjusted Net Earnings^{NG}	21,826	2,918	104,293	15,105
Earnings (Loss) per Share (basic)	0.10	(0.05)	(1.04)	(0.00)
Earnings (Loss) per Share (fully diluted)	0.10	(0.05)	(1.04)	(0.00)
Adjusted Net Earnings per Share (basic) ^{NG}	0.18	0.02	0.88	0.13
Adjusted Net Earnings per Share (fully diluted) ^{NG}	0.18	0.02	0.88	0.13

1. Addback items are derived from the historical financial statements of the Company.
2. The Company has utilized a rate of 31.0% to tax effect the adjustments for the periods above and footnotes below, unless shown otherwise.
3. The unrealized loss (gain) on the prepayment option is related to the Company's 2023 second lien debt instrument. The debt instrument had an unrealized loss in 2025 Q1 LTM. After the 2025 Second Lien Debt offering in 2025 Q2, the 2023 second lien debt instrument and the related prepayment option were extinguished. The Company can exercise an option to redeem the 2025 Second Lien Debt before the maturity date; this option had a fair value loss of \$5.3 million in 2026 Q1 and \$5.6 million in 2026 Q1 LTM.
4. In 2025 Q2, the Company recognized an accounting loss of \$29.8 million for the debt extinguishment as a result of the Company's comprehensive refinancing with the 2025 First Lien Facility.
5. Includes adjustments made related to items that occurred outside of normal operations. Labour and overhead costs from the seat supply disruption were \$11.6 million in 2026 Q1 LTM compared to \$15.0 million in 2025 Q1 LTM. 2026 Q1 includes costs incurred for legal services for the Battery Recall and Battery Settlement and costs associated with the CEO transition.
6. In 2024 Q4, the Company recognized an impairment loss on an internally developed intangible asset that was discontinued for \$1.3 million. In 2025 Q2, the Company recorded \$80.9 million intangible asset impairment, and \$10.0 million goodwill impairment related to the Alexander Dennis manufacturing business unit. In 2025 Q4, the Company recorded a \$2.7 million intangible asset impairment loss related to a New Product Development project.
7. Normalized to exclude non-operating restructuring costs. Costs primarily related to severance costs, inefficient labour costs, increased medical costs and right-of-use asset impairments and inventory impairments associated with other restructuring initiatives. In 2025 Q2, NFI recorded a restructuring provision related to the expected employee reductions at Alexander Dennis. In 2025 Q3, with the advocacy and intervention of the Scottish government and Scottish Enterprise, NFI announced that the Scottish manufacturing sites would remain open. This resulted in recoveries of \$5.5 million related to previously expected employee reductions. In 2025 Q4, NFI recorded \$2.4 million non-operating restructuring costs related to Alexander Dennis. On March 31st 2026, the Company announced that the Falkirk, Scotland manufacturing site would be closed and the Larbert, Scotland site would be converted to manufacture chassis. This resulted in a write-off of the furlough receivable from the Scottish government, as well as other restructuring costs totaling \$5.1 million in 2026 Q1. Free Cash Flow^{NG} reconciling amounts are net of right-of-use asset and property, plant and equipment impairments.
8. In 2025 Q2, NFI recorded impairments related to the reductions in expected new vehicle demand in response to increased competition within the UK market. This resulted in \$4.3 million property, plant and equipment impairment within the Alexander Dennis manufacturing business unit. In 2025 Q3, with the advocacy and intervention of the Scottish government and Scottish Enterprise, NFI announced that the Scottish manufacturing sites would remain open. This resulted in recoveries of \$3.8 million related to the previously recorded property, plant and equipment impairments.
9. In 2025 Q2, the Company incurred an early repayment fee of \$7.5 million associated with the 2023 second lien debt.
10. The Company recorded a write-down of deferred tax assets of \$34.4 million, the ETR was detrimentally impacted by the derecognition of deferred tax assets associated with the UK operations.
11. During 2025 Q3, NFI declared a Battery Recall related to certain battery modules from XALT. The recall impacted approximately 700 battery-electric buses and motorcoaches (primarily New Flyer buses). In 2025 Q4, NFI reached a settlement and signed the master settlement agreement with XALT Energy, LLC and its parent company. As part of this settlement, NFI received cash and assets totaling \$114.5 million. This also includes other miscellaneous amounts related to the Battery Settlement.
12. In 2025 Q4, the Company released a prior years sales tax provision for \$0.4 million.
13. During 2025 Q4, NFI and GILLIG, formed a 50/50 joint venture to acquire the assets of American Seating Corporation. In 2025 Q4, NFI recorded \$4.7 million equity method income from GR Seating.

Reconciliation of Shareholders' Equity to Invested Capital^{NG}

(\$ thousands)	2026 Q1	2025 Q4	2025 Q3	2025 Q2
Shareholders' Equity	597,709	586,448	417,925	557,787
Addback				
Long term debt	299,103	269,881	273,334	324,660
Second lien debt	607,469	606,919	607,887	611,056
Obligation under lease	141,580	140,438	134,973	129,738
Convertible debentures	237,335	238,468	231,841	233,567
Senior unsecured debt	35,735	35,226	33,659	33,322
Derivatives	(11,015)	(16,772)	(15,644)	(13,852)
Cash	(77,374)	(118,548)	(72,649)	(78,912)
Invested Capital ^{NG}	1,830,542	1,742,060	1,611,326	1,797,366
Average of invested capital ^{NG} over the quarter	1,786,301	1,676,693	1,704,346	1,803,165

	2025 Q1	2024 Q4	2024 Q3	2024 Q2
Shareholders' Equity	703,529	707,754	699,717	704,031
Addback				
Long term debt	643,872	610,237	610,624	576,145
Second lien debt	174,202	173,741	173,309	172,910
Obligation under lease	129,629	129,511	130,020	131,382
Convertible debentures	221,540	218,020	230,453	225,628
Senior unsecured debt	51,051	50,040	56,210	54,997
Derivatives	(6,874)	(10,497)	2,327	(2,740)
Cash	(107,985)	(49,557)	(59,720)	(77,445)
Invested Capital ^{NG}	1,808,964	1,829,249	1,842,940	1,784,908
Average of invested capital ^{NG} over the quarter	1,819,107	1,836,095	1,813,922	1,785,059

Invested Capital^{NG}

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

ROIC^{NG}

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

Liquidity^{NG}

Liquidity^{NG} is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines Liquidity^{NG} as cash on-hand plus available capacity under its 2025 First Lien Facility.

Working Capital Days^{NG}

Working Capital Days^{NG} is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. The Company defines Working Capital Days^{NG} as the calculated number of days to convert working capital to cash. It is calculated by the number of days in the last twelve months (2026 Q1 LTM - 364 days) divided by the working capital turnover ratio (total sales for the last twelve months divided by average working capital for the last thirteen months).

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

Book-to-Bill Ratio^{NG}

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

Backlog^{NG}

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

Total Leverage Ratio (Bank)^{NG}

Total Leverage Ratio (Bank)^{NG} is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. TLR (Bank)^{NG} is calculated as aggregate indebtedness of the Company, not including the Company's Debentures and certain non-financial products, but including any senior unsecured or second lien indebtedness, less unrestricted cash and cash equivalents up to a maximum of \$50 million, divided by Adjusted EBITDA^{NG} (calculated on a trailing twelve-month basis).

Total Leverage Ratio^{NG}

Total Leverage Ratio^{NG} is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS. TLR^{NG} is calculated total debt less cash, divided by Adjusted EBITDA^{NG} (calculated on a trailing twelve-month basis). Total debt includes senior unsecured debt, long-term debt, second lien debt, convertible debentures, and obligations under leases.

Interest Coverage Ratio^{NG}

Interest Coverage Ratio^{NG} is not a recognized measure under IFRS Accounting Standards and does not have a standardized meaning prescribed by IFRS.

ICR^{NG} for Q1 2026 was calculated as Trailing Twelve Month Adjusted EBITDA^{NG} divided by annualized interest expense incurred during 2025 Q3, 2025 Q4, and 2026 Q1, including interest on the 2025 First Lien Facility, 2025 Second Lien Debt, Debentures, any senior unsecured or second lien indebtedness, and other interest.

ICR^{NG} for Fiscal 2025 was calculated as Trailing Twelve Month Adjusted EBITDA^{NG} divided by annualized interest expense incurred during 2025 Q3, and 2025 Q4, including interest on the 2025 First Lien Facility, 2025 Second Lien Debt, Debentures, any senior unsecured or second lien indebtedness, and other interest.

