May 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS ENDED MARCH 29, 2015

Information in this Management's Discussion and Analysis ("MD&A") relating to the financial condition and results of operations of New Flyer Industries Inc. ("NFI") 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 period ended March 29, 2015 ("2015 Q1"). 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 the forward-looking statements. See "Forward-looking Statements". Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described in the public filings of NFI available on SEDAR at www.sedar.com. The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, except where otherwise indicated, are presented in U.S. dollars, representing the functional currency of NFI. Unless otherwise indicated, the financial information contained in this MD&A has been prepared in accordance with IFRS and references to "$" or "dollars" mean U.S. dollars.

MEANING OF CERTAIN REFERENCES

References in this MD&A to "New Flyer" or the "Company" are to NFI and its consolidated subsidiaries. References in this MD&A to "management" are to management of NFI and the Company.

The common shares of NFI ("Shares") are traded on the Toronto Stock Exchange ("TSX") under the symbol "NFI" and NFI's 6.25% convertible unsecured subordinated debentures ("Debentures") are traded on the TSX under the symbol "NFI.DB.U". As at March 29, 2015, 55,507,104 Shares and approximately $64.6 million aggregate principal amount of Debentures were outstanding. The Debentures are convertible at the holder's option into Shares at a conversion price of $10.00 per Share. Additional information about NFI and the Company, including NFI's annual information form, is available on SEDAR at www.sedar.com.

All of the data presented in this MD&A with respect to market share, the number of heavy-duty transit buses in service and the number of heavy-duty transit buses delivered is measured in, or based on, "equivalent units". One equivalent unit (or "EU") represents one 30-foot, 35-foot or 40-foot heavy-duty transit bus. One articulated bus represents two equivalent units. An articulated bus is an extra long bus (55-feet to 60-feet in length), composed of two passenger compartments connected by a joint mechanism. The joint mechanism allows the vehicle to bend when the bus turns a corner, yet have a continuous interior.

Forward-looking Statements

Certain statements in this MD&A are "forward-looking statements", which reflect the expectations of management regarding NFI's future growth, results of operations, performance and business prospects and opportunities. The words "believes", "anticipates", "plans", "expects", "intends", "projects", "forecasts", "estimates" and similar expressions are intended to identify forward-looking statements. These forward-looking statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not or the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Such differences may be caused by factors which include, but are not limited to, availability of funding to the Company's customers to purchase buses and to exercise options and to purchase parts or services at current levels or at all, aggressive competition and reduced pricing in the industry, material losses and costs may be incurred as a result of product warranty issues and product liability claims, changes in Canadian or United States tax legislation, the absence of fixed term customer contracts and the termination of contracts by customers for convenience, the current U.S federal "Buy-America" legislation, certain states' U.S. content bidding preferences and certain Canadian content purchasing policies may change and/or become more onerous, production delays may result in liquidated damages under the Company's contracts with its customers, the Company's ability to execute its planned production targets as required for current business and operational needs, currency fluctuations could adversely affect the Company's financial results or competitive position in the industry, the Company may not be able to maintain performance bonds or letters of credit required by its existing contracts or obtain performance bonds and letters of credit required for new contracts, third party debt service obligations may have important consequences to the Company, the covenants contained in the Company's senior credit facility ("Credit Facility") and the indenture governing its Debentures could impact the ability of the Company to fund dividends and take certain other actions, interest rates could change substantially and materially impact the Company's profitability, the dependence on limited sources of supply, the timely supply of materials from suppliers, the possibility of fluctuations in the market

prices of the pension plan investments and discount rates used in the actuarial calculations will impact pension expense and funding requirements, the Company's profitability and performance can be adversely affected by increases in raw material and component costs, the availability of labour could have an impact on production levels, new products must be tested and proven in operating conditions and there may be limited demand for such new products from customers, the ability to successfully complete the product rationalization of the NABI bus platform to the Xcelsior® on budget and on schedule and to achieve the projected costs savings, the ability of the Company to successfully execute strategic plans and maintain profitability, risks related to acquisitions, joint ventures, and other strategic relationships with third parties and the ability to successfully integrate acquired businesses and assets into the Company's existing business and to generate accretive effects to income and cash flow as a result of integrating these acquired businesses and assets. NFI cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in NFI's press releases and materials filed with the Canadian securities regulatory authorities which are available on SEDAR at www.sedar.com.

Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. These forward-looking statements are made as of the date of this MD&A and NFI assumes no obligation to update or revise them to reflect new events or circumstances, except as required by applicable securities laws.

DEFINITIONS OF EARNINGS FROM OPERATIONS, EBITDA, ADJUSTED EBITDA AND FREE CASH FLOW

References to "Earnings from Operations" are to earnings before interest, income taxes and unrealized foreign exchange losses or gains on non-current monetary items. References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization, and unrealized foreign exchange losses or gains on non-current monetary items. References to "Adjusted EBITDA" are to EBITDA after adjusting for: the effects of certain non-recurring and/or non-operations related items that have impacted the business and are not expected to recur, including non-recurring transitional costs relating to business acquisitions, product rationalization costs, impairment loss on equipment and intangible assets, realized investment tax credits ("ITCs"), stock-based compensation and costs associated with assessing strategic and corporate initiatives. "Free Cash Flow" means net cash generated by operating activities adjusted for changes in non-cash working capital items, interest paid, interest expense, income taxes paid, current income tax expense, effect of foreign currency rate on cash, defined benefit funding, non-recurring transitional costs relating to business acquisitions, costs associated with assessing strategic and corporate initiatives, product rationalization costs, defined benefit expense, cash capital expenditures, realized ITCs and principal payments on capital leases.

Management believes Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow are useful measures in evaluating the performance of the Company. However, Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Readers of this MD&A are cautioned that Earnings from Operations, EBITDA and Adjusted EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with IFRS as an indicator of NFI's performance, and Free Cash Flow should not be construed as an alternative to cash flows from operating, investing and financing activities determined in accordance with IFRS as a measure of liquidity and cash flows. A reconciliation of net earnings and cash flow to EBITDA and Adjusted EBITDA, based on the Financial Statements, has been provided under the headings "Reconciliation of Net Earnings to EBITDA and Adjusted EBITDA" and "Reconciliation of Cash Flow to EBITDA and Adjusted EBITDA", respectively. A reconciliation of Free Cash Flow to cash flows from operations is provided under the heading "Summary of Free Cash Flow".

NFI's method of calculating Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow may differ materially from the methods used by other issuers and, accordingly, may not be comparable to similarly titled measures used by other issuers. Dividends paid from Free Cash Flow are not assured, and the actual amount of dividends received by holders of Shares will depend on, among other things, the Company's financial performance, debt covenants and obligations, working capital requirements and future capital requirements, all of which are susceptible to a number of risks, as described in NFI's public filings available on SEDAR at www.sedar.com.

Business Overview

New Flyer is the leading manufacturer of heavy-duty transit buses in the United States and Canada. The Company is the industry technology leader and offers the broadest product line including drive systems powered by: clean diesel, natural gas, electric trolley, fuel cell, diesel-electric hybrid and now battery-electric. All buses are supported by an industry-leading comprehensive warranty and support program, and service network. New Flyer also operates the industry's most sophisticated aftermarket parts organization, sourcing parts from hundreds of different suppliers and providing support for all types of heavy-duty transit buses. The New Flyer group of companies employs over 3,300 team members with manufacturing, fabrication, parts distribution and service centers in both Canada and the United States.

Industry Overview

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

Funding and the U.S. Economy

On December 16, 2014, President Obama signed the combined Omnibus Appropriations and Continuing Resolution that will fund the U.S. federal government through the end of fiscal year 2015. The resolution extends transit funding to September 30, 2015, and results in full-year funding levels under MAP-21 of approximately $10.7 billion, which is $167.0 million more than the prior year.

On March 30, 2015, U.S. Department of Transportation Secretary Anthony Foxx issued a revised version of the GROW AMERICA Act, the Administration's proposal for a multi-year surface transportation bill. The proposed bill extends funding through fiscal year 2021 and increases the overall authorization level to $478 billion. Other highlights of the proposed bill include a 76% increase to transit formula grants, an increase to the state of good repair funding and a discretionary grant program dedicated to bus rapid transit ("BRT") spending. The proposal also calls for changes to the Buy America requirements that would increase the U.S. content requirements for transit buses from the current 60 percent U.S. content to 70 percent U.S. content in 2016. The U.S. content requirement would then increase to 80 percent in 2017, 90 percent in 2018 and 100 percent in 2019. As in the previous version, the Administration recommends that surface transportation programs be funded through a restructured Transportation Trust Fund, which includes current Highway Trust Fund revenue supplemented by a transition tax on the foreign earnings that U.S. companies have accumulated overseas. Currently it is not known whether the revised GROW AMERICA Act will be passed as there is considerable amount of political debate which is expected to take place in the U.S. Congress. If a reauthorization bill is not passed, management expects that an extension of existing legislation would likely be passed, however there is no assurance that this will happen.

Recent Ridership Trends

The latest data from the American Public Transportation Association ("APTA") indicates overall stable ridership during the fourth quarter of 2014. The report indicated an increase of 1.1% in all modes of U.S. transit ridership during the fourth quarter of 2014 compared with the previous year, with a decrease in bus ridership of 1.0%. The same APTA report indicates Canadian ridership increased by 1.3% in all modes of transit ridership during the fourth quarter of 2014 as compared to the previous year; however, specific data on Canadian bus ridership is not available.

Demand for Heavy-Duty Transit Buses

Bus manufacturers have some forward order visibility due to the fleet planning, budgeting and funding application processes customers undertake in order to purchase new vehicles. The Company tracks new and potential orders in a "pipeline" or "bid universe" as a key indicator in support of management's forecast for overall market demand and bid activity for the heavy-duty transit bus industry in Canada and the United States.

The pipeline of "Active EUs" consists of: bids received with proposal in process and proposals submitted and awaiting award. The bid universe consists of the pipeline of Active EUs and solicitations that management expects to be released by U.S. and Canadian transit agencies within a five-year horizon.

Period	**Bids in Process (EUs)**	**Bids Submitted (EUs)**	**Active EUs**	**Forecasted Future Industry Procurement over 5 Years (EUs)[(1)]**	**Total Bid Universe (EUs)**
2014 Q1	3,626	2,045	5,671	15,567	21,238
2014 Q2	2,772	1,926	4,698	15,030	19,728
2014 Q3	2,864	3,419	6,283	15,490	21,773
2014 Q4	3,335	3,394	6,729	14,727	21,456
2015 Q1	**4,177**	**2,890**	**7,067**	**12,314**	**19,381**

(1) Management's estimate of expected future industry procurement over the next five years is based on discussions directly with certain individual U.S. and Canadian transit authorities.

The total bid universe in 2015 Q1 decreased 10.7% compared to 13-weeks ended December 28, 2014 ("2014 Q4"). While the total bid universe decreased, the total number of Active EUs at the end of 2015 Q1 increased by 338 EUs or 5% compared to 2014 Q4. This increase is consistent with management's expectations of forecasted bid activity. The decrease in the total bid universe was primarily a result of the significant amounts of awards (1,492 EUs) during 2015 Q1 and a decrease in forecasted procurements of 583 EUs or 3% of total bid universe in the quarter. This is fairly normal, and we do not believe is indicative of a shift in future order activity.

Management anticipates the amount of bus procurement activity by public transit agencies throughout the United States and Canada should remain robust based on expected customer fleet replacement plans and active procurements.

