



## NJ Transit Contract Update and Reaffirmation of 2016 Bus/Coach Delivery Guidance

September 6, 2016

**WINNIPEG, MANITOBA, SEPTEMBER 6, 2016: (TSX:NFI) (TSX:NFI.DB.U)** Motor Coach Industries (“MCI”), a subsidiary of New Flyer Industries Inc. (the “Company”), the largest transit bus and motor coach manufacturer and parts distributor in North America, provides an update regarding the New Jersey Transit (NJ TRANSIT) contract suspension and the Company reaffirms its total annual transit bus and motor coach delivery guidance for fiscal year 2016.

### NJ TRANSIT Contract

NJ TRANSIT awarded a contract to MCI in October 2015 for approximately 772 commuter coaches and options for an additional 450 coaches over six years. In April 2016, after delivering three pilot coaches which successfully passed the in-service testing and evaluation phase, MCI received a notice-to-proceed and purchase order for the first fiscal year’s production of 184 commuter coaches, of which 142 were scheduled to be delivered in calendar 2016.

On July 7, 2016 after the first five coaches were delivered and accepted, NJ TRANSIT advised MCI that the replenishment of the New Jersey Transportation Trust Fund Account (the “TTFA”) had been delayed and that the Governor of the State of New Jersey had issued Executive Order No. 210 declaring a “State of Emergency and directing the immediate and orderly shutdown of all ongoing work funded by the TTFA”. The mission of the TTFA is to finance the cost of planning, acquisition, engineering, construction, reconstruction, repair, resurfacing, and rehabilitation of the state’s transportation system. On that date, MCI had 81 coaches that were either in various stages of production for NJ TRANSIT or were completed and in transit to NJ TRANSIT. Given MCI’s commuter manufacturing line includes coaches of customers other than NJ TRANSIT, MCI advised NJ TRANSIT that an orderly shutdown meant the completion of the NJ TRANSIT coaches in process to allow MCI to deliver on other customer commitments.

It is important to note that NJ TRANSIT has only suspended the contract with MCI, as permitted under a specific provision, and not terminated the contract in whole or in part. It is MCI’s understanding that NJ TRANSIT fully intends to acquire the coaches and rescind the suspension once the TTFA funding issue has been resolved. To that end, NJ TRANSIT advised MCI in a letter on August 30, 2016 that “upon the rescission of the Executive Order and availability of TTFA funds for this contract, NJ TRANSIT will be able to authorize the continuation of work under the contract consistent with applicable obligations imposed by contract and statute”. NJ TRANSIT staff inspect coaches as they are completed at the MCI facility in Pembina, ND. To date, 10 coaches have been completed and are waiting acceptance in New Jersey, with an additional 28 coaches inspected and ready for shipment from MCI. By mid-September 2016, all 90 NJ TRANSIT coaches from the first manufacturing tranche will be complete.

Paul Soubry, President and CEO of New Flyer and MCI commented “Given that the TTFA funding issue has not yet been resolved, MCI is now planning to induct an additional 21 NJ TRANSIT coaches on the D model production line starting October 11, 2016 to allow for the completion of all other non-NJ TRANSIT customer coaches currently in process. This action is a prudent approach and a commitment to balancing the interests of our key stakeholders: employees, customers, shareholders and supplier partners”.

Soubry further explained “With no indication of when the TTFA funding issue will be resolved and with contingency plans being developed by MCI that include possible future layoffs, the Company is required by law to provide advance notice to the governments of the Province of Manitoba and the State of North Dakota, among others”. “Briefings to all MCI employees are scheduled for September 6, 2016 and if the TTFA funding issue is not resolved by mid-September notifications for potential layoffs commencing around mid-November 2016 may be sent to the labour unions and employees”.

### 2016 Delivery Guidance Reaffirmed

If the NJ TRANSIT contract is not restarted in 2016, management estimates the impact on MCI could be as much as 137 coaches in the Company’s 2016 annual operating plan not being delivered. However, through production schedule adjustments and line rate enhancements which could be implemented in the second half of 2016 at both New Flyer for transit buses, and at MCI for non-NJ TRANSIT J model motor coaches, the Company still expects to be able to achieve its 2016 annual delivery guidance of 3,450 units.

With certain milestone payments received prior to the contract suspension, the ongoing delay in restarting the contract is expected to result in approximately \$30 million to \$35 million of incremental working capital deployed for the NJ TRANSIT coaches not yet delivered. Notwithstanding, management is confident in the Company’s liquidity and does not expect any disruption to quarterly dividend payments. NOTE: All dollar amounts are stated in U.S. currency.

### About the Company

The Company employs approximately 5,000 team members and is the largest transit bus and motor coach manufacturer and parts distributor in North America with fabrication, manufacturing, distribution and service centers in Canada and the United States.

Through its Canadian and U.S. subsidiaries, Motor Coach Industries Limited and Motor Coach Industries, Inc. (together, “Motor Coach Industries”), the Company is the leader in motor coaches in Canada and the US, offering the MCI J4500, which is the industry’s best-selling intercity coach for 11 consecutive years, and the MCI D-Series, the industry’s best-selling coach line in North American motor coach history. MCI is also the exclusive distributor of Setra S417 and S407 in the United States and Canada. MCI actively supports over 28,000 motor coaches currently in service and offers 24-hour roadside assistance 365 days a year.

Through its Canadian and U.S. subsidiaries, New Flyer Industries Canada ULC and New Flyer of America Inc. (together, “New Flyer”), the Company is North America’s heavy-duty transit bus leader and offers the broadest transit bus product line (Xcelior® and MiDi® models), incorporating the

broadest range of drive systems available, including: clean diesel, natural gas, diesel-electric hybrid, electric-trolley and now battery-electric. New Flyer actively supports over 42,000 heavy-duty transit buses (New Flyer, NABI and Orion) currently in service.

The Company also operates North America's most comprehensive aftermarket parts organization providing support for all types of transit buses and motor coaches. All buses and coaches are supported by an industry-leading comprehensive warranty, service and support network. Further information is available on the Company's websites at [www.mcicoach.com](http://www.mcicoach.com) and [www.newflyer.com](http://www.newflyer.com). The common shares and convertible unsecured subordinated debentures of the Company are traded on the Toronto Stock Exchange under the symbols NFI and NFI.DB.U, respectively.

### **Forward-Looking Statements**

This press release contains forward-looking statements relating to expected future events and financial and operating results of the Company that involve risks and uncertainties. Although the forward-looking statements contained in this press release are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including a prolonged suspension of the NJ TRANSIT commuter coach contract, failure to receive authorization to complete existing orders and/or failure to receive future orders under the contract, delay or failure of NJ TRANSIT in making payments for completed coaches, working capital increases as a result of the contract suspension, the Company's ability to make adjustments to its production schedule in order to mitigate the consequences of the suspension of the contract, the Company may not be able to rehire employees that may be laid off as a result of the contract suspension, market and general economic conditions and economic conditions of and funding availability for customers to purchase buses and to purchase parts or services, customers may not exercise options to purchase additional buses, the ability of customers to terminate contracts for convenience and the other risks and uncertainties discussed in the materials filed with the Canadian securities regulatory authorities and available on SEDAR at [www.sedar.com](http://www.sedar.com). Due to the potential impact of these factors, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

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