Senior Secured Net Leverage^{NG}

Senior Secured Net Leverage^{NG} includes the 2025 First Lien Facility and is calculated as indebtedness on those facilities, less unrestricted cash and cash equivalents up to a maximum of \$50 million, divided by Adjusted EBITDA^{NG} (calculated on a trailing twelve-month basis).

Capital Allocation Policy

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

Maintaining Financial Flexibility

The Company plans to prudently use leverage to manage liquidity 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 volume and mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of debt obligations, interest costs, funding requirements of the Company's pension plans, income taxes, credit capacity, letters of credit for surety bonds and 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 2025 First Lien Facility (see below), leases, debt and equity capital markets. The Company believes that its cash position and capacity under its 2025 First Lien Facility, 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. It is possible that unexpected events 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. Please refer to Appendix A of this MD&A for identified liquidity risks.

At March 29, 2026, the Company had Debentures outstanding of C\$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. The Debentures are currently classified as current in the Company's unaudited interim condensed consolidated statement of financial position.

The details of the covenants under the 2025 First Lien Facility are as follows:

	March 29, 2026	December 28, 2025
Total Leverage Ratio (Bank) ^{NG} (must be less than 4.75)	2.70	2.79
Senior Secured Leverage Ratio ^{NG} (must be less than or equal to 3.00)	0.76	0.72
Interest Coverage Ratio ^{NG} (must be greater than 2.00)	2.84	2.66

As of March 29, 2026, NFI's Liquidity^{NG} was \$374.6 million. As part of the Company's efforts to improve working capital and liquidity, the Company has secured milestone payments and deposits from certain customers. The Company remains focused on cash and liquidity management, including efforts to accelerate deliveries and customer acceptances, accelerating customer payments through the pursuit of advance payments and deposits wherever possible, and improving supplier payment terms.

The Company remains focused on deleveraging its balance sheet and returning to its targeted Total Leverage Ratio^{NG} of 1.5x to 2.5x. Total debt includes senior secured and unsecured debt, long-term debt, second lien debt, convertible debentures, and obligations under leases. Management believes it will achieve its longer-term leverage targets as the Company delivers on its backlog^{NG}, and benefits from record government investments in public transportation, and growing demand for its buses, motorcoaches, parts and services provided by Infrastructure Solutions™ services and Aftermarket sales. The reduction in leverage is also expected to be driven by increased production rates, the anticipated stabilization of parts and components supply, and the active focus on reducing working capital.

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

The Company continuously evaluates its capital structure to match liquidity and capital needs with a desire to lower overall interest expenses. On May 7, 2025, the Company entered into a 2025 First Lien Facility with a total borrowing capacity of \$845 million, which includes \$300 million in letter of credit availability, set for a two-year term. On June 13, 2025, the Company issued 2025 Second Lien Debt, as disclosed in Note 11 of the unaudited interim condensed consolidated financial statements, that decreased the total borrowing

capacity to \$700 million and provided access to an additional \$250 million through an accordion feature and an extension to May 7, 2029.

Business Investment

The Company plans to invest in the current business for future growth and will continue to invest in common systems, LEAN manufacturing operations and vehicle platforms to improve quality and cost effectiveness, while also investing to expand the Company's broader mobility solutions capabilities. The Company has made significant investments in its production facilities to achieve its strategy of offering the broadest range of vehicle offerings in heavy-duty transit, motorcoach, low-floor cutaways and medium-duty transit buses. These investments have ensured that New Flyer has the ability to manufacture clean diesel, Compressed Natural Gas (CNG), diesel electric hybrid and ZEBs across its network. Alexander Dennis has the ability to produce ZEBs and diesel buses at all of its facilities and MCI has invested in its production facilities to improve common line production for public and private markets, and internal combustion engines and ZEBs.

The Company also plans to make investments in people, facilities, equipment and engineering to strengthen its supply chain from both internal and external sources. NFI looks to invest in insourcing capacity where NFI controls decisions on input components, and where it is cost effective for internal development. The Company has made significant investments in strengthening its supplier development, management teams and systems to help drive overall improvements to supply chain performance and health.

Alexander Dennis continues to advance its integrated aftermarket solution, AD24, which provides fleet telematics data, access to personalized online parts and technical publications plus connections to field support, service, training and invoice management. AD24 is one element of NFI's numerous investments into telematics solutions to assist customers to track detailed performance and maintenance metrics associated with their vehicles.

In October 2024, NFI announced that in response to growing demand for its products in Canada, the Company was expanding its Canadian manufacturing capabilities through its All Canadian Build project. Construction activities began in October 2024 and the first transit bus entered production in September 2025, with full completion of the facility in early 2026. The facility is expected to see a continued ramp-up in production with a goal to achieve 5 EUs of weekly production.

In June 2025, Alexander Dennis assumed manufacturing operations of its North American contract manufacturing partner, Big Rig Manufacturing, in Las Vegas. The transaction included a purchase of assets (primarily inventory and equipment), with Alexander Dennis Inc. assuming a leased facility and hiring Big Rig's employees.

In October 2025, NFI, through a 50/50 joint venture called GR Seating, acquired the assets of American Seating, ensuring that a critical component of the transit industry's supply chain remained viable and positioning American Seating for operational performance recovery and long-term stability to the benefit of all its customers.

The Company's capital allocation priorities are currently focused on deleveraging, product development, strengthening its balance sheet and supporting the recovery of operations. While the Company will consider business acquisitions and partnerships that will further grow and diversify the business, strengthen its supply chain, and contribute to long-term competitiveness, NFI's current focus remains on increased production, quality and margin improvement. The Company saw significant improvement in its Total Leverage Ratio (Bank)^{NG} in Fiscal 2025 and expects that continued performance from the Company's manufacturing and aftermarket segments will support further improvement.

There are covenants under the 2025 First Lien Facility and 2025 Second Lien Debt that limit the Company's ability to make acquisitions and pay dividends. Investment decisions are based on several criteria, including but not limited to: investment required to maintain or enhance operations; enhancement of cost effectiveness through vertical integration of critical supply and sub-assembly in-sourcing; and acquisitions in current or adjacent markets that are considered accretive to the business.

Return of Capital to Shareholders

The Company maintains a Share dividend policy that is consistent with the Company's financial performance and the desire to retain certain cash flows to support the ongoing requirements of the business and to provide the financial flexibility to pursue revenue diversification and growth opportunities. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance, compliance with the 2025 First Lien Facility and 2025 Second Lien Debt covenants, and capital allocation priorities.

The Company's 2026 Q1 Free Cash Flow^{NG} was C\$23.9 million compared to Free Cash Flow^{NG} of C\$6.3 million in 2025 Q1. No dividends were declared during either period.

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 Accounting Standards.

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 March 29, 2026 in accordance with the criteria established in COSO 2013, and concluded that the Company’s ICFR are effective.

There have been no changes in our internal controls over financial reporting that occurred as of March 29, 2026 that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

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 March 29, 2026 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”), Alexander Dennis Limited and its affiliated entities (collectively, “AD”), and Seatco Holdings, LLC, which holds a 50% interest in GR Seating LLC (“GR Seating”). 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 March 29, 2026, 119,107,776 Shares were issued and outstanding. Additional information about NFI and the Company, including NFI’s Annual Information Form and information circular, is available on SEDAR+ at <http://www.sedarplus.ca>.

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

Forward-Looking Statements

This MD&A contains “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian securities laws, which reflect the expectations of management regarding the Company’s future growth, financial performance and liquidity and the Company’s strategic initiatives, plans, business prospects and opportunities, including the operational requirements and costs of the Battery Recall, the impact of and recovery from supply chain disruptions and plans to address them, the steps the Company plans to take to improve liquidity and the impact of tariffs, other trade measures and U.S. policy developments regarding federal vehicle funding. The words “believes”, “views”, “anticipates”, “plans”, “expects”, “intends”, “projects”, “forecasts”, “estimates”, “guidance”, “goals”, “objectives”, “targets” and similar words or expressions of future events or conditional verbs such as “may”, “will”, “should”, “could”, “would” are intended to identify forward-looking statements. These forward-looking statements reflect management’s current expectations regarding future events and 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, maintain adequate liquidity and manage supply chain disruptions and the Company’s strategic initiatives, objectives, plans, business prospects and opportunities, will not occur or be achieved.