Aftermarket Parts

The aftermarket parts market consists of approximately 90% government municipalities and transit authorities and 10% private operators (such as rental car agencies). The complexity of the technologies integrated into transit buses, coupled with the high bus utilization levels, continue to drive demand for aftermarket parts and support. The Company's leading share of in-service heavy-duty transit buses provides recurring demand and a significant opportunity to grow its aftermarket business. The Company provides parts and support for buses manufactured by New Flyer, NABI, Orion and other manufacturers. To assess the aftermarket parts market outlook, the Company regularly monitors the change in aftermarket parts operating budgets of some of the largest transit authorities. Based on its latest review management expects the aftermarket parts market to continue to improve.

2015 First Quarter in Review

Bus order activity during 2015 Q1

New orders (firm and options) for 2015 Q1 totaled 1,020 EUs. The new firm and option orders awarded to New Flyer for the last twelve months ended March 29, 2015 ("2015 Q1 LTM") were 2,930 EUs compared to 3,834 EUs during the 52-week period ended March 30, 2014 ("2014 Q1 LTM"). Also, New Flyer was successful at converting 157 EUs of options during 2015 Q1, which contributed to the 800 EUs of options converted in 2015 Q1 LTM as compared to 883 EUs during 2014 Q1 LTM. In the chart below "LTM" refers to the 12 month period ended at the end of the specified period.

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option Conversions in Quarter (EUs)	LTM Option Conversions (EUs)
2014 Q1	559	3,834	506	883
2014 Q2	476	3,797	121	966
2014 Q3	109	1,475	359	1,209
2014 Q4	1,325	2,469	163	1,149
2015 Q1	**1,020**	**2,930**	**157**	**800**

No option EUs expired during 2015 Q1.

At the end of 2015 Q1, new firm and option orders of 494 EUs were pending from customers where approval of the award had been made by the customer's board, council, or commission, as applicable, but purchase documentation had not yet been received by the Company. These firm and option orders are not yet included in the backlog.

At the end of 2015 Q1, New Flyer's total backlog (firm and options) was 7,193 EUs (valued at $3.57 billion) compared to 6,745 EUs (valued at $3.39 billion) at the end of 2014 Q4.

New Flyer's backlog includes orders and options for clean propulsion vehicles (consisting of electric-hybrid, electric-trolley, compressed natural gas, liquid natural gas and all-electric) representing approximately 75% of the total backlog.

The Company delivered 572 EUs in 2015 Q1, which is an increase of 3.2% over deliveries in the 13-weeks ended March 30, 2014 ("2014 Q1").

New Flyer's 2015 Q1 LTM Book-to-Bill ratio (defined as new firm and option orders divided by deliveries) was 119% as compared to 170% during 2014 Q1 LTM. The Company's LTM Book-to-Bill ratio has exceeded 100% for eight of the last nine quarters. A ratio above 100% implies that more orders were received than filled, indicating increasing demand for New Flyer products.

Aftermarket order activity during 2015 Q1

The aftermarket parts core business continues to show signs of growth, which is partially offsetting the reduction in revenue related to the Chicago Transit Authority ("CTA") mid-life overhaul program as it approaches completion in the second quarter 2015.

Gross parts orders received by New Flyer's aftermarket business during 2015 Q1 decreased 6.9% compared to 2014 Q1, while parts shipments in 2015 Q1 increased 22.6% over 2014 Q1 primarily due to CTA parts shipments. The reduction in gross parts orders is a result of the culmination of the CTA mid-life overhaul program. 2015 Q1 gross parts orders excluding the CTA mid-life overhaul program increased 0.7% compared to 2014 Q1.

Quarter-over-quarter, gross parts orders decreased by 23.5% over 2014 Q4, primarily a result of the final CTA parts orders related to the mid-life overhaul program having been substantially received during 2014 Q4, while parts shipments were up 6.7% when comparing the same periods. 2015 Q1 gross parts orders excluding the CTA mid-life overhaul program increased 5.6% compared to 2014 Q4.

2015 First Quarter Financial Results

The Company generated consolidated revenue of $380.3 million for 2015 Q1, an increase of 17.4% compared to consolidated revenue for 2014 Q1 of $323.9 million.

Revenue from bus manufacturing operations for 2015 Q1 was $290.7 million, an increase of 15.9% from $250.9 million in 2014 Q1. The increase in 2015 Q1 revenue primarily resulted from a 3.2% increase in total bus deliveries of 572 EUs in 2015 Q1 compared to 2014 Q1 deliveries of 554 EUs and from a 12.2% increase in average selling price per EU in 2015 Q1 compared to 2014 Q1. The increase in average selling price is the result of changes in the product sales mix. The average selling price can be volatile when comparing fiscal quarters as a result of sales mix.

Revenue from aftermarket operations in 2015 Q1 was $89.6 million, an increase of 22.8% compared to $73.0 million in 2014 Q1. The increase in aftermarket operations revenue is primarily a result of increased volumes from the CTA mid-life overhaul program and increased U.S. parts sales due to aging fleets. The CTA mid-life overhaul program stream of revenue is expected to continue until June 2015. Excluding the CTA mid-life overhaul program, the revenue from aftermarket operations for 2015 Q1 was $73.1 million compared to $66.4 million in 2014 Q1 which represents an increase of 10.0% in the aftermarket core business.

Consolidated Adjusted EBITDA for 2015 Q1 totaled $31.4 million (8.3% of revenue) an increase of 59.7% compared to $19.7 million (6.1% of revenue) in 2014 Q1.

2015 Q1 bus manufacturing operations Adjusted EBITDA of $14.7 million (5.1% of revenue) increased 90.1% compared with 2014 Q1 bus manufacturing operations Adjusted EBITDA of $7.8 million (3.1% of revenue) primarily due to increased profit margins when comparing the two periods. Profit margins can vary significantly between orders due to factors such as pricing, order size and product type. Adjusted EBITDA from bus manufacturing operations per EU can be volatile on a quarterly basis and therefore, management believes that a longer term view should be taken when comparing bus manufacturing operations margins. However, management had anticipated and previously provided guidance that, on average, margins on orders planned for production in Fiscal 2015 are expected to be higher than the average margins achieved during Fiscal 2014. Management continues to pursue cost and overhead savings as a result of its decision to focus exclusively on the Xcelsior® platform as well as in daily operations through its Operational Excellence initiatives.

2015 Q1 aftermarket operations Adjusted EBITDA of $16.7 million (18.6% of revenue) increased 40.0% compared to $11.9 million (16.3% of revenue) in 2014 Q1, primarily due to the additional Adjusted EBITDA generated by the CTA midlife overhaul program and improved profit margins primarily as a result of improved aftermarket parts market fundamentals and the benefits to the product mix that has resulted from a far broader portfolio of services and parts offerings to customers.

The Company reported net earnings of $10.9 million in 2015 Q1, an increase compared to net earnings of $5.5 million in 2014 Q1, primarily as a result of a $9.8 million increase in earnings from operations offset by an increase in unrealized foreign exchange loss,

finance costs and income taxes. The Company's net earnings per share in 2015 Q1 were $0.20, a 100.0% increase from net earnings per share of $0.10 generated during 2014 Q1.

The March 29, 2015 liquidity position of $90.3 million (comprised of available cash of $7.6 million and $82.7 million available under the Revolver) increased as compared to a liquidity position of $73.2 million at December 28, 2014. As at March 29, 2015, there were $13.0 million of direct borrowings and $19.3 million of outstanding letters of credit related to the $115.0 million Revolver. During 2015 Q1, the Company increased its liquidity position primarily as a result of increased cash flows from operating activities.

The Company's principal sources of funds are cash generated from its operating activities, share issuances and borrowing capacity remaining under the Credit Facility. Management believes that these sources of funds will provide NFI with sufficient liquidity and capital resources to meet its current and future financial obligations as they come due, as well as to provide funds for its financing requirements, capital expenditures and other needs for the foreseeable future.

The Company generated Free Cash Flow of C$12.3 million during 2015 Q1 as compared to C$10.6 million in 2014 Q1 primarily as a result of improved earnings from operations. The Company declared dividends in 2015 Q1 of C$8.1 million, the same as in 2014 Q1.

NFI's board of directors (the "Board") has approved an annual dividend rate increase to C$0.62 from the current rate of C$0.585, effective for dividends declared subsequent to May 6, 2015. Management believes that the new dividend rate has been established at a sustainable level. The Board expects to maintain dividends at this new rate on a monthly basis, although such distributions are not assured.

Market and Business Outlook

Management continues to focus on executing the phase out production of the NABI bus models from the Anniston, AL facility and transition to the Xcelsior® platform. The completion of the transition is on target for the second half of 2015. Management expects the transition to allow for improvement in competitiveness by leveraging combined bus volume, production, and purchasing for greater efficiencies.

Management expects to invest, in total, approximately $20.0 million in direct operating costs and capital expenditures to complete the transition by utilizing operating cash flow and the Credit Facility. Of this total, the Company had incurred $4.4 million of costs and invested $4.8 million in capital expenditures as of March 29, 2015. Management anticipates these direct operating and capital expenditures will be paid back within approximately two to three years through captured cost reductions and synergies. Currently the annualized cost savings are expected to be $12.2 million, once fully implemented.

Management believes pricing in certain types of bus competitions has normalized and expects that bus margins realized during Fiscal 2015 will be, on average, higher than those realized during Fiscal 2014. Management continues to pursue cost and overhead savings as a result of its decision to focus exclusively on the Xcelsior® platform as well as in daily operations through its Operational Excellence initiatives. Management anticipates that the increased bus margins for Fiscal 2015 will substantially mitigate the loss of Adjusted EBITDA derived from the Company's ITCs, which were substantially realized during Fiscal 2014. The Company realized $11.7 million of ITCs in Fiscal 2014 and realized the final $0.2 million in 2015 Q1.

The New Flyer backlog and orders anticipated to be awarded by customers under new procurements are expected to enable the Company to continue to operate at a corporate average line entry rate of approximately 51 EUs (including MiDi®) per production week for Fiscal 2015. Production rates may vary from quarter to quarter due to sales mix and the introduction of the Xcelsior® into the Anniston, AL facility in Fiscal 2015.

On April 11, 2015, the Company announced that the members of the UNIFOR main collective bargaining unit at NFI's Winnipeg facility had ratified a new collective bargaining agreement. This new three-year contract commenced on April 1, 2015 and will expire on March 31, 2018 and replaces the previous three-year agreement that expired on March 31, 2015. The new agreement provides annual wage increases of 2.5% in each of years one and two and 2.75% in year three of the contract. The collective bargaining agreement also provides certain wage scale, benefit and pension improvements for members. The Winnipeg plant's unionized workforce represents approximately 22 percent of NFI's total workforce in Canada and the United States. The effect of the retroactive pension plan amendment will increase the accrued benefit liability and the expected annual pension plan expense by approximately $3.6 million during the 13-week period ended June 28, 2015, however funding of this amount will occur over a number of years.

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 historical financial statements of the Company.