The Company continues to experience various supply chain and logistics challenges, inflationary price increases for parts, components and other inputs used in the manufacturing processes, tariffs on buses, coaches and components and labour shortages. The Company is currently working through the Battery Recall. The Company has taken and continues to take various steps to mitigate these issues (including the current North American seat supply challenges and Battery Recall), but they continue to have a significant negative impact on the Company’s business, operating results, financial condition and liquidity. These issues may continue and/or worsen, including as the Company continues to ramp up production levels. While NFI has experienced significant improvement in overall supplier performance, the supply of certain parts and components continues to be challenged and may deteriorate, including with respect to other parts and components. There can be no assurance as to if or when production operations will return to pre-pandemic production rates or deliveries. Supply chain issues could also potentially expose the Company to liquidated damages penalties under certain transit bus and motorcoach purchase contracts if it is unable to meet the applicable delivery deadlines under such contracts. While the Company is closely managing its liquidity, it is possible that various events (such as delayed deliveries and customer acceptances, delayed customer payments, supply chain issues, product recalls, including the Battery Recall, and warranty claims) could significantly impair the Company’s liquidity and there can be no assurance that the Company would be able to obtain additional liquidity when required in such circumstances. In addition, as the Company is in the process of ramping up production levels and a significant percentage of the Company’s orders are ZEBs that have a higher manufacturing cost, the Company’s working capital requirements have increased compared to prior years. There can be no assurance that the Company will be able to maintain sufficient liquidity for an extended period or have access to additional capital when required in such circumstances and the Company’s financial performance and condition, cash flow and liquidity and its ability to maintain compliance with the covenants under its credit facilities may be impaired.

The level, type, coverage and duration of tariffs and other trade measures imposed by the US, Canada and other countries such as China is fluidly evolving and may continue to change and evolve in unpredictable ways. The impact of tariffs and other trade measures on general

economic conditions, customer demand and on the Company's business is uncertain and may be significant. Such impacts may include general inflationary pressures as well as new and exacerbated supply chain disruptions leading to production inefficiencies, delivery delays and additional liquidity deterioration. It is impossible to predict the full impact on the Company of tariffs or other trade actions, and if they are in place for an extended period they may have a material adverse effect on the Company's business, operating results, financial condition and liquidity and may result in the Company not achieving its financial guidance. In addition, U.S. federal funding for transit buses and coaches, including electric vehicles, could potentially be significantly reduced as a result of the U.S. administration's executive orders and potential policy and legislative changes. This could significantly impact the ability of U.S. transit agencies to purchase vehicles from the Company, which would likely have the most significant impact on purchases of electric vehicles. There can be no assurance as to the continuation or future amount of U.S. federal funding for transit bus and coach purchases.

Specific reference is made to the factors described above in this MD&A and in the section entitled "Risk Factors" in the Company's Annual Information Form for a discussion of the factors that may affect forward-looking statements and information. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements and information. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that could cause actions, events or results not to be as anticipated, estimated or intended or to occur or be achieved at all. The forward-looking statements and information contained herein are made as of the date of this 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 - 2026 First Quarter Bid Universe and Order Activity

Demand for Transit Buses and Motor Coaches

The Company's "Total 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 motorcoach public sector market demand. It is a point-in-time snapshot of: (i) EUs in active competitions, defined as all requests for proposals received by the Company and in process of review plus bids submitted by the Company and awaiting customer action (what NFI considers to be active bids), and (ii) management's forecast, based on data provided by operators for their fleet replacement plans, of expected EUs to be placed out for competition over the next five years.

In 2026 Q1, active bids of 6,465 EUs were up 21.8% year-over-year mainly driven by stronger bidding activity in 2026 Q1, during which NFI submitted bids for 5,643 EUs, up from 3,655 EUs in 2025 Q1. Active bids decreased by 9.2% from 2025 Q4 primarily driven by seasonality in bids and timing of certain procurements. During the quarter, several large bids moved from bids in process to bids submitted, leading to a 37.0% quarter-over-quarter increase in bids submitted.

The forecasted five-year North American industry demand remains strong at 26,003 EUs. The Company expects that the forecasted five-year North American industry procurements will remain high throughout 2026 as transit agencies continue to formalize their short- and long-term procurement plans while considering fleet replacements, vehicle age, and access to municipal, state, provincial and federal funding. As of 2026 Q1, the Total Bid Universe was 32,468 EUs, up 1.1% quarter-over-quarter and 14.1% year-over-year.

As at 2026 Q1, 12,270 EUs, or 37.8%, of the Total Bid Universe are ZEBs. The Company has seen some reduction in ZEB demand in recent periods with certain transit agency customers issuing procurements for diesel, CNG and Hybrid transit buses. In addition, some customers have revisited their near-term fleet plans with additional focus on ICE vehicles.

The Total 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)
2025 Q1	1,651	3,655	5,306	23,139	28,445
2025 Q2	1,711	4,144	5,855	22,769	28,624
2025 Q3	1,286	6,217	7,503	22,956	30,459
2025 Q4	3,001	4,119	7,120	25,004	32,124
2026 Q1	822	5,643	6,465	26,003	32,468

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

Procurement of heavy-duty transit buses and motorcoaches 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 Total Bid Universe for private sector buses and motorcoaches.

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

Due to the transactional nature of the procurement process in the UK, European and Asia Pacific markets, Alexander Dennis does not have a Total Bid Universe metric like the one seen in North American public markets. Alexander Dennis does, however, maintain a current sales pipeline based on market demand by region.

Order activity

New orders (firm and options) during 2026 Q1 totaled 1,049 EUs, a 58.4% decrease from 2025 Q1. The decrease is primarily driven by the timing of incoming new orders from transit agencies with several large awards received in 2025 Q1. New firm and option orders for 2026 Q1 LTM were 3,577 EUs, a decrease of 45.7% from 2025 Q1 LTM. The decrease reflects the record orders received in 2024 alongside higher new orders in 2025 Q1. The timing of new orders can vary based on transit agency procurement processes and the timing of bid submissions.

In 2026 Q1, 138 option EUs converted to firm orders, up by 19.0% from 2025 Q1, which contributed to 1,519 EUs converted in 2026 Q1 LTM, representing a conversion ratio of 80.1%. *Further details on options are provided below under the "Options" section.*

In 2026 Q1, the Company received orders for 109 EUs of battery-electric, zero-emission vehicles, a decrease from the 282 EUs of ZEB orders in 2025 Q1 and a decrease from 136 EUs of ZEB orders in 2025 Q4. These 109 EUs of ZEBs equate to 10.4% of all new firm and option orders for the quarter. This lower percentage of ZEB orders reflects the continued focus of some North American transit agencies on ICE vehicles.

591 EUs of new firm and option orders were pending from customers at the end of 2026 Q1, where approval of the award to the Company had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company and therefore not yet included in the backlog^{NG}.

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2025 Q1	2,523	6,591	116	850
2025 Q2	822	6,299	167	888
2025 Q3	644	5,893	237	957
2025 Q4	1,062	5,051	977	1,497
2026 Q1	1,049	3,577	138	1,519

Options

In 2026 Q1, 156 options expired, as compared to 41 options that expired in 2025 Q4, and 75 options that expired in 2025 Q1. Option expiries can vary significantly quarter-to-quarter. In 2026 Q1, the LTM option conversion rate increased year-over-year to 80.1%, reflecting the strength of NFI's option backlog that has seen strong growth since 2021. Overall option conversion is generally linked to the availability of funding in the U.S. and Canada. The Company's conversion rate can vary significantly from quarter-to-quarter and should be looked at on an annual or LTM basis.

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

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
A) Options Expired (EUs)	819	1,920	575	268	297	156					4,035
B) Options Exercised (EUs)	1,110	638	404	865	1,497	138					4,652
C) Current Options by year of expiry (EUs)						1,487	1,339	1,511	3,522	828	8,687
D) Conversion rate % = B / (A+B)	58%	25%	41%	76%	83%						

In addition to contracts for identified public customers, the Company has increased its focus on purchasing schedules (state and national contracts, and cooperative agency purchasing agreements) with the objective of having multiple available schedules, from which customers within a prescribed region or from a defined list, can purchase. The Company is currently named on over 40 of these purchasing schedules, either directly or through its dealers. These schedules are not recorded in backlog^{NG} as they do not have defined quantities allocated to the Company or any other original equipment manufacturer. Once a customer makes an order under one of these agreements, the purchase is recorded as a firm order. The importance of these schedules as a procurement tool for North American transit agencies has been increasing and the Company has received more than 3,400 vehicle awards from these schedules since the start of 2018, representing 7.9% of NFI's total firm and option orders over that period.

The Company's 2026 Q1 Book-to-Bill^{NG} ratio (defined as new firm orders and exercised options divided by new deliveries) was 120.8%, a decrease from 139.3% in 2025 Q1. This decrease was driven primarily by the lower firm orders in the quarter reflecting timing of several major awards in 2025 Q1. 2026 Q1 LTM Book-to-Bill^{NG} ratio was 109.2%, a decrease from the rate of 117.4% for 2025 Q1 LTM, with several large scale awards received in 2025 Q1 and the second half of 2024.

Backlog^{NG}

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

Transit buses and motorcoaches 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 52.8% of the total backlog^{NG} as of the end of 2026 Q1. This was a decrease of 5.8% from 2025 Q4, largely reflecting increased focus on ICE vehicles for certain customers in the U.S. and Canada.

As at the end of 2026 Q1, there were 4,992 EUs of ZEBs in the backlog^{NG}, representing 32.8% of the total backlog^{NG}, a decrease of 4.5% as at the end of 2025 Q4 and 17.3% as at the end of 2025 Q1, reflecting NFI's ZEB production in 2025 and lower ZEB demand from public and private customers in Canada and the U.S.

	2026 Q1			2025 Q4			2025 Q1		
	Firm Orders	Options	Total	Firm Orders	Options	Total	Firm Orders	Options	Total
Beginning of period	6,344	8,981	15,325	5,774	9,832	15,606	5,860	9,275	15,135
New orders	1,043	6	1,049	895	167	1,062	1,316	1,207	2,523
Options exercised	138	(138)	—	977	(977)	—	116	(116)	—
Shipments ¹	(978)	—	(978)	(1,233)	—	(1,233)	(1,028)	—	(1,028)
Cancelled/expired	(12)	(156)	(168)	(69)	(41)	(110)	(28)	(75)	(103)
End of period	6,535	8,693	15,228	6,344	8,981	15,325	6,236	10,291	16,527
Consisting of:									
Heavy-duty transit buses	5,825	8,420	14,245	5,549	8,668	14,217	5,099	9,769	14,868
Motor coaches	341	273	614	331	313	644	353	522	875
Cutaway and medium-duty buses	369	—	369	464	—	464	784	—	784
Total Backlog^{NG}	6,535	8,693	15,228	6,344	8,981	15,325	6,236	10,291	16,527

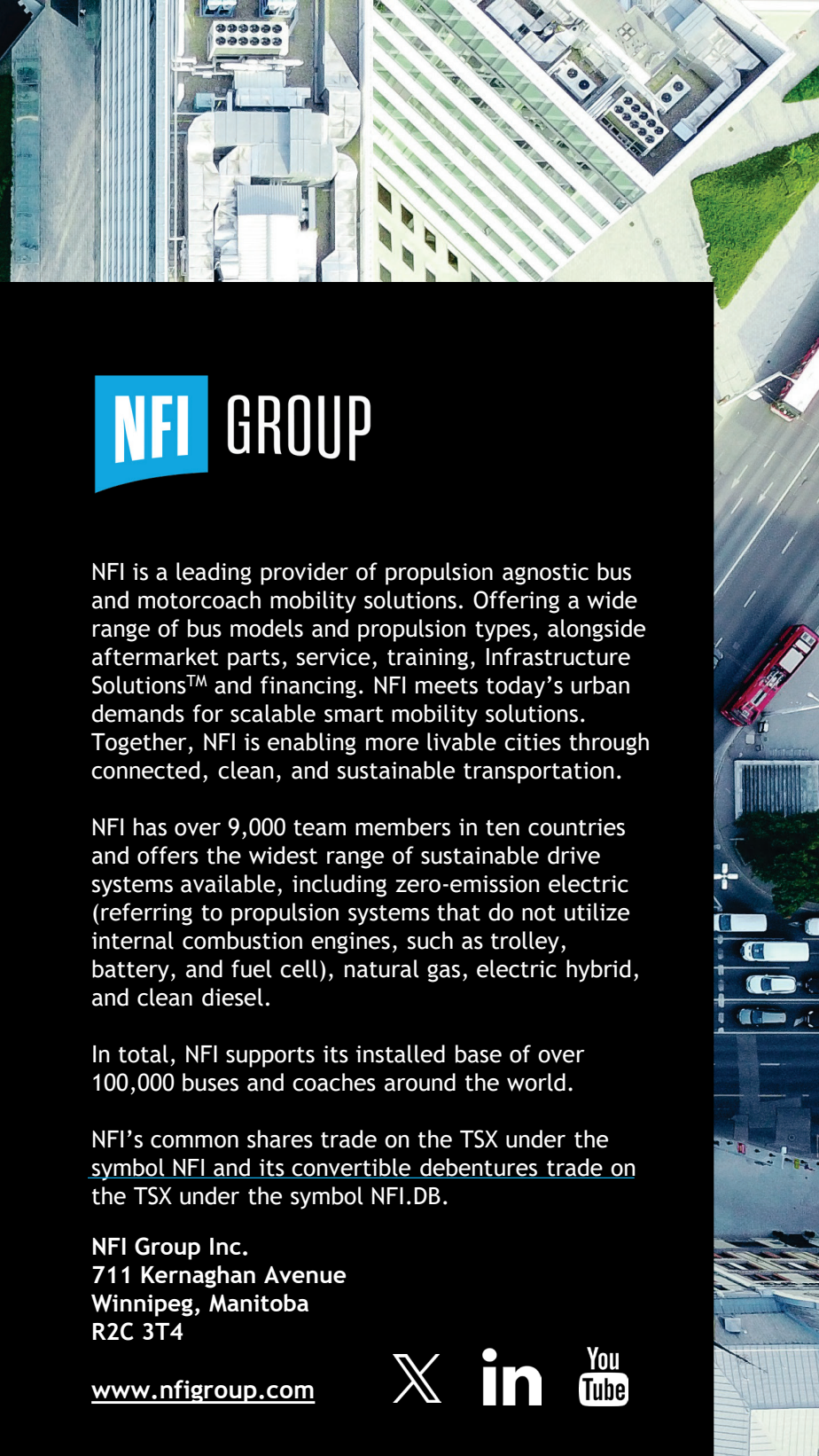
1. Shipments do not include delivery of pre-owned coaches as these coaches are not included in the backlog^{NG}.

At the end of 2026 Q1, the Company's total backlog^{NG} of 15,228 EUs (firm and options) decreased by 7.9% from the end of 2025 Q1. Backlog^{NG} for 2026 Q1 has a total dollar value of \$13.0 billion, flat from 2025 Q4 and a 4.7% decrease from 2025 Q1.

The average price of an EU in total backlog^{NG} is now \$0.86 million, a 3.4% increase from 2025 Q1. This increase was driven by the impacts of improved pricing and general improvements in contract margins.

The summary of the values is provided below.

	2026 Q1		2025 Q4		2025 Q1	
		EUs		EUs		EUs
Total firm orders	\$5,487.5	6,535	\$5,155.1	6,344	\$4,929.3	6,236
Total options	\$7,548.7	8,693	\$7,866.3	8,981	\$8,756.3	10,291
Total backlog^{NG}	\$13,036.2	15,228	\$13,021.4	15,325	\$13,685.6	16,527



NFI GROUP

NFI is a leading provider of propulsion agnostic bus and motorcoach mobility solutions. Offering a wide range of bus models and propulsion types, alongside aftermarket parts, service, training, Infrastructure Solutions™ and financing. NFI meets today's urban demands for scalable smart mobility solutions. Together, NFI is enabling more livable cities through connected, clean, and sustainable transportation.

NFI has over 9,000 team members in ten countries and offers the widest range of sustainable drive systems available, including zero-emission electric (referring to propulsion systems that do not utilize internal combustion engines, such as trolley, battery, and fuel cell), natural gas, electric hybrid, and clean diesel.

In total, NFI supports its installed base of over 100,000 buses and coaches around the world.

NFI's common shares trade on the TSX under the symbol [NFI](#) and its convertible debentures trade on the TSX under the symbol [NFI.DB](#).

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Unaudited Interim Condensed Consolidated Financial Statements of
NFI GROUP INC.

March 29, 2026

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NFI GROUP INC.