(unaudited, U.S. dollars in thousands, except for deliveries in equivalent units and per share figures)

Fiscal Period	Quarter	Revenue	Earnings from Operations[1]	Net earnings	EBITDA [1]	Adjusted EBITDA [1]	Earnings per share
2015	Q1	$ 380,301	$ 20,153	$ 10,855	$ 29,660	$ 31,414	$ 0.20
	Total	**$ 380,301**	**$ 20,153**	**$ 10,855**	**$ 29,660**	**$ 31,414**	**$ 0.20**
2014	Q4	$ 419,989	$ 15,575	$ 7,427	$ 25,551	$ 35,036	$ 0.13
	Q3	360,762	12,898	10,245	22,910	25,697	0.18
	Q2	346,484	11,763	3,563	19,894	26,966	0.06
	Q1	323,865	10,384	5,484	18,102	19,666	0.10
	Total	**$ 1,451,100**	**$ 50,620**	**$ 26,719**	**$ 86,457**	**$ 107,365**	**$ 0.48**
2013	Q4	$ 381,204	$ 23,977	$ 13,732	$ 31,281	$ 36,830	$ 0.25
	Q3	306,509	13,842	7,832	21,710	24,416	0.14
	Q2	266,576	6,794	1,684	13,331	18,063	0.03
	Q1	245,135	6,496	3,513	12,788	15,376	0.08
	Total	**$ 1,199,424**	**$ 51,109**	**$ 26,761**	**$ 79,110**	**$ 94,685**	**$ 0.52**

							Inventory comprised of:	
Fiscal Period	Quarter	Inventory, Beginning (equivalent units)[2]	NABI inventory acquired (equivalent units)[2]	New Line Entry (equivalent units)[2]	Deliveries (equivalent units)[2]	Inventory, Ending (equivalent units)[2]	Work in process (equivalent units)[2]	Finished goods (equivalent units)[2] & [3]
2015	Q1	358	—	598	572	384	324	60
	Total	**358**	**—**	**598**	**572**	**384**	**324**	**60**
2014	Q4	399	—	639	680	358	301	57
	Q3	366	—	654	621	399	309	90
	Q2	306	—	642	582	366	292	74
	Q1	273	—	587	554	306	286	20
	Total	**273**	**—**	**2,522**	**2,437**	**358**	**301**	**57**
2013	Q4	320	—	588	635	273	241	32
	Q3	305	—	592	577	320	294	26
	Q2	203	116	475	489	305	301	4
	Q1	225	—	468	490	203	199	4
	Total	**225**	**116**	**2,123**	**2,191**	**273**	**241**	**32**

COMPARISON OF FIRST QUARTER AND TRAILING TWELVE MONTHS RESULTS
(Unaudited, U.S. dollars in thousands, except for deliveries in equivalent units)

		13-Weeks Ended March 29, 2015		13-Weeks Ended March 30, 2014		**52-weeks Ended March 29, 2015**		52-weeks Ended March 30, 2014
Statement of Earnings Data								
Revenue								
Canada	$	20,163	$	33,829	$	148,305	$	124,404
U.S.		270,548		217,060		1,023,583		903,115
Bus manufacturing operations		290,711		250,889		1,171,888		1,027,519
Canada		16,374		15,223		64,723		61,545
U.S.		73,216		57,753		270,925		189,090
Aftermarket operations		89,590		72,976		335,648		250,635
Total revenue	$	380,301	$	323,865	$	1,507,536	$	1,278,154
Earnings from operations[1]	$	20,153	$	10,384	$	60,389	$	54,997
Earnings before finance costs and income taxes		18,239		10,004		59,675		52,696
Net earnings		10,855		5,484		32,090		28,732
EBITDA[1]		29,660		18,102		98,015		84,424
Adjusted EBITDA								
Bus manufacturing operations including realized foreign exchange losses/gains		14,734		7,751		64,357		61,499
Aftermarket operations		16,680		11,915		54,756		37,476
Total Adjusted EBITDA[1]	$	31,414	$	19,666	$	119,113	$	98,975
Other Data (unaudited)								
Deliveries								
Canada		52		84		381		309
U.S.		520		470		2,074		1,946
Total deliveries (equivalent units)[2]		572		554		2,455		2,255
Product rationalization capital expenditures	$	3,063	$	—	$	4,813	$	—
Other capital expenditures		1,621		3,590		10,624		19,084
Total capital expenditures	$	4,684	$	3,590	$	15,437	$	19,084
New options awarded	$	360,233	$	69,207	$	938,619	$	1,115,266
New firm orders awarded	$	102,612	$	180,827	$	468,028		888,721
Exercised options		68,284		276,528		383,922		451,779
Total firm orders	$	170,896	$	457,355	$	851,950	$	1,340,500

(Unaudited, U.S. dollars in thousands)	**March 29, 2015**		December 28, 2014		December 29, 2013	
Selected Statement of Financial Position Data						
Total assets	$ 1,101,383		$ 1,136,115		$ 1,136,402	
Long-term financial liabilities	326,500		329,644		346,233	
Other Data		Equivalent Units[2]		Equivalent Units[2]		Equivalent Units[2]
Firm orders – USA	$ 949,194	1,783	$ 1,066,985	1,980	$ 1,031,743	2,088
Firm orders – Canada	50,583	139	50,371	122	71,220	188
Total firm orders	999,777	1,922	1,117,356	2,102	1,102,963	2,276
Options – USA	2,428,641	4,894	2,121,260	4,257	2,442,771	5,136
Options – Canada	140,367	377	155,313	386	111,444	266
Total options	2,569,008	5,271	2,276,573	4,643	2,554,215	5,402
Total backlog	$ 3,568,785	7,193	$ 3,393,929	6,745	$ 3,657,178	7,678

Equivalent Units in Backlog	**13 Weeks Ended March 29, 2015**		52 Weeks Ended December 28, 2014		52 Weeks Ended December 29, 2013	
	Firm orders	Options	Firm orders	Options	Firm orders	Options
Beginning of period	2,102	4,643	2,276	5,402	1,672[4]	4,653[5]
New orders	235	785	1,114	1,355	1,923	3,356
NABI acquired backlog	—	—	—	—	551	608
Options exercised	157	(157)	1,149	(1,149)	601	(601)
Shipments	(572)	—	(2,437)	—	(2,191)	—
Removal of deferred order[4] [5]	—	—	—	—	(280)	(1,520)
Cancelled/expired	—	—	—	(965)	—	(1,094)
End of period	1,922	5,271	2,102	4,643	2,276	5,402

The maximum term for a contract permitted by the U.S. Federal Transit Administration ("FTA") is five years. Remaining options included in the total backlog will expire, if not exercised, as follows:

2015 Q2	506
2015 Q3	172
2015 Q4	268
2015	946
2016	587
2017	573
2018	1,625
2019	1,096
2020	444
Total options	5,271

(1) Earnings from Operations, EBITDA and Adjusted EBITDA are not recognized earnings measures and do not have standardized meanings prescribed by IFRS. Therefore, Earnings from Operations, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Definitions of Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow" above. Management believes that Earnings from Operations, EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating performance of NFI.

(2) One equivalent unit or "EU" represents one 30-foot, 35-foot or 40-foot heavy-duty transit bus. One 60-foot articulated bus represents two EUs.

(3) Finished goods are comprised of completed buses ready for delivery and bus deliveries in-transit.

(4) Included in the Company's total firm order backlog at the relevant time were 280 EUs under a major U.S. customer award. Based on discussions with this customer, it was uncertain whether any of these 280 EUs would enter the Company's production schedule. Management removed these EUs from the backlog at December 29, 2013.

(5) Included in the Company's total option backlog at the relevant time were 1,520 option EUs under a major U.S. customer award. Based on discussions with this customer, it was uncertain whether any of these 1,520 option EUs would be exercised prior to their expected expiry. Management removed these EUs from the backlog at December 29, 2013.

RECONCILIATION OF NET EARNINGS TO EBITDA AND ADJUSTED EBITDA

Management believes that EBITDA and Adjusted EBITDA are important measures in evaluating the historical operating performance of the Company. However, EBITDA and Adjusted EBITDA are not recognized earnings measures under IFRS and do not have standardized meanings prescribed by IFRS. Accordingly, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net earnings or loss determined in accordance with IFRS as indicators of the Company's performance, or cash flows from operating activities as a measure of liquidity and cash flow. The Company defines and has computed EBITDA and Adjusted EBITDA as described under "Definitions of Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow" above. The following tables reconcile net earnings or losses and cash flow from operations to EBITDA and Adjusted EBITDA based on the historical consolidated financial statements of the Company for the periods indicated.

(Unaudited, U.S. dollars in thousands)	**13-Weeks Ended March 29, 2015**	13-Weeks Ended March 30, 2014	**52-weeks Ended March 29, 2015**	52-weeks Ended March 30, 2014
Net earnings	$ 10,855	$ 5,484	$ 32,090	$ 28,732
Addback[1]				
Income taxes	3,253	1,214	12,888	9,441
Interest expense	4,131	3,306	14,697	14,523
Amortization	9,507	7,718	37,626	29,427
Unrealized foreign exchange loss on non-current monetary items and forward foreign exchange contracts	1,914	380	714	2,301
EBITDA[2]	29,660	18,102	98,015	84,424
Costs associated with assessing strategic and corporate initiatives[5]	—	—	—	4,859
Impairment loss on equipment and intangible assets[8]	—	—	4,831	—
Product rationalization costs[4]	1,317	—	4,410	—
Non-recurring costs relating to business acquisition[7]	—	371	210	1,338
Realized investment tax credits[6]	169	988	10,905	7,850
Equity settled stock-based compensation	268	205	742	504
Adjusted EBITDA[2]	$ 31,414	$ 19,666	$ 119,113	$ 98,975

RECONCILIATION OF CASH FLOW TO EBITDA AND ADJUSTED EBITDA

(Unaudited, U.S. dollars in thousands)	**13-Weeks Ended March 29, 2015**	13-Weeks Ended March 30, 2014	**52-weeks Ended March 29, 2015**	52-weeks Ended March 30, 2014
Net cash (used) generated by operating activities	$ 28,709	$ 17,451	$ 57,081	$ 72,023
Addback[(1)]				
Changes in non-cash working capital items	(4,562)	(7,883)	38,576	(8,352)
Defined benefit funding	765	2,141	2,153	8,815
Defined benefit expense	(739)	(661)	(2,673)	(2,782)
Interest paid	4,017	3,827	11,811	11,851
Impairment loss on equipment and intangible assets[(8)]	—	—	(4,831)	—
Realized investment tax credits	(169)	(988)	(12,671)	(9,318)
Stock-based compensation	(268)	(205)	(742)	(504)
Foreign exchange (loss) gain on cash held in foreign currency	(162)	28	(344)	(401)
Income taxes paid [(3)]	2,069	4,392	9,655	13,092
EBITDA[(2)]	29,660	18,102	98,015	84,424
Costs associated with assessing strategic and corporate initiatives[(5)]	—	—	—	4,859
Impairment loss on equipment and intangible assets[(8)]	—	—	4,831	—
Product rationalization costs[(4)]	1,317	—	4,410	—
Non-recurring costs relating to business acquisition[(7)]	—	371	210	1,338
Realized investment tax credits[(6)]	169	988	10,905	7,850
Equity settled stock -based compensation	268	205	742	504
Adjusted EBITDA[(2)]	$ 31,414	$ 19,666	$ 119,113	$ 98,975

(1) Addback items are derived from the historical financial statements of the Company.

(2) EBITDA and Adjusted EBITDA are not recognized earnings measures and do not have standardized meanings prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Definitions of Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow" above. Management believes that EBITDA and Adjusted EBITDA are useful supplemental measures in evaluating performance of the Company.

(3) As a result of the Company's multinational corporate structure, income taxes paid are subject to high degrees of volatility due to the mix of U.S. and Canadian earnings.

(4) Normalized to exclude non-recurring expenses related to the plan to rationalize NABI bus models to a common Xcelsior® platform.

(5) Normalized to exclude non-recurring expenses related to the costs of assessing strategic and corporate initiatives, including amounts related to acquiring the Orion parts business and NABI.

(6) The Company recognizes ITCs in Adjusted EBITDA only during the period in which they are applied against income taxes payable. During the 52-weeks ended March 29, 2015 the Company recognized $12,671 of ITCs, however a related contractual liability exists to a third party of $1,766.

(7) Normalized to exclude non-recurring expenses related to the transitional costs related to the recently acquired Orion parts business and NABI.

(8) On June 24, 2014 the Company announced its plan to rationalize to a common Xcelsior® platform for all heavy-duty and BRT transit buses. As a result, production of the NABI bus models will be phased out in 2015 and an impairment charge on equipment and intangible assets was recorded. As well, during 2014 Q4 the Company recorded an impairment of $0.9 million due to management's fair value assessment of future cash flows related to a product license used in the aftermarket parts operations.

SUMMARY OF FREE CASH FLOW

Management uses Free Cash Flow as a non-IFRS measure to evaluate the Company's operating performance and liquidity and to assess New Flyer's ability to pay dividends to common shareholders, service debt, and meet other payment obligations.

The Company generates its Free Cash Flow from operations, and management expects this will continue to be the case for the foreseeable future. Net cash flows generated by operating activities are significantly impacted by changes in non-cash working capital. The Company uses the Revolver to finance working capital and therefore has excluded the impact of working capital in calculating Free Cash Flow. As well, net cash generated by operating activities and net earnings are significantly affected by the volatility of current income taxes, which in turn produces temporary fluctuations in the determination of Free Cash Flow.

The following is a reconciliation of net cash generated by operating activities (an IFRS measure) to Free Cash Flow (a non-IFRS measure) based on the Company's historical financial statements. See "Definitions of Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow".

(Unaudited, U.S. dollars in thousands)	**13-Weeks Ended March 29, 2015**	13-Weeks Ended March 30, 2014	**52-weeks Ended March 29, 2015**	52-weeks Ended March 30, 2014
Net cash (used) generated by operating activities	$ 28,709	$ 17,451	$ 57,081	$ 72,023
Changes in non-cash working capital items[3]	(4,562)	(7,883)	38,576	(8,352)
Interest paid[3]	4,017	3,827	11,811	11,851
Interest expense[3]	(3,060)	(3,080)	(12,398)	(11,757)
Income taxes paid[3]	2,069	4,392	9,655	13,092
Current income tax expense[3]	(13,742)	(3,407)	(36,026)	(22,768)
Principal portion of finance lease payments	(453)	(358)	(1,861)	(1,653)
Cash capital expenditures [8]				
• related to product rationalization	(3,063)	—	(4,813)	—
• other	(1,248)	(3,290)	(4,605)	(16,814)
Costs associated with assessing strategic and corporate initiatives[7]	—	—	—	4,859
Non-recurring transitional costs relating to business acquisition[9]	—	371	210	1,338
Product rationalization costs[11]	1,317	—	4,410	—
Defined benefit funding[4]	765	2,141	2,153	8,815
Defined benefit expense[4]	(739)	(661)	(2,673)	(2,782)
Realized investment tax credits[10]	—	—	(1,766)	(1,468)
Foreign exchange (loss) gain on cash held in foreign currency[5]	(162)	28	(344)	(401)
Free Cash Flow (US$)[1]	9,848	9,531	59,410	45,983
U.S. exchange rate[2]	1.2523	1.1089	1.1321	1.0572
Free Cash Flow[1] (C$)	**12,333**	**10,569**	**67,259**	**48,613**
Free Cash Flow per Share (C$)[6]	0.2221	0.1905	1.2120	0.8989
Declared dividends on Shares (C$)	**8,118**	**8,112**	**32,464**	**31,847**
Declared dividend per Share (C$)[6]	$ 0.1462	$ 0.1462	$ 0.5850	$ 0.5889

(1) Free Cash Flow is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, Free Cash Flow may not be comparable to similar measures presented by other issuers. See "Definitions of Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow" above.

(2) U.S. exchange rate (C$ per US$) is the weighted average exchange rate applicable to the payment of dividends for the period.

(3) Changes in non-cash working capital are excluded from the calculation of Free Cash Flow as these temporary fluctuations are managed through the Revolver which is available for use to fund general corporate requirements, including working capital

requirements, subject to borrowing capacity restrictions. Changes in non-cash working capital are presented on the consolidated statements of cash flows net of interest and incomes taxes paid.

(4) The cash effect of the difference between the defined benefit expense and funding is included in the determination of cash from operating activities. This cash effect is excluded in the determination of Free Cash Flow as management believes that the defined benefit expense amount provides a more appropriate measure, as the defined benefit funding can be impacted by special payments to reduce the unfunded pension liability.

(5) Foreign exchange gain (loss) on cash held in foreign currency is excluded in the determination of cash from operating activities under IFRS; however, because it is a cash item, management believes it should be included in the calculation of Free Cash Flow.

(6) Per Share calculations for Free Cash Flow (C$) and declared dividends (C$) are determined by dividing these amounts by the total of all issued and outstanding Shares using the weighted average over the period. The weighted average number of Shares outstanding for 2015 Q1 was 55,506,609 and 55,491,624 for the 52-weeks ended March 29, 2015. The weighted average number of Shares outstanding for 2014 Q1 was 55,466,959 and 54,078,812 for the 52-weeks ended March 30, 2014.

(7) Normalized to exclude non-recurring expenses related to the costs of assessing strategic and corporate initiatives.

(8) Cash capital expenditures do not include property, plant and equipment leased or purchased using funds borrowed from the delayed draw portion of the Credit Facility or included in the Orion parts business acquisition.

(9) Normalized to exclude non-recurring expenses related to the transitional costs related to the recently acquired Orion parts business and NABI.

(10) The Company recognizes ITCs in Adjusted EBITDA only during the period in which they are applied against income taxes payable. During the 52-weeks ended March 29, 2015 the Company recognized $12,671 of ITCs, however a related contractual liability exists to a third party of $1,766.

(11) Normalized to exclude non-recurring expenses related to the plan to rationalize NABI bus models to a common Xcelsior® platform.

Dividend Policy

The Board intends to have a common share dividend policy that is consistent with New Flyer'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.

The Board has approved an annual dividend rate increase to C$0.62 from the current rate of C$0.585, effective for dividends declared subsequent to May 6, 2015. Management believes that the new dividend rate has been established at a sustainable level. The Board expects to maintain dividends at this new rate on a monthly basis, although such distributions are not assured.

Compared to other common share issuers listed on the TSX, the Board believes this level of dividend provides investors with an attractive level of current income.

Currency Impact on the Company's Reported Results

The Financial Statements are presented in U.S. dollars. New Flyer operates in both the United States and Canada and, as a result, its combined reported results are impacted by fluctuations in the exchange rate between the Canadian dollar (“CAD”) and the U.S. dollar (“USD”). However, the impact of changes in foreign exchange rates on the Company’s reported results differs over time depending on whether the Company is generating a net cash inflow or outflow of Canadian dollars.

The impact of a weaker Canadian dollar against the U.S. dollar is largely dependent on the Company’s revenue mix by currency as operating costs denominated in Canadian dollars have been relatively stable. CAD denominated costs do not vary unless production is shifted between plants while the revenue exposure is based on the amount of CAD contracts that are recognized as revenue. Most of the material cost is already denominated in USD; however, labour cost as well as manufacturing overheads and selling, general and administrative costs have significant CAD denominated costs. During 2015 Q1, approximately 90% of revenue was USD denominated and approximately 10% was CAD denominated. As at March 29, 2015, the backlog consisted of firm CAD orders of 139 EUs ($51 million U.S. equivalent) representing approximately 5.1% of firm orders. CAD options at March 29, 2015 totaled 377 EUs ($140 million U.S. equivalent) representing approximately 5.5% of the option backlog. However, a portion of the lost revenue due to exchange is offset by the gain on CAD expenses. For new business, management factors the current exchange rate into pricing decisions to mitigate the impact on Canadian orders.

Based on production plans as of the date hereof, management expects the Company's CAD outflows to exceed its CAD dollar during Fiscal 2015. The expectation is based on current production plans and may change based on the number of buses delivered to Canadian customers during Fiscal 2015. As a matter of policy, New Flyer enters into foreign exchange forward contracts to protect the expected net CAD exposure from exchange fluctuation. Management's strategy is to mitigate foreign currency exposure based on net cash flow rather than Adjusted EBITDA.

The settlements of the forward contracts were recorded as realized foreign exchange gains or losses in net earnings for the reported periods as the Company has elected not to use hedge accounting. During 2015 Q1, the Company recorded a realized foreign exchange gain of $1.5 million (2014 Q1: $0.8 million loss).

At March 29, 2015, the Company had a $12.0 million foreign exchange forward contract to buy Canadian dollars that expired on March 30, 2015 and contracts to buy 6 million Euros that expire during July 2015 to December 2015. The related asset of $0.1 million (2014: $0.7 million) is recorded on the 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 consolidated statements of net earnings and total comprehensive income.

Fiscal and Interim Periods

The Company's fiscal year is divided in quarters. The following table summarizes the number of calendar and available production weeks in the fiscal and interim periods presented for the Company:

	Period from December 29, 2014 to December 27, 2015 ("Fiscal 2015")			**Period from December 30, 2013 to December 28, 2014 ("Fiscal 2014")**		
	Period End Date	# of Calendar Weeks	# of Available Production Weeks	Period End Date	# of Calendar Weeks	# of Available Production Weeks
Quarter 1	March 29, 2015	13	12.7	March 30, 2014	13	12.5
Quarter 2	June 28, 2015	13	12.6	June 29, 2014	13	12.7
Quarter 3	September 27, 2015	13	12.4	September 28, 2014	13	12.3
Quarter 4	December 27, 2015	13	12.0	December 28, 2014	13	12.0
Fiscal year	December 27, 2015	52	49.7	December 28, 2014	52	49.5

An available production week equals five days of production, excluding any statutory holidays.

Results of Operations

The Company's operations are divided into two business segments: bus manufacturing operations and aftermarket operations. The discussion below with respect to revenue, operating costs and expenses and Earnings from Operations has been divided between the bus manufacturing and aftermarket operations segments.

(U.S. dollars in thousands)	**2015 Q1 (13-Weeks)**	2014 Q1 (13-Weeks)
Bus Manufacturing Revenue	$ 290,711	$ 250,889
Aftermarket Revenue	89,590	72,976
Total Revenue	$ 380,301	$ 323,865
Earnings from Operations[(1)]	20,153	10,384
Earnings before finance costs and income taxes	18,239	10,004
Earnings before income taxes	14,108	6,698
Net earnings for the period	10,855	5,484

(1) "Earnings from Operations" is not a recognized earnings measure and does not have a standardized meaning prescribed by IFRS. Therefore, Earnings from Operations may not be comparable to similar measures presented by other issuers. See "Definitions of Earnings from Operations, EBITDA, Adjusted EBITDA and Free Cash Flow" above. Management believes that Earnings from Operations is a useful supplemental measure in evaluating performance of NFI.

Revenue

The Company generated consolidated revenue of $380.3 million for 2015 Q1, an increase of 17.4% compared to consolidated revenue for 2014 Q1 of $323.9 million.

Revenue from bus manufacturing operations for 2015 Q1 was $290.7 million, an increase of 15.9% from $250.9 million in 2014 Q1. The increase in 2015 Q1 revenue primarily resulted from a 3.2% increase in total bus deliveries of 572 EUs in 2015 Q1 compared to 2014 Q1 deliveries of 554 EUs and from an 12.2% increase in average selling price per EU in 2015 Q1 compared to 2014 Q1. The increase in average selling price is the result of changes in the product sales mix. The average selling price can be volatile when comparing fiscal quarters as a result of sales mix.

Revenue from aftermarket operations in 2015 Q1 was $89.6 million, an increase of 22.8% compared to $73.0 million in 2014 Q1. The increase in aftermarket operations revenue is primarily a result of increased volumes from the CTA mid-life overhaul program and increased U.S. parts sales due to aging fleets. The CTA mid-life overhaul program stream of revenue is expected to continue until June 2015. Excluding the CTA mid-life overhaul program, the revenue from aftermarket operations for 2015 Q1 was $73.1 million compared to $66.4 million in 2014 Q1 which represents an increase of 10.0% in the aftermarket core business.