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

13-weeks ended March 29, 2026 ("2026 Q1") and 13-weeks ended March 30, 2025 ("2025 Q1")

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

	2026 Q1	2025 Q1
Revenue (note 14)	\$ 841,978	\$ 841,420
Cost of sales (note 5)	709,686	747,460
Gross profit	132,292	93,960
Sales, general and administration costs and other operating expenses	79,493	63,234
Foreign exchange loss (gain)	2,082	(370)
Earnings from operations	50,717	31,096
Gain on disposition of property, plant and equipment and right-of-use asset	128	150
Impairment loss on goodwill and intangible assets	(129)	-
Unrealized foreign exchange gain on monetary items	3,980	1,106
Share of profit of joint ventures accounted for using the equity method (note 7)	6,760	-
Earnings before interest and income taxes	61,456	32,352
Interest and finance costs (note 15)	41,385	38,358
Earnings (loss) before income tax expense	20,071	(6,006)
Income tax expense (note 16)	8,559	480
Net earnings (loss) for the period	\$ 11,512	\$ (6,486)
Other comprehensive earnings (loss)		
Actuarial gain (loss) on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss	926	(877)
Unrealized foreign exchange (loss) gain on translation of foreign operations - this item will not be reclassified subsequently to profit or loss	(2,674)	2,677
Total comprehensive earnings (loss) for the period	\$ 9,764	\$ (4,686)
Net earnings (loss) per share (basic) (note 13)	\$ 0.10	\$ (0.05)
Net earnings (loss) per share (diluted) (note 13)	\$ 0.10	\$ (0.05)

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 29, 2026
(in thousands of U.S. dollars)

	March 29, 2026	December 28, 2025
Assets		
Current		
Cash	\$ 77,374	\$ 118,548
Accounts receivable (note 4, 18e)	692,398	721,798
Income tax receivable	1,253	415
Other current asset (note 6, 18a)	9,177	66,000
Derivative financial instruments (note 18a, b, c)	1,384	-
Prepaid expenses and deposits	31,164	33,724
Inventories (note 5)	1,043,340	922,192
	1,856,090	1,862,677
Other long-term assets (note 6, 18a)	57,434	55,033
Investment accounted for using equity method (note 7)	18,273	11,513
Deferred tax assets	136,065	132,989
Accrued benefit asset	14,817	14,104
Derivative financial instruments (note 11, 18a, b)	11,020	18,630
Property, plant and equipment	209,317	206,760
Right-of-use asset	118,473	116,726
Goodwill and intangible assets (note 8)	861,852	857,394
	\$ 3,283,341	\$ 3,275,826
Liabilities		
Current		
Accounts payable and accrued liabilities	646,287	687,207
Income tax payable	35,975	43,051
Current portion of long-term liabilities (note 9)	795,307	490,160
Derivative financial instruments (note 18a, b, c)	-	1,620
	1,477,569	1,222,038
Accrued benefit liability	2,118	2,265
Obligations under leases	119,176	119,720
Deferred compensation obligation	2,605	2,801
Deferred revenue	19,163	22,599
Provisions (note 10)	111,842	159,186
Deferred tax liabilities	46,640	46,314
Long-term debt (note 11)	905,130	1,113,806
Derivative financial instruments (note 11, 18a, b)	1,389	649
	\$ 2,685,632	\$ 2,689,378
Commitments and contingencies (note 20)		
Shareholders' equity		
Share capital (note 12)	1,242,197	1,242,000
Stock option and restricted share unit reserve	17,983	16,683
Accumulated other comprehensive income	26,765	28,513
Deficit	(689,236)	(700,748)
	\$ 597,709	\$ 586,448
	\$ 3,283,341	\$ 3,275,826

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended March 29, 2026

(in thousands of U.S. dollars)

	Share Capital (note 12)	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive Earnings	Deficit	Total Shareholders' Equity
Balance, December 29, 2024	\$ 1,241,397	\$ 14,249	\$ 10,736	\$ (558,628)	\$ 707,754
Net loss	-	-	-	(6,486)	(6,486)
Other comprehensive earnings	-	-	1,800	-	1,800
Share-based compensation, net of deferred income taxes	-	461	-	-	461
Shares issued	140	(140)	-	-	0
Balance, March 30, 2025	\$ 1,241,537	\$ 14,570	\$ 12,536	\$ (565,114)	\$ 703,529
Net loss	-	-	-	(135,634)	(135,634)
Other comprehensive earnings	-	-	15,977	-	15,977
Share-based compensation, net of deferred income taxes	-	2,350	-	-	2,350
Shares issued	463	(237)	-	-	226
Balance, December 28, 2025	\$ 1,242,000	\$ 16,683	\$ 28,513	\$ (700,748)	\$ 586,448
Net earnings	-	-	-	11,512	11,512
Other comprehensive loss	-	-	(1,748)	-	(1,748)
Share-based compensation, net of deferred income taxes	-	1,422	-	-	1,422
Shares issued	197	(122)	-	-	75
Balance, March 29, 2026	\$ 1,242,197	\$ 17,983	\$ 26,765	\$ (689,236)	\$ 597,709

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

13-weeks ended March 29, 2026 ("2026 Q1") and 13-weeks ended March 30, 2025 ("2025 Q1")

(in thousands of U.S. dollars)

	2026 Q1	2025 Q1
Operating activities		
Net earnings (loss) for the period	\$ 11,512	(6,486)
Income tax expense	8,559	480
Depreciation of property, plant and equipment and right-of-use assets	11,784	10,744
Amortization of intangible assets	8,167	7,437
Impairment on goodwill and intangible assets	129	-
Share of profit of joint ventures accounted for using the equity method (note 7)	(6,760)	-
Share-based compensation	1,783	372
Interest and finance costs recognized in profit or loss (note 15)	33,058	37,793
Unrealized foreign exchange gain on monetary items	(3,980)	(1,106)
Foreign exchange (gain) loss on cash held in foreign currency	(101)	506
Fair value adjustment on derivative financial instruments (note 15)	8,327	565
Gain on disposition of property, plant and equipment	(128)	(150)
Defined benefit expense	913	490
Defined benefit funding	(733)	(717)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	72,530	49,928
Changes in non-cash working capital items (note 17)	(67,827)	23,748
Cash generated by operating activities before interest and income taxes paid	4,703	73,676
Interest paid	(38,182)	(33,616)
Income taxes paid (recovered)	(20,788)	740
Net cash (used in) generated by operating activities	(54,267)	40,800
Financing activities		
Repayment of obligations under lease	(6,723)	(5,372)
Proceeds from first lien facility and second lien debt	29,637	26,482
Proceeds from share issuance and stock options exercise	75	-
Net cash generated by financing activities	22,989	21,110
Investing activities		
Acquisition of property, plant and equipment and right-of-use asset	(11,487)	(5,900)
Acquisition of intangible assets	(6,249)	(2,206)
Disposition of long-term restricted deposits	-	5,130
Net cash used in investing activities	(17,736)	(2,976)
Effect of foreign exchange rate on cash	101	(506)
(Decrease) increase in cash	(48,913)	58,428
Cash at the beginning of period, prior to adjustment for the initial application of the amendments to IFRS 9	118,548	-
Adjustment on the initial application of the amendments to IFRS 9 (note 3)	7,739	-
Cash – beginning of period	126,287	49,557
Cash – end of period	\$ 77,374	\$ 107,985

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

NFI GROUP INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at March 29, 2026
(in thousands of U.S. dollars except per share figures)

1. CORPORATE INFORMATION

1.1 Corporate information

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

These unaudited interim condensed consolidated financial statements (the "Statements") were approved by NFI's board of directors (the "Board") on May 7, 2026.

2. BASIS OF PREPARATION

The Statements were prepared on a going concern basis in accordance with IFRS® Accounting Standards 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.

In preparing these Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied by the Company in its audited consolidated financial statements as at and for the 52-week period ended December 28, 2025 ("Fiscal 2025").

2.1 Statement of Compliance

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

2.2 Functional and presentation currency

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

2.3 Fiscal periods

	Period from December 29, 2025 to December 27, 2026 ("Fiscal 2026")			Period from December 30, 2024 to December 28, 2025 ("Fiscal 2025")		
	Period End Date		# of Calendar Weeks	Period End Date		# of Calendar Weeks
Quarter 1	March 29, 2026	("2026 Q1")	13	March 30, 2025	("2025 Q1")	13
Quarter 2	June 28, 2026	("2026 Q2")	13	June 29, 2025	("2025 Q2")	13
Quarter 3	September 27, 2026	("2026 Q3")	13	September 28, 2025	("2025 Q3")	13
Quarter 4	December 27, 2026	("2026 Q4")	13	December 28, 2025	("2025 Q4")	13
Fiscal year	December 27, 2026		52	December 28, 2025		52

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

3.1 Amended standards adopted

IFRS 7 and 9 - Amendments to the Classification and Measurement of Financial Instruments

The changes set criteria for derecognition of a financial liability settled through electronic transfer and include amendments for the classification of financial assets involving contractual terms that are consistent with a basic lending arrangement, assets with non-recourse features, and contractually linked instruments. Disclosure requirements change for investments in equity instruments designated at fair value through other comprehensive income and include a new requirement for disclosure of contractual terms that could change the timing or amount of contractual cash flows based on a contingent event that does not relate directly to changes in basic lending risks and costs. This resulted to a reclassification of \$7.7 million outstanding cheques between cash and accounts payable and accrued liabilities in the unaudited interim condensed consolidated statements of financial position.