Cost of sales

The consolidated cost of sales for 2015 Q1 of $340.7 million increased by 15.9% from 2014 Q1 consolidated cost of sales of $293.9 million. This increase is consistent with the related increase in revenue and improved profit margins achieved during 2015 Q1.

Costs of sales from bus manufacturing operations consist of direct contract costs and manufacturing overhead. The cost of sales from bus manufacturing operations for 2015 Q1 was $272.1 million (93.6% of revenue from bus manufacturing operations) compared to $237.7 million (94.8% of revenue from bus manufacturing operations) in 2014 Q1, an increase of 14.5%. This increase in cost of sales primarily relates to the 2015 Q1 sales mix with higher average selling prices and increased bus deliveries.

The cost of sales from aftermarket operations of $68.6 million (76.5% of aftermarket operations revenue) in 2015 Q1 increased 22.3% compared to $56.1 million (76.9% of aftermarket operations revenue) in 2014 Q1, primarily as a result of the increase in sales volumes.

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

The consolidated SG&A for 2015 Q1 of $20.9 million increased 11.2% compared with $18.8 million in 2014 Q1. The increase in 2015 Q1 SG&A is primarily a result of the $1.3 million of additional product rationalization costs.

Realized foreign exchange loss/gain

In 2015 Q1, the Company recognized a net realized gain of $1.5 million compared with a net realized loss of $0.8 million in 2014 Q1. During 2015 Q1, the Company experienced favourable settlement of foreign exchange contracts.

Earnings from operations

Consolidated earnings from operations for 2015 Q1 in the amount of $20.2 million (5.3% of revenue) increased 94.1% compared to earnings from operations in 2014 Q1 of $10.4 million (3.2% of revenue).

The earnings from bus manufacturing operations (including amortization and depreciation) for 2015 Q1 was $4.4 million (1.5% of bus manufacturing revenue), compared to a loss in 2014 Q1 of $0.5 million (-0.2% of bus manufacturing revenue). These results are expected as management has previously stated that, on average, margins on orders planned for production in Fiscal 2015 are expected to be higher than the average margins achieved during Fiscal 2014. When reviewing performance of the bus manufacturing operations it is important to consider that corporate overhead costs are allocated fully to the bus business unit.

The earnings from aftermarket operations of $15.8 million (17.6% of aftermarket revenue) in 2015 Q1 increased 45.0% compared to 2014 Q1 earnings of $10.9 million (14.9% of aftermarket revenue). 2015 Q1 earnings from aftermarket operations increased primarily due to the contribution from the CTA mid-life overhaul program and a favourable sales mix.

Unrealized foreign exchange loss

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

(Unaudited, U.S. dollars in thousands)	**2015 Q1**	2014 Q1
Unrealized loss (gain) on forward foreign exchanges contracts	$ 634	$ (368)
Unrealized loss on other long-term monetary assets/liabilities	1,280	748
	$ 1,914	$ 380

Earnings before interest and income taxes ("EBIT")

In 2015 Q1, the Company recorded EBIT of $18.2 million compared to EBIT of $10.0 million in 2014 Q1. EBIT has been impacted by non-cash and non-recurring items as follows:

(Unaudited, U.S. dollars in thousands)	**2015 Q1**	2014 Q1
Non-cash and non-recurring charges:		
Costs associated with assessing strategic and corporate initiatives	$ —	$ 371
Unrealized foreign exchange loss	1,914	380
Equity settled stock-based compensation	268	205
Product rationalization costs	1,317	—
Amortization	9,507	7,718
Total non-cash and non-recurring charges:	$ 13,006	$ 8,674

Absent these non-cash and non-recurring charges, the 2015 Q1 EBIT would have been $31.2 million compared to $18.7 million in 2014 Q1.

Finance costs

The finance costs for 2015 Q1 were $4.1 million, an increase of 25.0% when compared to $3.3 million in 2014 Q1, primarily as a result of the $0.8 million increase in fair value adjustment on the interest rate swap.

Earnings before income taxes ("EBT")

EBT for 2015 Q1 of $14.1 million improved compared to EBT of $6.7 million in 2014 Q1. The difference in the EBT between these periods results primarily from the increased earnings from operations.

Income tax expense

The income tax expense for 2015 Q1 was $3.3 million, consisting of $13.7 million of current income tax expense and $10.5 million of deferred income tax expense recovered. In comparison, the income tax expense for 2014 Q1 was $1.2 million, consisting of $3.4 million of current income tax expense and $2.2 million of deferred income tax expense recovered. Current income tax expense recorded in 2015 Q1 increased by $10.3 million as compared to 2014 Q1. Of this increase, $3.1 million was caused by an increase in earnings before tax and approximately $7.2 million was caused by an unrealized foreign exchange loss which is not deductible for tax purposes. This non-deductible loss relates to the Canadian subsidiary's U.S. dollar denominated long term debt. This temporary difference causes current income taxes to increase while simultaneously causing an increase in deferred tax recovery.

Net earnings

The Company reported net earnings of $10.9 million in 2015 Q1, an increase compared to net earnings of $5.5 million in 2014 Q1, primarily as a result of $9.8 million increase in earnings from operations offset by increased unrealized foreign exchange loss, finance costs and income taxes. The Company's net earnings per share in 2015 Q1 were $0.20, a 100.0% increase from net earnings per share of $0.10 generated during 2014 Q1.

Cash Flow

The cash flows of the Company are summarized as follows:

(Unaudited, U.S. dollars in thousands)	**2015 Q1**	2014 Q1
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	$ 30,233	$ 17,787
Interest paid	(4,017)	(3,827)
Income taxes paid	(2,069)	(4,392)
Net cash earnings	24,147	9,568
Changes in non-cash working capital items	4,562	7,883
Cash flow generated from operating activities	28,709	17,451
Cash flow used in financing activities	(34,116)	(11,604)
Cash flow used in investing activities	$ (4,333)	$ (3,595)

Cash flows from operating activities

The 2015 Q1 net operating cash inflow of $28.7 million is the result of $24.1 million of net cash earnings and a positive change in non-cash working capital of $4.6 million, compared to 2014 Q1 net operating cash inflow of $17.5 million resulting from $9.6 million of net cash earnings and positive change in non-cash working capital of $7.9 million. The cash inflow of $4.6 million from non-cash working capital changes during 2015 Q1 was primarily due to decreased accounts receivables and increased income taxes payables offset by decreased deferred revenue and accounts payables. The cash inflow of $7.9 million from non-cash working capital changes during 2014 Q1 was primarily due to decreased accounts receivables and increased accounts payables. Working capital volatility is due to varying product mix and customer payment terms.

Cash flow from financing activities

The Company's 2015 Q1 financing activities resulted in a net cash outflow of $34.1 million compared to a net cash outflow of $11.6 million in 2014 Q1. The cash outflow during 2015 Q1 primarily relates to the $27.0 million repayment of the Revolver borrowings as a result of working capital management and $6.7 million of dividends payments. The cash outflow during 2014 Q1 primarily related to the $5.0 million repayment of the Revolver borrowings as a result of working capital management and $7.4 million of dividends payments.

Cash flow from investing activities

2015 Q1 investing activities resulted in a net cash outflow of $4.3 million compared to a net cash outflow of $3.6 million in 2014 Q1. 2015 Q1 cash outflows were primarily as a result of property, plant and equipment ("PPE") expenditures shown below. The composition of the PPE capital expenditures was as follows:

(Unaudited, U.S. dollars in thousands)	**2015 Q1**	2014 Q1
PPE expenditures	$ 4,684	$ 3,590
Less PPE expenditures funded by capital leases	(373)	(67)
Acquisition of PPE reported on statement of cash flows	4,311	3,523
Less PPE expenditures funded by senior term loan for asset acquisitions	—	(233)
Cash PPE expenditure	$ 4,311	$ 3,290

Liquidity and Capital Resources

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

The main factors that affect liquidity include sales mix, production levels, cash production costs, working capital requirements, capital expenditure requirements, scheduled repayments of long-term debt obligations, funding requirements of the Company's pension plans, credit capacity 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 Credit Facility, leases, and debt and equity capital markets.

As a result of the contract solicitation process in the bus manufacturing industry, bus purchase contracts are customer specific and contain varied terms and conditions, including terms relating to the timing of payments made under such contracts. As such, the timing of the payments of the Company's accounts receivable is not always consistent or predictable, which may result in the Company drawing on its Revolver in order to meet working capital requirements.

The March 29, 2015 liquidity position of $90.3 million (comprised of available cash of $7.6 million and $82.7 million available under the Revolver) increased as compared to a liquidity position of $73.2 million at December 28, 2014. As at March 29, 2015, there were $13.0 million of direct borrowings and $19.3 million of outstanding letters of credit related to the $115.0 million Revolver. During 2015 Q1, the Company increased its liquidity position primarily as a result of increased cash flows from operating activities.

The Company's principal sources of funds are cash generated from its operating activities, share issuances and borrowing capacity remaining under the Credit Facility. Management believes that these sources of funds will provide NFI with sufficient liquidity and capital resources to meet its current and future financial obligations as they come due, as well as to provide funds for its financing requirements, capital expenditures and other needs for the foreseeable future.

The Company generated Free Cash Flow of C$12.3 million during 2015 Q1 as compared to C$10.6 million in 2014 Q1 primarily as a result of improved earnings from operations. The Company declared dividends in 2015 Q1 of C$8.1 million, the same as in 2014 Q1.

The Board has approved an annual dividend rate increase to C$0.62 from the current rate of C$0.585, effective for dividends declared subsequent to May 6, 2015. Management believes that the new dividend rate has been established at a sustainable level. The Board expects to maintain dividends at this new rate on a monthly basis, although such distributions are not assured.

There are certain financial covenants under the Credit Facility that must be maintained. These financial covenants include an interest coverage ratio and total leverage ratio. Under the Credit Facility the Debentures are treated as equity for purposes of calculating the total leverage ratio. At March 29, 2015, the Company was in compliance with the ratios.

The results of the financial covenants tests as of such date are as follows:

	March 29, 2015	December 28, 2014
Total Leverage Ratio (must be less than 3.25)	1.34	1.65
Interest Coverage Ratio (must be greater than 3.00)	9.61	8.65

Interest rate risk

In connection with the Credit Facility, the Company has an interest rate swap designed to hedge floating rate exposure for the term of the Term Credit Facility in the amount of $142 million. The current interest rate swap fixes the interest rate at 1.46% plus the applicable interest margin until April 2017. The fair value of the interest rate swap liability of $2.2 million at March 29, 2015 (December 28, 2014: $1.7 million) was recorded on the interim condensed consolidated statements of financial position as a derivative financial instruments liability and the change in fair value has been recorded as finance costs for the reported period.

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 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. Additionally, the U.S. federal government funds a substantial portion of U.S. customer payments - up to 80% of the capital cost of new buses typically comes from the FTA, while the remaining 20% comes from state and municipal sources. The maximum exposure to the risk of credit for accounts receivables corresponds to their book value. Historically, the Company has experienced nominal bad debts as a result of the customer base being principally comprised of municipal and other local transit authorities.

The 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

accounts receivable. Subsequent recoveries of amounts previously written off are credited against SG&A in the interim condensed consolidated statements of net earnings and total comprehensive income.