IFRS 7 and 9 - Amendments for contracts referencing nature-dependent electricity related to hedge accounting

The changes relate to designation of contracts relating to nature-dependent electricity as hedging instruments and their disclosure requirements. Under the amendments an entity is permitted to designate as the hedged item a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the hedging instrument. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and the Company is in compliance with the required disclosure.

IFRS 10 and IAS 28 - Amendments for sale or contribution of assets between an investor and its associate or joint venture

The changes relate to equity method procedures on the sale or contribution of assets between an investor or joint venture. Under the amendments, the gain or loss resulting from a downstream transaction involving assets that constitute a business between an entity including its consolidated subsidiaries and its associate or joint venture is recognized in full in the investor's financial statements. An entity might sell or contribute assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. The changes also set out guidance for the accounting for the loss of control of a subsidiary that does not contain a business as a result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Management assessed that this standard does not have a material impact on the unaudited interim condensed consolidated financial statements and the Company is in compliance with the required disclosure.

3.2 Standards issued but not yet adopted

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements for the presentation and disclosure of information in the consolidated financial statements to help ensure they provide relevant information that faithfully represents the Company's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 - Presentation of Financial Statements once effective. Initial adoption of the requirements under IFRS 18 will be obligatory for annual reporting periods on or after January 1, 2027.

The Company is currently assessing the impact of the adoption of IFRS 18 on its unaudited interim condensed consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	March 29, 2026	December 28, 2025
Trade, net of allowance for doubtful accounts (note 18e)	\$ 642,987	\$ 676,040
Other (note 18e)	49,411	45,758
	<u>\$ 692,398</u>	<u>\$ 721,798</u>

In the normal course of its business, the Company has entered into facilities with certain financial institutions whereby it can sell, without credit recourse, eligible receivables to such financial institutions. As at March 29, 2026, trade receivables of \$11.0 million (December 28, 2025: \$8.7 million) were derecognized under these facilities. Accounts receivables are derecognized under this agreement as financial assets when the rights to receive cash flows have been transferred and substantially all of the risks and rewards of the asset have been transferred.

NFI GROUP INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at March 29, 2026
(in thousands of U.S. dollars except per share figures)

5. INVENTORIES

	March 29, 2026	December 28, 2025
Raw materials	\$ 414,986	\$ 352,997
Work in process	491,224	483,113
Finished goods	137,130	86,082
	<u>\$ 1,043,340</u>	<u>\$ 922,192</u>
	2026 Q1	2025 Q1
Cost of inventories recognized as expense and included in cost of sales	\$ 675,872	\$ 702,004
Write-down of inventory to net realizable value in cost of sales	1,073	1,145

6. OTHER ASSETS

	March 29, 2026	December 28, 2025
Restricted deposit(s) (note 18b)	\$ 53,562	\$ 53,144
Long-term accounts receivable	3,882	1,889
Assets acquired through settlement (note 20d)	-	56,000
Escrow receivable (note 20d)	9,167	10,000
Less: current portion of other assets	9,177	66,000
Total other long-term assets	<u>\$ 57,434</u>	<u>\$ 55,033</u>

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

On December 15, 2025, the Company entered into the battery settlement with XALT regarding costs related to the voluntary recall for buses and coaches equipped with certain battery modules from the supplier, XALT. As part of the battery settlement, the Company was entitled to receive assets including inventory and intangible assets. The escrow receivable is for certain future costs associated with the transfer of people and facilities.

On February 1, 2026, the assets acquired through settlement were reclassified to inventory and intangible assets and escrow payments are classified in current as they are expected to be received within the next twelve months.

7. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On October 21, 2025, the Company and GILLIG LLC formed a 50/50 joint venture, through an entity called "GR Seating, LLC", to acquire the assets of American Seating Inc., a key producer of seats for transit, motorcoach, and rail applications. The net carrying amount of the investment in GR Seating, LLC consists of the assets acquisition from American Seating Inc., and capital contributions to fund the business operations. The joint venture prepares its financial statements as at December 30, 2025, which differs from the Company's reporting date. The Company uses the management financial information provided by the joint venture as of March 29, 2026 to reflect the transactions occurred between the joint venture's and the Company's reporting date.

The following table contains a summary of the aggregated income statement data and aggregated carrying amounts of the joint venture accounted for using the equity method:

	March 29, 2026	December 28, 2025
Share of net (earnings) loss	\$ (6,760)	\$ 4,766
Tax expense recorded on net (earnings) loss	1,632	(1,001)
Share of net (earnings) loss after income taxes	<u>\$ (5,128)</u>	<u>\$ 3,765</u>
Net carrying amount	\$ 18,273	\$ 11,513

As at March 29, 2026, the share of net gain recognized in the unaudited interim condensed consolidated statements of net earnings (loss) and total comprehensive earnings (loss) includes bargain purchase option of \$3.9 million. As at December 28, 2025, the share of net loss recognized includes the transactions costs of \$2.6 million.

8. GOODWILL AND INTANGIBLE ASSETS

During the fourth quarter of each fiscal year, the Company performs annual goodwill and indefinite-life intangible assets impairment test for each of its cash generating units ("CGUs"). Management has determined that for purposes of this evaluation the Company has five CGUs: North America Bus and Coach manufacturing, ARBOC, AD manufacturing, AD parts and NFI parts. The Company also performs goodwill and indefinite-life intangible assets impairment tests whenever events or circumstances occur which, in management's judgment, could reduce the recoverable amount of one or more CGUs below its carrying amount. Potential impairment indicators include, but are not limited to, (i) the results of the most recent annual impairment test, in particular the magnitude of the excess of recoverable amount over carrying amount observed, (ii) significant downward revisions to a CGU's budgeted net cash flows, and (iii) significant increases in market interest rates or other market rates of return that are likely to affect the discount rate used in calculating a CGU's value-in-use and decrease the CGU's recoverable amount materially.

Subsequent to 2026 Q1, Alexander Dennis announced a consultation on a new strategy for its United Kingdom (UK) manufacturing operations in response to the changing market demands in UK. Alexander Dennis continues to expect that some roles would be placed at risk of potential redundancy. Based on these subsequent factors, management considered if indicators of impairment were present at the period-end and concluded that impairment indicators existed at AD manufacturing, accordingly, an interim quantitative impairment test was performed.

The discount rate used in the estimation of the recoverable amount is outlined below.

CGUs	2026 Q1	2025 Q4
AD manufacturing	12.5% to 13.5%	12.5% to 13.5%

Based on the results of the interim quantitative impairment test conducted in the first quarter of 2026, management concluded that the estimated recoverable amount of the AD manufacturing CGU was \$114.0 million, which was higher than its carrying amount. As a result, no impairment existed.

9. CURRENT PORTION OF LONG-TERM LIABILITIES

	March 29, 2026	December 28, 2025
Deferred compensation obligation	\$ 7,669	\$ 6,864
Deferred revenue	262,562	245,753
Obligations under leases	22,404	20,718
Provisions (note 10)	228,160	180,137
Long-term debt (note 11)	274,512	36,688
	\$ 795,307	\$ 490,160

10. PROVISIONS

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

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

During Fiscal 2025, the Company announced a battery recall for buses and coaches equipped with certain battery modules from a supplier, XALT, which impacts approximately 700 battery-electric buses and coaches (primarily New Flyer buses). The Company's warranty provision also includes battery recall reflecting the estimated costs for full battery replacement on all the vehicles impacted by the recall and estimated future costs associated with supporting vehicles in service that have other older XALT batteries. The warranty provision recognized in Fiscal 2025 is \$229.9 million.

In December 2025, the Company entered into the battery settlement with XALT with respect to the battery recall costs for buses and coaches equipped with certain battery modules. As a result of the battery settlement, the Company has recognized settlement payments from XALT comprising of cash payments, transfer of certain personnel, contribution of relevant assets including battery modules, systems, equipment, and intellectual property.

The other category includes a restructuring provision for the costs in relation to the occurrence of redundancy at the Alexander Dennis facilities and onerous contracts when the unavoidable costs of meeting the contract are greater than the economic benefits expected to be received under it.