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

	March 29, 2015	December 28, 2014
Current, including holdbacks	$ 178,257	$ 197,441
Past due amounts but not impaired		
1 – 60 days	8,006	14,200
Greater than 60 days	954	746
Less: allowance for doubtful accounts	(367)	(262)
Total accounts receivables, net	$ 186,850	$ 212,125

The counterparties to the Company's derivatives are chartered Canadian banks. 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

Commitments

The following table outlines the Company's maturity analysis of the undiscounted cash flows of certain non-current financial liabilities and leases as at March 29, 2015:

U.S. dollars in thousands	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**Post 2019**
Senior term loan	$ 152,000	$ 3,750	$ 5,000	$ 143,250	$ —	$ —	$ —
Convertible debentures	74,720	4,039	4,039	66,642	—	—	—
Other long-term liabilities	7,250	3,000	2,250	1,000	1,000	—	—
Finance leases	4,784	1,428	1,772	1,121	389	74	—
Accrued pension benefit	2,318	2,318	—	—	—	—	—
Operating leases	44,929	4,089	5,301	5,380	5,427	4,538	20,194
	$ 286,001	$ 18,624	$ 18,362	$ 217,393	$ 6,816	$ 4,612	$ 20,194

As at March 29, 2015, outstanding surety bonds guaranteed by the Company amounted to $146.7 million, representing a decrease compared to $158.1 million at December 28, 2014. The estimated maturity dates of the surety bonds outstanding at March 29, 2015 range from April 2015 to October 2016.

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

Under the Credit Facility, the Company has established a letter of credit sub-facility of $55.0 million. As at March 29, 2015, letters of credit amounting to $19.3 million (December 28, 2014: $19.3 million) remained outstanding under the letter of credit facility as security for the contractual obligations of the Company.

The Company does not have any off-balance sheet arrangement or any material capital asset commitments at March 29, 2015.

Stock Option Plan

The Board adopted a Share Option Plan (the "Option Plan") for NFI on March 21, 2013, under which employees of NFI and certain of its affiliates may receive grants of share options. Directors who are not employed with NFI are not eligible to participate in the Option Plan. A maximum of 3,600,000 Shares are reserved for issuance under the Option Plan. The Options become vested as to one-quarter on the first grant date anniversary and an additional one-quarter on the second, third and fourth anniversary of the grant date.

Option series	Number	Vested	Exercised	Unvested	Expiry date	Exercise price	Fair Value at grant date
Granted on March 26, 2013	490,356	(242,680)	(2,500)	245,176	March 26, 2021	C$10.20	C$1.55
Granted on December 30, 2013	612,050	(153,015)	—	459,035	December 30, 2021	C$10.57	C$1.44
Granted on December 28, 2014	499,974	—	—	499,974	December 28, 2022	C$13.45	C$1.83
	1,602,380	(395,695)	(2,500)	1,204,185	Weighted average=	C$11.36	

The following reconciles the stock options outstanding:

	March 29, 2015		December 28, 2014	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance at beginning of period	1,599,880	C$11.36	490,356	C$10.20
Granted during the period	—	—	1,112,024	C$11.86
Exercised during the period	—	—	(2,500)	C$10.20
Balance at end of period	1,599,880	C$11.36	1,599,880	C$11.36

On March 28, 2014, 2,500 stock options were exercised at a price of C$10.20. The Share price on the exercise date was C$11.21.

Restricted Share Unit Plan for Non-Employee Directors

Pursuant to the Company's Restricted Share Unit Plan for Non-Employee Directors, the Company issued approximately $57,500 of Director Restricted Share Units ("Direct RSUs") in 2015 Q1. Of these Director RSUs issued, approximately $24,800 were exercised and exchanged for 2,210 Shares.

Critical accounting estimates and judgments

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

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in the consolidated statements of net earnings and comprehensive income for the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to, inventories, derivative financial instruments, property, plant and equipment, intangible assets, goodwill, provision for warranty costs, accrued benefit liability, accrued bonus liability, deferred compensation obligation and deferred income taxes.

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

Intangible assets and goodwill

The values associated with intangible assets and goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates are subject to the Company's future results. These determinations will affect the amount of amortization expense on intangible assets recognized in future periods. Management assesses impairment by comparing the recoverable amount of an intangible asset or goodwill with its carrying value. The determination of the recoverable amount involves significant estimation by management. Goodwill is allocated to the Company's three Cash Generating Units ("CGUs") for the purpose of impairment testing. The Company performs its annual test for impairment of goodwill and trade names in the fourth quarter of each year.

Employee benefits

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

Income Taxes

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

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

Provision for Warranty Costs

The Company offers warranties for its sale of buses. Management estimates the related provision for future warranty claims based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives as well as parts and labour costs. Actual warranty expense will differ from the provisions which are estimated by management based on assumptions.

Critical judgments in applying accounting policies

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

Revenue recognition

Management assessed the criteria for the recognition of revenue related to arrangements that have multiple components as set out in IAS 18. Judgment is necessary to determine when components can be recognized separately and the allocation of the related consideration allocated to each component. Also, management assessed the criteria for the recognition of revenue in an agency relationship related to the sale of extended warranties that are purchased for the customer from the original equipment manufacturer as set out in IAS 18.

Functional currency

Management assessed the criteria for the determination of functional currency as set out in IAS 21. An entity is required to place the greatest weight on the currency that influences the pricing of the transactions that it undertakes rather than focus on the currency in which the transactions are denominated. The functional currency of the Company is the United States dollar as it is the currency of the primary economic environment in which the Company operates. In addition, it is the competitive forces of the United States

marketplace that determine the sales prices of its goods and services. Predominantly, the costs for labour, material and overhead that address the needs and support the Company's customers are incurred in United States dollars, and hence the pricing of goods and services to the customer is more greatly influenced from operations and the competitive forces in the United States.

Goodwill

Judgment is required in the selection of CGUs and the allocation of assets and liabilities to these CGUs, which is necessary to assess the impairment of long term assets, goodwill and intangible assets. Management has determined that for purposes of this evaluation the Company has three CGUs: bus manufacturing, aftermarket parts operations (excluding NABI Parts) and NABI Parts.

Future Changes to Accounting Standards

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

IFRS 9 - Financial Instruments:

On July 24, 2014, the International Accounting Standards Board ("IASB") issued IFRS 9 to replace IAS 39, which will become effective January 1, 2018 and early adoption is permitted. Management is in the process of reviewing the standard to determine the impact on the Company's financial statements.

IFRS 15 – Revenue from Contracts with Customers:

The IASB issued IFRS 15 – Revenue from Contracts with Customers, which will become effective January 1, 2017 and early adoption is permitted. On April 28, 2015, the IASB tentatively decided to defer the effective date of IFRS 15 by one year. Under this standard, revenue will be recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the good or service is transferred to customers. Management is in the process of reviewing the standard to determine the impact on the Company's financial statements.

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.

On December 15, 2014, management adopted the "Internal Control – Integrated Framework 2013" ("COSO 2013") from the Committee of Sponsoring Organizations of the Treadway Commission, which replaces the previously issued COSO framework, COSO 1992. This new framework necessitated a re-evaluation of the controls that management relies upon to support its conclusions, as well as changes to the Company's testing programs. This new framework, the changes to controls management relies upon, and the additional testing performed do not have a material impact on management's conclusions regarding the Company's ICFR and disclosure controls and procedures.

Management, under the supervision of the CEO and CFO, evaluated the design and operational effectiveness of the Company's ICFR as of December 28, 2014 in accordance with the criteria established in COSO 2013, and concluded that the Company's ICFR are effective.

Management believes there have been no other changes in the Company's ICFR during 2015 Q1 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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 December 28, 2014 were effective.

Interim Condensed Consolidated Financial Statements of

NEW FLYER INDUSTRIES INC.

March 29, 2015

(Unaudited)

TABLE OF CONTENTS

	Page #
Unaudited interim Condensed Consolidated Statements of Net Earnings and Total Comprehensive Income	1
Unaudited interim Condensed Consolidated Statements of Financial Position	2
Unaudited interim Condensed Consolidated Statement of Changes in Equity	3
Unaudited interim Condensed Consolidated Statements of Cash Flows	4
Notes to Unaudited interim Condensed Consolidated Financial Statements	5 - 16

NEW FLYER INDUSTRIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS AND TOTAL COMPREHENSIVE INCOME
March 29, 2015
(unaudited, in thousands of U.S. dollars except per share figures)

		13-Weeks Ended March 29, 2015		13-Weeks Ended March 30, 2014
Revenue (note 12)	$	380,301	$	323,865
Cost of sales (note 4)		340,674		293,851
Gross profit		39,627		30,014
Sales, general and administration costs and other operating expenses		20,929		18,828
Foreign exchange (gain) loss		(1,455)		802
Earnings from operations		20,153		10,384
Unrealized foreign exchange loss on non-current monetary items		1,914		380
Earnings before interest and income taxes		18,239		10,004
Finance costs				
Interest on long-term debt		2,334		2,257
Accretion in carrying value of long-term debt		584		540
Other interest and bank charges		726		823
Fair value adjustment on interest rate swap		487		(314)
		4,131		3,306
Earnings before income tax expense		14,108		6,698
Income tax expense (note 5)				
Current income taxes		13,742		3,407
Deferred income taxes recovered		(10,489)		(2,193)
		3,253		1,214
Net earnings and total comprehensive income for the period	$	10,855	$	5,484
Net earnings per share (basic) (note 9)	$	0.20	$	0.10
Net earnings per share (diluted) (note 9)	$	0.19	$	0.10

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

NEW FLYER INDUSTRIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 29, 2015
(unaudited, in thousands of U.S. dollars)

	March 29, 2015	December 28, 2014
Assets		
Current		
Cash	$ 7,554	$ 17,456
Accounts receivable (note 3,11e)	186,850	212,125
Income tax receivable	—	778
Inventories (note 4)	231,996	230,002
Derivative financial instruments (note 11b)	56	689
Prepaid expenses and deposits	3,537	4,393
	429,993	465,443
Property, plant and equipment	64,297	63,804
Unused investment tax credits	—	169
Deferred tax assets (note 5)	67,948	62,235
Goodwill and intangible assets	539,145	544,464
	$ 1,101,383	$ 1,136,115
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 226,486	$ 233,073
Income taxes payable	10,534	—
Current portion of deferred revenue	22,953	40,805
Provision for warranty costs (note 14)	34,987	32,330
Current portion of long-term debt (note 6)	13,000	40,000
Current portion of deferred compensation obligation	8,065	6,090
Current portion of obligations under finance leases	1,566	1,551
	317,591	353,849
Accrued benefit liability	922	1,026
Obligations under finance leases	2,905	3,225
Deferred compensation obligation	2,317	2,939
Deferred revenue	4,858	5,118
Other long-term liabilities	6,725	6,677
Deferred tax liabilities (note 5)	105,521	108,465
Long-term debt (note 6)	140,877	140,747
Convertible debentures (note 7)	60,155	59,714
Derivative financial instruments (note 11b,c)	2,220	1,733
	644,091	683,493
Commitments and contingencies (note 13)		
Shareholders' equity		
Share capital (note 8)	589,625	589,586
Stock option reserve	1,306	1,046
Equity component of convertible debentures (note 7)	3,818	3,820
Accumulated other comprehensive loss	(6,049)	(6,049)
Deficit	(131,408)	(135,781)
	457,292	452,622
	$ 1,101,383	$ 1,136,115

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

Authorized for issue by the board of directors on May 6, 2015.

NEW FLYER INDUSTRIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

March 29, 2015

(unaudited, in thousands of U.S. dollars)

	Share Capital	Equity Component of Convertible Debentures (note 10)	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
Balance, December 29, 2013	**$ 589,208**	**$ 3,841**	**$ 299**	**$ (5,001)**	**$ (133,167)**	**$ 455,180**
Net earnings	—	—	—	—	5,484	5,484
Dividends declared on common shares	—	—	—	—	(7,317)	(7,317)
Share based compensation, net of deferred income taxes	—	—	205	—	—	205
Shares issued	26	—	(4)	—	—	22
Balance, March 30, 2014	**$ 589,234**	**$ 3,841**	**$ 500**	**$ (5,001)**	**$ (135,000)**	**$ 453,574**
Net earnings	—	—	—	—	21,235	21,235
Other comprehensive loss	—	—	—	(1,048)	—	(1,048)
Dividends declared on common shares	—	—	—	—	(22,016)	(22,016)
Share based compensation, net of deferred income taxes	—	—	546	—	—	546
Conversion of debentures to common shares	352	(21)	—	—	—	331
Balance, December 28, 2014	**$ 589,586**	**$ 3,820**	**$ 1,046**	**$ (6,049)**	**$ (135,781)**	**$ 452,622**
Net earnings	—	—	—	—	10,855	10,855
Dividends declared on common shares	—	—	—	—	(6,482)	(6,482)
Shares issued	25	—	(25)	—	—	—
Share based compensation, net of deferred income taxes	—	—	285	—	—	285
Conversion of debentures to common shares	14	(2)	—	—	—	12
Balance, March 29, 2015	**$ 589,625**	**$ 3,818**	**$ 1,306**	**$ (6,049)**	**$ (131,408)**	**$ 457,292**

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

NEW FLYER INDUSTRIES INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

March 29, 2015

(unaudited, in thousands of U.S. dollars)

	13-Weeks Ended March 29, 2015	13-Weeks Ended March 30, 2014
Cash generated from (used in)		
Operating activities		
Net earnings for the period	$ 10,855	$ 5,484
Income tax expense	3,253	1,214
Depreciation of plant and equipment	4,191	2,898
Amortization of intangible assets	5,316	4,820
Share based compensation	268	205
Finance costs recognized in profit or loss	4,131	3,306
Unrealized foreign exchange loss on non-current monetary items	1,914	380
Foreign exchange gain on cash held in foreign currency	162	(28)
Realized investment tax credits	169	988
Defined benefit expense	739	661
Defined benefit funding	(765)	(2,141)
Cash generated from operating activities before non-cash working capital items and interest and income taxes paid	30,233	17,787
Changes in non-cash working capital items (note 10)	4,562	7,883
Cash generated from operations before interest and income taxes paid	34,795	25,670
Interest paid	(4,017)	(3,827)
Income taxes paid	(2,069)	(4,392)
Net cash generated from operating activities	28,709	17,451
Financing activities		
Repayment of obligations under finance leases	(453)	(358)
Share issuance	—	23
Repayment of long-term debt	(27,000)	(5,000)
Proceeds from other long-term liabilities	—	1,128
Dividends paid	(6,663)	(7,397)
Net cash used in financing activities	(34,116)	(11,604)
Investing activities		
Acquisition of intangible assets	(22)	(72)
Acquisition of property, plant and equipment	(4,311)	(3,523)
Net cash used in investing activities	(4,333)	(3,595)
Effect of foreign exchange rate on cash	(162)	28
(Decrease) increase in cash	(9,902)	2,280
Cash — beginning of period	17,456	11,896
Cash — end of period	$ 7,554	$ 14,176

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

1. CORPORATE INFORMATION

New Flyer Industries Inc. ("NFI" or the "Company") was incorporated on June 16, 2005 under the laws of the Province of Ontario. NFI is the leading manufacturer of heavy-duty transit buses in the United States and Canada. The business also includes aftermarket parts and support including the sale of bus parts.

The Company's common shares (the "Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "NFI" and the Company's 6.25% convertible unsecured subordinated debentures (the "Debentures") are listed on the TSX under the symbol "NFI.DB.U".

These unaudited interim condensed consolidated financial statements (the "Statements") were approved by the Company's board of directors on May 6, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Statements are the same as those applied by the Company in its consolidated financial statements as at and for the 52-week period ended December 28, 2014. These Statements should be read in conjunction with the Company's consolidated financial statements as at and for the 52-week period ended December 28, 2014.

2.1 Statement of Compliance

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

2.2 Basis of preparation

The Statements were prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") which requires 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 consolidated financial statements as at and for the 52-week period ended December 28, 2014.

2.3 Principles of consolidation

The Statements include the accounts of all of the Company's subsidiaries: New Flyer Holdings, Inc., Transit Holdings, Inc., New Flyer of America Inc., New Flyer Industries Canada ULC, 1176846 Alberta ULC, TCB Enterprises, LLC, NABI Parts, LLC, Transit Acquisition, LLC, Transit Parts Holdings, Inc. and Transit Finco, Inc.

The Company and Alexander Dennis Limited have a contractual joint arrangement for the commercialization of MiDi®, a mid-sized bus, in the medium-duty transit markets in Canada and the United States. The Company is responsible for sales, marketing, manufacturing and aftermarket support with Alexander Dennis Limited performing design, engineering, test and prototype development activities. The Company recognizes in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Standards issued but not yet adopted

IFRS 9 - Financial Instruments:

On July 24, 2014, the International Accounting Standards Board ("IASB") issued IFRS 9 to replace IAS 39, which will become effective January 1, 2018 and early adoption is permitted. Management is in the process of reviewing the standard to determine the impact on the Company's financial statements.

IFRS 15 – Revenue from Contracts with Customers:

The IASB issued IFRS 15 – Revenue from Contracts with Customers, which will become effective January 1, 2017 and early adoption is permitted. On April 28, 2015, the IASB tentatively decided to defer the effective date of IFRS 15 by one year. Under this standard, revenue will be recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the good or service is transferred to customers. Management is in the process of reviewing the standard to determine the impact on the Company's financial statements.

2.5 Fiscal periods

The Company's 2015 fiscal period is divided in quarters as follows:

	Period from December 29, 2014 to December 27, 2015 ("Fiscal 2015")		**Period from December 30, 2013 to December 28, 2014 ("Fiscal 2014")**	
	Period End Date	# of Weeks	Period End Date	# of Weeks
Quarter 1	March 29, 2015	13	March 30, 2014	13
Quarter 2	June 28, 2015	13	June 29, 2014	13
Quarter 3	September 27, 2015	13	September 28, 2014	13
Quarter 4	December 27, 2015	13	December 28, 2014	13
Fiscal year	December 27, 2015	52	December 28, 2014	52

3. ACCOUNTS RECEIVABLE

	March 29, 2015	December 28, 2014
Trade	$ 170,491	$ 195,934
Other	16,359	16,191
	$ 186,850	$ 212,125

4. INVENTORIES

	March 29, 2015	December 28, 2014
Raw materials	$ 118,938	$ 120,070
Work in process	92,648	90,788
Finished goods	20,410	19,144
	$ 231,996	$ 230,002

	13-Weeks Ended March 29, 2015	13-Weeks Ended March 30, 2014
Cost of inventories recognized as expense and included in cost of sales	$ 327,200	$ 283,552
Write-down of inventory to net realizable value in cost of sales	454	523
Reversal of a previous write-down in inventory	181	204

5. DEFERRED TAXES AND INCOME TAX EXPENSE

	March 29, 2015	December 28, 2014
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	$ 43,115	$ 43,084
Deferred tax asset to be recovered within 12 months	29,438	22,358
	72,553	65,442
Deferred tax liabilities:		
Deferred tax liability to be reversed after more than 12 months	(103,794)	(105,546)
Deferred tax liability to be reversed within 12 months	(6,332)	(6,126)
	(110,126)	(111,672)
	$ (37,573)	$ (46,230)

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

	March 29, 2015	December 28, 2014
As presented on statements of financial position:		
Deferred tax assets	$ 67,948	$ 62,235
Deferred tax liabilities	(105,521)	(108,465)
	$ (37,573)	$ (46,230)

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

	13-Weeks Ended March 29, 2015	13-Weeks Ended March 30, 2014
Beginning of period	$ (46,230)	$ (59,526)
Exchange differences	(1,754)	(904)
Tax recorded through net earnings	10,489	2,193
Benefit of loss carry forward and share issuance costs recognized against income taxes payable	(95)	(95)
Tax recorded through equity	17	—
End of period	$ (37,573)	$ (58,332)

5. DEFERRED TAXES AND INCOME TAX EXPENSE (Continued)

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

Deferred tax liabilities	Property Plant and Equipment	Goodwill and Intangibles	Other	Total
December 28, 2014	$ (52)	$ (110,574)	$ (1,046)	$ (111,672)
Tax reversed through net earnings	27	1,491	28	1,546
March 29, 2015	$ (25)	$ (109,083)	$ (1,018)	$ (110,126)

Deferred tax assets	Provisions	Property Plant and Equipment	Pension	Deferred Financing Costs and Interest	Other	Total
December 28, 2014	$ 20,355	$ 10,680	$ 385	$ 5,069	$ 28,953	$ 65,442
Tax recovered (charged) through net earnings	2,170	60	(27)	(1,787)	8,527	8,943
Benefit of loss carry forward and share issuance costs recognized against income taxes payable	—	—	—	(95)	—	(95)
Exchange differences	(558)	(293)	(11)	(139)	(753)	(1,754)
Tax recorded through equity	—	—	—	—	17	17
March 29, 2015	$ 21,967	$ 10,447	$ 347	$ 3,048	$ 36,744	$ 72,553

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

	13-Weeks Ended March 29, 2015	13-Weeks Ended March 30, 2014
Earnings before income tax expense	$ 14,108	$ 6,698
Tax calculated using a 35% U.S. tax rate	4,938	2,344
Tax effect of:		
Withholding and other taxes	290	339
Non-taxable income	(316)	(321)
Rate differential on income taxed at other than U.S. statutory rate	(218)	(421)
Foreign exchange impact	(1,972)	(594)
State taxes	723	(145)
Other	(192)	12
Income tax expense for the period	$ 3,253	$ 1,214

Income tax expense reported for the period is an estimate reflecting the Company’s anticipated effective tax rate for 2015.

6. LONG-TERM DEBT

	Final Maturity	Face Value	Unamortized Transaction Costs	**Net Book Value March 29, 2015**	Net Book Value December 28, 2014
Term Credit Facility	April 2017	$ 142,000	$ 1,123	$ 140,877	$ 140,747
Revolving Credit Facility (“Revolver”)	April 2017	13,000	—	13,000	40,000
		155,000	1,123	153,877	180,747
Less: current portion of long-term debt		13,000	—	13,000	40,000
		$ 142,000	$ 1,123	$ 140,877	$ 140,747

The Company’s credit facility under the fourth amended and restated credit agreement (the “Credit Facility”) has a total borrowing limit of $257.0 million. The borrowing limit of the Revolver portion of the Credit Facility is $115.0 million to support working capital fluctuations. The Revolver includes a $55.0 million letter of credit sub-facility, of which $19.3 million of outstanding letters of credit were drawn at March 29, 2015. The borrowing limit of the term facility portion of the Credit Facility (the “Term Credit Facility”) is $142.0 million. The Credit Facility also includes an accordion feature of $75 million for future investment or acquisition opportunities.

Loans under the Term Credit Facility bear interest at a rate equal to LIBOR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers’ acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates. The obligations in respect of the Credit Facility are secured by: (a) a perfected lien on, and pledge of, (i) all inter-company notes owing to NFI, and (ii) all of the capital stock of, and inter-company notes owing to, all of NFI’s existing and direct and indirect subsidiaries, and (b) a perfected lien on, and security interest in, all of the existing and future tangible and intangible properties and assets of NFI and its direct and indirect subsidiaries, with certain exceptions.

7. CONVERTIBLE DEBENTURES

On June 5, 2012, the Company completed a public offering of $65 million aggregate principal amount of Debentures, bearing interest at a rate of 6.25% per annum, payable semi-annually on the last day of June and December commencing on December 31, 2012. The Debentures will mature on June 30, 2017 (the “Maturity Date”). The Debentures are convertible at the holder’s option into Shares at a conversion price of $10.00 per Share (the “Conversion Option”).

On and after June 30, 2015 and prior to maturity, the Debentures may be redeemed in whole or in part from time to time at the Company’s option, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Shares on the TSX for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. The Debentures are not redeemable prior to June 30, 2015.