NFI GROUP INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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10. PROVISIONS (Continued)

	Insurance Risk Retention	Warranty	Other	Total
December 29, 2024	\$ 32,577	\$ 62,862	\$ 1,660	\$ 97,099
Additions	13,107	349,285	16,404	378,796
Amounts used/realized	(12,512)	(106,504)	(5,080)	(124,096)
Unused provision	(416)	-	(12,641)	(13,057)
Unwinding of discount and effect of changes in the discount rate	-	(1,001)	-	(1,001)
Exchange rate differences	(16)	1,517	81	1,582
December 28, 2025	\$ 32,740	\$ 306,159	\$ 424	\$ 339,323
Additions	6,301	30,088	722	37,111
Amounts used/realized	(3,194)	(32,425)	(45)	(35,664)
Unused provision	-	(397)	-	(397)
Unwinding of discount and effect of changes in the discount rate	-	22	-	22
Exchange rate differences	2	(384)	(11)	(393)
	35,849	303,063	1,090	340,002
Less: current portion (note 9)	1,560	225,949	651	228,160
March 29, 2026	\$ 34,289	\$ 77,114	\$ 439	\$ 111,842

11. LONG-TERM DEBT

	Currency	Interest rate	Maturity	Face Value	Unamortized Transaction Costs	Carrying amount March 29, 2026	Net Book Value December 28, 2025
Senior unsecured debt	CAD	0.00%	April 30, 2026	\$ 35,735	-	\$ 35,735	\$ 35,226
First Lien Facility, secured	USD	N/A	May 7, 2029	296,515	4,442	292,073	262,451
Second Lien Debt	USD	9.25%	July 1, 2030	619,080	11,611	607,469	606,919
Government of Canada Loans	CAD	0.00%	March 1, 2030	5,767	540	5,227	4,795
	CAD	0.00%	March 1, 2033	2,598	795	1,803	2,635
Convertible Debentures	CAD	5.00%	January 15, 2027	239,013	1,678	237,335	238,468
				\$ 1,198,708	\$ 19,066	\$ 1,179,642	\$ 1,150,494
Current portion				276,190	1,678	274,512	36,688
Non-current portion				922,518	17,388	905,130	1,113,806
				\$ 1,198,708	\$ 19,066	\$ 1,179,642	\$ 1,150,494

The Company's senior unsecured debt consists of Manitoba Development Corporation ("MDC") facility and two credit facilities with Export Development Canada ("EDC"). The two credit facilities are supply chain financing ("supply chain financing facility") and surety and performance bonding requirements for new contracts ("Guarantee Facility"). The Guarantee Facility is made up of an Account Performance Security Guarantee ("PSG") and Surety Reinsurance Support. These facilities were last amended and restated in November 2025. The current size of the Guarantee Facility is \$190 million, PSG is \$135 million, and Surety Reinsurance Support is \$55 million.

The supply chain financing facility was repaid in 2025. The Guarantee Facility remains outstanding as of March 29, 2026.

As of March 29, 2026, the Company's First Lien Facility has a total borrowing capacity of \$700 million, which included \$300 million in letters of credit availability set for a two-year term, and provided access to an additional \$250 million through an accordion feature. The First Lien Facility was last amended and restated in June 2025.

As of March 29, 2026, \$175.4 million outstanding letters of credit were drawn against the First Lien Facility.

In 2025, the Company issued \$600 million in aggregate principal amount of second lien senior secured notes ("Second Lien Debt"). At any time prior to July 1, 2027, the Company can exercise an option to redeem the Second Lien Debt at a redemption price equal to 100% of the aggregate principal amount plus a "make-whole" premium. At any time on or after July 1, 2027, the Company can exercise an option to redeem the Second Lien Debt at a redemption equal to 104.625% in 2027, 102.313% in 2028, and 100.000% in 2029 and thereafter. As at March 29, 2026, the optional redemption had a fair value of \$11.0 million (December 28, 2025: \$18.6 million).

NFI GROUP INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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11. LONG-TERM DEBT (Continued)

The Company entered into funding agreements with the Government of Canada. The Company received a total of C\$10 million interest free repayable contribution through “Jobs and Growth Fund” to support the Motor Coach Industries Winnipeg facility enhancements and zero-emission product development and growth. As at March 29, 2026, \$1.4 million interest-free contribution repayments are due within the next twelve months.

In addition, the Company received a total of C\$3.6 million interest-free repayable contribution through Prairies Economic Development Canada (“PrairiesCan”) to support the expansion of the New Flyer Winnipeg facility for all Canadian build heavy-duty transit buses and increased offering of zero-emission buses. The interest-free contribution repayments will commence in April 2028.

The Company has C\$338 million in aggregate principal amount of convertible debentures (the “Debentures”). The Debentures may be converted in whole or in part from time to time at the holder’s option into 30.1659 Shares for each C\$1,000 principal amount of Debentures (“Conversion Price”), representing a Conversion Price of approximately C\$33.15 per Share, prior to maturity and subject to adjustment in certain circumstances. NFI has the option to settle the conversion in either Shares or cash (the “Cash Conversion Option”), with the Cash Conversion Option determined to be a financial liability. As at March 29, 2026, the cash conversion option had a fair value of \$1.4 million (December 28, 2025: \$0.6 million).

12. SHARE CAPITAL

	March 29, 2026	December 28, 2025
Authorized - Unlimited		
Issued - 119,107,776 Common Shares (December 28, 2025: 119,092,658)	\$ 1,242,197	\$ 1,242,000

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

Shares	Number (000s)	Net Book Value
Balance - December 28, 2025	119,093	\$ 1,242,000
Stock options exercised	7	88
Director Restricted Share Units (“Director RSU”) exercised	8	109
Balance - March 29, 2026	119,108	\$ 1,242,197

13. EARNINGS (LOSS) PER SHARE

	2026 Q1	2025 Q1
Net earnings (loss) attributable to equity holders	\$ 11,512	\$ (6,486)
Weighted average number of Shares in issue	119,100,537	119,043,590
Weighted average number of Shares for diluted earnings per Share	119,393,922	119,043,590
Net earnings (loss) per Share (basic)	\$ 0.0967	\$ (0.0545)
Net earnings (loss) per Share (diluted)	\$ 0.0964	\$ (0.0545)

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

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

14. DISAGGREGATION OF REVENUE

The Company's revenue by geography is summarized below:

	2026 Q1	2025 Q1
North America	\$ 753,301	\$ 709,741
UK and Europe	80,819	122,738
Asia Pacific	7,858	8,941
Total	\$ 841,978	\$ 841,420

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

	2026 Q1	2025 Q1
Transit buses	\$ 537,864	\$ 550,358
Motorcoaches	103,221	97,194
Medium-duty and cutaway buses	28,808	23,572
Pre-owned motorcoach	3,496	3,713
Infrastructure solutions™	4,949	10,933
Fiberglass reinforced polymer components	3,071	3,098
Manufacturing revenue (note 19)	\$ 681,409	\$ 688,868

15. INTEREST AND FINANCE COSTS

	2026 Q1	2025 Q1
Interest on long-term debt and second lien debt	\$ 19,751	\$ 22,251
Interest on convertible debt	3,123	3,079
Interest on senior unsecured debt	-	775
Accretion in carrying value of long-term debt and second lien debt	885	3,019
Accretion in carrying value of convertible debt	2,257	2,095
Accretion in carrying value of senior unsecured debt	73	73
Interest on lease liability	2,528	2,732
Other interest and bank charges	4,812	3,938
Fair value loss on prepayment option of 2023 second lien debt	-	2,298
Fair market value gain on interest rate swap	(371)	(168)
Fair market value loss on optional redemption of 2025 second lien debt	7,610	-
Fair market value loss (gain) on cash conversion option	717	(1,734)
	\$ 41,385	\$ 38,358

16. INCOME TAX EXPENSE

The income tax expense for 2026 Q1 was \$8.6 million compared to an expense of \$0.5 million in 2025 Q1. The increased income tax expense was primarily due to the increase in earnings before income tax.

The Effective Tax Rate ("ETR") for 2026 Q1 was 42.6% and the ETR for 2025 Q1 was (8.0%). The ETR for 2026 Q1 was detrimentally impacted by the non-recognition of deferred tax assets associated with the UK operations, and excess unapplied U.S. foreign tax credits written off in the period.

Income tax expense recognized in the unaudited interim condensed consolidated statement of net earnings (loss) and total comprehensive earnings (loss) as at March 29, 2026 does not include any amount related to BEPS Pillar Two ("Pillar Two") income taxes.

Pillar Two is not expected to have a material impact on the Company's tax expense.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	2026 Q1	2025 Q1
Accounts receivable	\$ 29,400	\$ (90,696)
Other current asset	56,823	6,937
Income tax receivable	6,000	(11,785)
Inventories	(118,967)	60,413
Prepaid expenses and deposits	2,559	355
Accounts payable and accrued liabilities	(48,660)	4,557
Income tax payable	(7,076)	10,951
Deferred revenue	13,373	21,002
Provisions	679	13,593
Other	(1,958)	8,421
	\$ (67,827)	\$ 23,748

18. 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
Second lien 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.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

March 29, 2026			
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value through profit and loss			
Cash	Level 1	\$ 77,374	\$ 77,374
Restricted deposit(s) (note 6)	Level 1	53,562	53,562
		\$ 130,936	\$ 130,936
<hr/>			
Foreign exchange forward contracts	Level 2	1,384	1,384
Optional redemption (note 11)	Level 2	11,020	11,020
Derivative financial instrument assets - long term		\$ 12,404	\$ 12,404
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Financial liabilities recorded at fair value through profit and loss			
Interest Rate Swap	Level 2	39	39
Cash Conversion Option (note 11)	Level 2	1,350	1,350
Derivative financial instrument liabilities - long term		\$ 1,389	\$ 1,389

December 28, 2025			
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value through profit and loss			
Cash	Level 1	\$ 118,548	\$ 118,548
Restricted deposit(s) (note 6)	Level 1	53,144	53,144
		\$ 171,692	\$ 171,692
<hr/>			
Optional redemption (note 11)	Level 2	18,630	18,630
Derivative financial instrument assets - long term		\$ 18,630	\$ 18,630
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Financial liabilities recorded at fair value through profit and loss			
Foreign exchange forward contracts	Level 2	1,209	1,209
Interest Rate Swap	Level 2	411	411
Derivative financial instrument liabilities - current		\$ 1,620	\$ 1,620
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Cash Conversion Option (note 11)	Level 2	649	649
Derivative financial instrument liabilities - long term		\$ 649	\$ 649

(c) Risk Management

Foreign currency risk

At March 29, 2026, the Company had \$182.9 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 2026 to December 2026. The related asset of \$1.4 million (December 28, 2025: liability of \$1.2 million) is recorded on the unaudited interim condensed consolidated statements of financial position as a current derivative financial instrument liability and the corresponding change in the fair value of the foreign exchange forward contracts is recorded in the unaudited interim condensed consolidated statements of net earnings (loss) and the total comprehensive earnings (loss).

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(d) Liquidity risk

The Company's principal sources of funds are cash generated from its operating activities, share and other issuances and borrowing capacity remaining on its First Lien Facility.

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 March 29, 2026, the Company had a cash balance of \$77.4 million (December 28, 2025: \$118.5 million), \$296.5 million (December 28, 2025: \$267.2 million) drawn under the First Lien Facility, and \$106.3 million of outstanding letters of credit (Fiscal 2025: \$105.5 million). The liquidity position as at March 29, 2026 is \$374.6 million (December 28, 2025: \$445.8 million).

Compliance with financial covenants under the First Lien Facility is reported quarterly to the Board. Other than the requirements imposed by letters of credit collateral (note 6) 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. As at March 29, 2026, the Company was in compliance with all covenant requirements.

Under the terms of the First Lien Facility, the Company cannot declare or pay dividends, until certain financial conditions exist. Currently dividends have been suspended and future decisions on the resumption of dividend payments will be dependent on financial performance and compliance with First Lien Facility covenants.

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liability and committed leases as at March 29, 2026:

	Total	2026	2027	2028	2029	2030	Post 2030
Leases	\$ 224,523	\$ 26,434	\$ 30,460	\$ 22,159	\$ 17,036	\$ 13,867	\$ 114,567
Accrued benefit liability	2,783	2,783	-	-	-	-	-
	\$ 227,306	\$ 29,217	\$ 30,460	\$ 22,159	\$ 17,036	\$ 13,867	\$ 114,567

(e) Credit risk

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

	March 29, 2026	December 28, 2025
Current, including holdbacks	\$ 670,061	\$ 681,937
<u>Past due amounts but not impaired</u>		
1 - 60 days	11,937	28,087
Greater than 60 days	16,528	15,088
Less: Allowance for doubtful accounts	(6,128)	(3,314)
Total accounts receivables, net	\$ 692,398	\$ 721,798

As at March 29, 2026, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

(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 shareholders. The capital structure of the Company consists of cash, long-term debt, other long-term liabilities and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Company may from time to time raise additional capital from various sources, including capital markets.

19. SEGMENT INFORMATION

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

NFI GROUP INC.
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at March 29, 2026
(in thousands of U.S. dollars except per share figures)

19. SEGMENT INFORMATION (Continued)

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

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

There is no inter-segment revenue. Intercompany revenues do occur but are eliminated on consolidation and thus, are not presented in the Statements. Unallocated items in the unaudited interim condensed consolidated earnings (loss) before income taxes primarily include unrealized foreign exchange gains or losses, debt extinguishment costs, interest and finance costs and corporate overhead costs.

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

Segment information about earnings (loss) and assets is as follows:

	2026 Q1			Total
	Manufacturing Operations	Aftermarket Operations	Unallocated	
Revenue from external customers	\$ 681,409	\$ 160,569	\$ -	\$ 841,978
Operating costs and expenses	639,101	133,056	49,750	821,907
Earnings (loss) before income tax expense	42,308	27,513	(49,750)	20,071
Total assets	2,360,404	619,238	303,699	3,283,341
Addition of capital expenditures	11,397	90	-	11,487
Addition of intangible assets	14,249	-	-	14,249
Indefinite-life intangible assets	223,920	18,846	-	242,766
Goodwill	214,208	191,196	-	405,404

	2025 Q1			Total
	Manufacturing Operations	Aftermarket Operations	Unallocated	
Revenue from external customers	\$ 688,868	\$ 152,552	\$ -	\$ 841,420
Operating costs and expenses	681,142	125,813	40,471	847,426
Earnings (loss) before income tax expense	7,726	26,739	(40,471)	(6,006)
Total assets	2,158,667	517,285	317,360	2,993,312
Addition of capital expenditures	5,891	9	-	5,900
Addition of intangible assets	2,206	-	-	2,206
Indefinite-life intangible assets	246,455	18,684	-	265,139
Goodwill	223,778	190,110	-	413,888

20. 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 and other employment-related matters, contractual disputes or personal injury. Many claims are covered by the Company's insurance policies. Management does not currently expect any of the current claims to have a material adverse effect on the Company's financial position, results of operations or cash flows.
- (b) Through the normal course of operations, the Company has indemnified the surety companies providing surety bonds ("surety bond") required under various contracts with customers. In the event that the Company fails to perform under a contract and the surety companies incur a cost on a surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond.

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at March 29, 2026 range from April 2026 to May 2035.

At March 29, 2026, outstanding surety bonds guaranteed by the Company totaled \$325.2 million (December 28, 2025: \$315.1 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 EDC Guarantee Facility in the amount of \$190 million consists of the PSG up to \$135 million and the Surety Reinsurance Support up to \$55 million.

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

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

As at March 29, 2026, there was \$123.4 million (December 28, 2025: \$132.1 million) outstanding under the Guarantee Facility.

As at March 29, 2026, 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) In Fiscal 2025, the Company announced a battery recall for buses and coaches equipped with certain battery modules from a supplier, XALT. As a result, NFI has recorded a warranty provision of \$229.9 million disclosed in note 10, reflecting the estimated costs for full battery replacement on all the vehicles impacted by the recall and estimated future costs associated with supporting vehicles in service that have other older XALT batteries. The amounts accrued reflect management's best estimate of the potential costs and adjustments may be made as changes in the cost estimates become known.

As of March 29, 2026, estimated costs for the battery recall and future warranty costs of \$206.9 million remain accrued.

In December 2025, the Company entered into the battery settlement with XALT regarding the battery recall costs for buses and coaches equipped with certain battery modules. The Company has received cash payment of \$100.0 million, inventory for \$48.0 million, intellectual property for \$8.0 million, and escrow payment of \$10 million.

As of March 29, 2026, escrow payments of \$9.2 million remain outstanding as disclosed in note 6.

21. SUBSEQUENT EVENTS

- (a) On March 31, 2026, the Company's subsidiary, Alexander Dennis, has announced its consulting on a new Scottish manufacturing strategy with respect to securing its Scottish production operations and safeguarding jobs. Under the consultation, up to 115 roles were placed at risk of potential redundancy. The strategy also includes conversion of Larbert manufacturing facility to a chassis manufacturing site, supporting all its low-emission and zero-emission bus products, and closure of the Falkirk manufacturing facility.

Management has estimated £3.2 million of restructuring provision related to the announcement and has not been accounted for in the unaudited interim condensed consolidated statements of financial position.

21. SUBSEQUENT EVENTS (Continued)

- (b) On April 27, 2026, the Company received a letter of confirmation from the Manitoba government regarding the extension of the maturity of the MDC facility. As of the Board approval date, the terms for the amendment of the senior unsecured debt with MDC, including the duration of the extension, are still outstanding.