On the Maturity Date, the Company shall repay the holders in cash the principal of the Debentures and all accrued and unpaid interest thereon, up to but excluding the Maturity Date. However, the Company may, at its option, subject to receiving all applicable regulatory approvals and giving the required notice, elect to satisfy its obligation to repay on the Maturity Date the principal amount, in whole or in part, by issuing and delivering to holders that number of fully paid and non-assessable freely tradeable Shares calculated by dividing the principal amount of Debentures by 95% of the current market price of the Shares on the fifth trading day preceding the Maturity Date.

7. CONVERTIBLE DEBENTURES (Continued)

On the date of issuance, the gross proceeds in the amount of $65,000 were allocated firstly to the liability component of the Debentures based on the fair value of a similar instrument without a conversion option and the residual value being allocated to the Conversion Option. The fair value of the Debentures was estimated by calculating the discounted cash flows of the Debentures using prevailing market rates for similar non-convertible debt instruments. The fair value of the Debentures is classified as a liability, while the residual value of the Debentures, net of taxes, is classified as a separate component of shareholders' equity. The liability component will accrete to its final redemption amount of $65,000 less all conversions, at Maturity Date at an effective interest rate over the five-year term of the Debentures. Principal amounts of $15 of Debentures were converted to Shares during 2015 Q1, resulting in a total principal amount of $64,623 Debentures outstanding at March 29, 2015.

	Debenture liability component	Equity component of Debenture	**Net Book Value March 29, 2015**	Net Book Value December 28, 2014
Proceeds from issue of Debentures	$ 59,412	$ 5,588	$ 65,000	$ 65,000
Debenture issuance costs	(3,463)	(326)	(3,789)	(3,789)
Net proceeds	55,949	5,262	61,211	61,211
Deferred taxes	—	(1,421)	(1,421)	(1,421)
Accretion in carrying value of debenture liability	4,550	—	4,550	4,096
Conversion of Debentures to Shares	(344)	(23)	(367)	(352)
Net book value	$ 60,155	$ 3,818	$ 63,973	$ 63,534

8. SHARE CAPITAL

Authorized			
Unlimited	Shares		
Issued		**March 29, 2015**	December 28, 2014
55,509,314	Shares (December 28, 2014: 55,505,604)	$ 589,625	$ 589,586

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

Shares	Number (000s)	Net Book Value
Balance - December 28, 2014	55,506	$ 589,586
Conversion of Debentures to Shares	1	14
Restricted Share Units exercised	2	25
Balance - March 29, 2015	55,509	$ 589,625

The dividends declared during the 13-weeks ended March 29, 2015 and the 13-weeks ended March 30, 2014 were $6,482 ($0.12 per Share) and $7,317 ($0.13 per Share) respectively. Dividends of $2,148 ($0.04 per Share) were declared after March 29, 2015 but prior to the Statements being authorized for issue. The Statements do not reflect this dividend payable.

9. EARNINGS PER SHARE

		13-Weeks Ended March 29, 2015		13-Weeks Ended March 30, 2014
Net earnings attributable to equity holders	$	10,855	$	5,484
Weighted average number of Shares outstanding		55,506,609		55,466,959
Add: net incremental shares from assumed conversion of stock options and exercise of restricted share units		267,016		67,220
Weighted average number of Shares for calculation of diluted earnings per Share		55,773,625		55,534,179
Net earnings per Share (basic)	$	0.1956	$	0.0989
Net earnings per Share (diluted)	$	0.1946	$	0.0988

Basic earnings per Share is calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of Shares outstanding during the period excluding Shares purchased by the Company and held as treasury shares. During the period the Company did not hold any Shares as treasury shares.

Diluted earnings per Share is calculated using the same method as basic earnings per Share except that the average number of Shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury stock method. Dilution could occur through the exercise of stock options, restricted share units or the exercise of the Conversion Option or the Debentures being repaid with Shares at Maturity Date at 95% of market price. Currently, the 6.5 million Shares issuable pursuant to the conversion of the Debentures are considered anti-dilutive, therefore both the convertible debenture Shares and the related interest are disregarded in calculating diluted earnings per Share.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash inflow (outflow)		13-weeks Ended March 29, 2015		13-weeks Ended March 30, 2014
Accounts receivable	$	25,275	$	29,270
Income taxes recoverable		778		(1,612)
Inventories		(1,994)		(24,328)
Prepaid expenses and deposits		856		1,035
Accounts payable and accrued liabilities		(6,587)		12,539
Income taxes payable		10,534		(504)
Deferred revenue		(18,112)		(10,308)
Provision for warranty costs		2,657		(973)
Other		(8,845)		2,764
	$	4,562	$	7,883

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial Instruments

The Company has made the following classifications:

Cash	Loans and receivables
Accounts receivable	Loans and receivables
Deposits	Loans and receivables
Accounts payables and accrued liabilities	Other Liabilities
Convertible debentures	Other Liabilities
Long-term debt	Other Liabilities
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, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also 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.

	March 29, 2015		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Derivative financial instrument assets			
Foreign exchange forward contracts	Level 2	$ 56	$ 56
Financial liabilities recorded at fair value			
Derivative financial instrument liabilities			
Interest rate swap	Level 2	$ 2,220	$ 2,220
Financial liabilities recorded at amortized cost			
Debentures (including equity conversion option)	Level 2	$ 63,973	$ 74,640

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Risk Management

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

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

In connection with the Credit Facility, the Company has an interest rate swap designed to hedge floating rate exposure for the term of the Term Credit Facility in the amount of $142,000. The interest rate swap fixes the interest rate at 1.46% plus the applicable interest margin until April 2017. The fair value of the interest rate swap liability at March 29, 2015 is $2,220 (December 28, 2014: $1,733) and the change in fair value has been recorded as finance costs for the reported period. The related liability has been recorded on the consolidated statements of financial position as a derivative financial instruments liability.

(d) Liquidity Management

The Company’s approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At March 29, 2015, the Company had a cash balance of $7,554 (December 28, 2014: $17,456) and the $115,000 Revolver. As at March 29, 2015, there was $13,000 of direct borrowings (December 28, 2014: $40,000) and $19,278 of outstanding letters of credit (December 28, 2014: $19,337) under the Revolver.

The Company’s principal sources of funds are cash generated from its operating activities, share issuances and borrowing capacity remaining under the Credit Facility. Management believes that these sources of funds will provide NFI with sufficient liquidity and capital resources to meet its current and future financial obligations as they come due, as well as to provide funds for its financing requirements, capital expenditures and other needs for the foreseeable future.

(e) 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 interim condensed consolidated statements of net earnings and total comprehensive income within “sales, general and administration costs and other operating expenses”. 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 “sales, general and administration costs and other operating expenses” in the interim condensed consolidated statements of net earnings and total comprehensive income.

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

	March 29, 2015	December 28, 2014
Current, including holdbacks	$ 178,257	$ 197,441
Past due amounts but not impaired		
1 – 60 days	8,006	14,200
Greater than 60 days	954	746
Less: Allowance for doubtful accounts	(367)	(262)
Total accounts receivables, net	$ 186,850	$ 212,125

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

As at March 29, 2015, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

There are certain financial covenants under the Credit Facility that must be maintained. These financial covenants include an interest coverage ratio and total leverage ratio. As at March 29, 2015, the Company was in compliance with the financial covenants in the Credit Facility. The results of the financial covenants tests as of such date are as follows:

	March 29, 2015	December 28, 2014
Total Leverage Ratio (must be less than 3.25)	1.34	1.65
Interest Coverage Ratio (must be greater than 3.00)	9.61	8.65

Compliance with financial covenants is reported quarterly to the board of directors. 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 an annual basis. The capital management objectives are unchanged from the last reporting period.

12. SEGMENT INFORMATION

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

The Bus Operations segment derives its revenue from the manufacture of transit buses for public transportation. The Aftermarket Operations segment derives its revenue from the provision of service parts and support related to transit buses. These operating segments are consistent with the management of the business, which is based on the products and services offered.

There is no inter-segment revenue. Unallocated items in the consolidated earnings before income taxes primarily include unrealized foreign exchange gains or losses and finance costs. Corporate overhead costs are allocated fully to the Bus Operations segment.

The Bus Operations segment has recorded vendor rebates of $879 (2014 Q1: $740), which have been recognized into earnings during 2015 Q1, but for which the full requirements for entitlement to these rebates have not yet been met.

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

Segment information about profits and assets is as follows:

	13-Weeks Ended March 29, 2015			
	Bus Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 290,711	$ 89,590	$ —	$ 380,301
Operating costs and expenses	286,359	73,789	—	360,148
Earnings (loss) before income tax expense	4,352	15,801	(6,045)	14,108
Total assets	522,679	215,096	363,608	1,101,383
Addition of intangible assets	2	20	—	22
Addition of capital expenditures	4,311	—	—	4,311
Goodwill	149,950	62,705	—	212,655

12. SEGMENT INFORMATION (Continued)

	13-Weeks Ended March 30, 2014			
	Bus Operations	**Aftermarket Operations**	**Unallocated**	**Total**
Revenue from external customers	$ 250,889	$ 72,976	$ —	$ 323,865
Operating costs and expenses	251,404	62,077	—	313,481
Earnings (loss) before income tax expense	(515)	10,899	(3,686)	6,698
Total assets	549,093	205,015	375,328	1,129,436
Addition of intangibles assets	23	49	—	72
Addition of capital expenditures	3,435	88	—	3,523
Goodwill	149,950	62,705	—	212,655

13. COMMITMENTS AND CONTINGENCIES

(a) Through the normal course of operations, the Company has indemnified the surety companies providing surety bonds required under various contracts with customers. In the event that the Company fails to perform under a contract and the surety companies incur a cost on a surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond. The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at March 29, 2015 range from April 2015 to October 2016.

At March 29, 2015, outstanding surety bonds guaranteed by the Company totaled $146,736 (December 28, 2014: $158,138). 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.

(b) The Company has a letter of credit sub-facility of $55,000 as part of the $115,000 Revolver. As at March 29, 2015, letters of credit totaling $19,278 (December 28, 2014: $19,337) remain outstanding under the letter of credit facility.

As at March 29, 2015, management believes that the Company is 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.

14. PROVISION FOR WARRANTY COSTS

The Company generally provides its customers with a one-year base warranty on the entire bus and a 12-year corrosion warranty on the bus structure. The Company also provides certain extended warranties, including those covering brake systems, lower level components, fleet defect provisions and engine-related components, covering a warranty period of approximately one to five years, depending on the contract. The movement in the provision for warranty costs during the period is as follows:

	Total
December 28, 2014	$ 32,330
Additions	6,443
Amounts used	(3,579)
Unwinding of discount and effect of changes in the discount rate	5
Exchange differences	(212)
March 29, 2015	**$ 34,987**

15. SUBSEQUENT EVENT

On April 11, 2015, the Company announced that the members of the UNIFOR main collective bargaining unit at NFI's Winnipeg facility had ratified a new collective bargaining agreement. This new three-year contract commenced on April 1, 2015 ("amendment date") and will expire on March 31, 2018 and replaces the previous three-year agreement that expired on March 31, 2015.

The new agreement provides annual wage increases of 2.5% in each of years one and two and 2.75% in year three of the contract. The collective bargaining agreement also provides certain wage scale, benefit and pension improvements for members. The Winnipeg plant's unionized workforce represents approximately 22 percent of NFI's total workforce in Canada and the United States.

As a result of the retroactive pension plan changes, the accrued benefit liability will be re-measured as of the amendment date. The effect of the plan amendment will increase the accrued benefit liability and the expected annual pension plan expense for Fiscal 2015 by approximately $3,600.