

FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

New Flyer Industries Inc. (“**NFI**”) and
New Flyer Industries Canada ULC (“**NFI ULC**”)
711 Kernaghan Avenue
Winnipeg, Manitoba
R2C 3T4

Item 2 Date of Material Change

August 20, 2012

Item 3 News Release

A news release was issued through CNW Group on August 20, 2012 and is attached to this report.

Item 4 Summary of Material Change

On August 20, 2012, NFI and NFI ULC announced that NFI ULC has completed the redemption of all of its outstanding 14.0% subordinated notes (the “**Subordinated Notes**”), including those held separately and those held in the form of an income deposit security (“**IDS**”), in accordance with the terms of the trust indenture governing the Subordinated Notes. The Subordinated Notes were redeemed for a total price of C\$58.4812 per C\$55.30 principal amount of Subordinated Notes, representing a redemption price of C\$58.065 per C\$55.30 principal amount of Subordinated Notes (or 105% of principal), plus all accrued and unpaid interest to and including the redemption date.

The common shares of NFI (the “**Shares**”) forming part of an IDS commenced trading separately at the open of markets on August 20, 2012 and continue to be listed (together with the current separately-traded Shares) on the Toronto Stock Exchange (the “**TSX**”) under the trading symbol “NFI”. The IDSs were de-listed from the TSX at the close of markets on August 20, 2012. NFI ULC has applied to cease to be a reporting issuer under the securities laws of each province and territory of Canada.

As previously announced, the board of directors of NFI has approved a new annual dividend rate of C\$0.585 per Share, effective for dividends declared following the redemption of the Subordinated Notes. On August 20, 2012, NFI declared a dividend on the Shares in the amount of C\$0.04875 per Share, which will be payable on September 17, 2012, to holders of record at the close of business on August 31, 2012. The dividends on the Shares are designated as “eligible dividends” for purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation.

Item 5 Full Description of Material Change

See the attached news release dated August 20, 2012 for a full description of the material change.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

No significant facts remain confidential, and no information has been omitted from this report.

Item 8 Executive Officer

For further information please contact Glenn Asham, Chief Financial Officer, at (204) 224-1251.

Item 9 Date of Report

August 22, 2012



NEW FLYER ANNOUNCES COMPLETION OF REDEMPTION OF 14% SUBORDINATED NOTES AND DECLARES AUGUST DIVIDEND

Winnipeg, Manitoba, Canada — August 20, 2012 — (TSX:NFI, TSX:NFI.DB.U) New Flyer Industries Inc. (“NFI”) and New Flyer Industries Canada ULC (“NFI ULC”, together with NFI, the “Company” or “New Flyer”) announced today that NFI ULC has completed the redemption of all of its outstanding 14.0% subordinated notes (the “Subordinated Notes”), including those held separately and those held in the form of an income deposit security (“IDS”), in accordance with the terms of the trust indenture governing the Subordinated Notes. The Subordinated Notes were redeemed for a total price of C\$58.4812 per C\$55.30 principal amount of Subordinated Notes, representing a redemption price of C\$58.065 per C\$55.30 principal amount of Subordinated Notes (or 105% of principal), plus all accrued and unpaid interest to and including the redemption date.

The common shares of NFI (the “Shares”) forming part of an IDS will commence trading separately at the open of markets today and continue to be listed (together with the current separately-traded Shares) on the Toronto Stock Exchange (the “TSX”) under the trading symbol “NFI”. The IDSs are expected to be de-listed from the TSX at the close of markets today. As previously announced, NFI ULC now intends to apply to cease to be a reporting issuer under the securities laws of each province and territory of Canada.

Non-registered holders (banks, brokerage firms or other financial institutions) who held their interests in IDSs or Subordinated Notes through CDS should contact their CDS customer services representative with any questions about the redemption. Beneficial holders, including retail investors, with any questions about the redemption should contact their brokerage firm or financial institution which held their interests in the IDSs or Subordinated Notes on their behalf.

As previously announced, the board of directors of NFI has approved a new annual dividend rate of C\$0.585 per Share, effective for dividends declared following the redemption of the Subordinated Notes. NFI today declared a dividend on the Shares in the amount of C\$0.04875 per Share, which will be payable on September 17, 2012, to holders of record at the close of business on August 31, 2012. The dividends on the Shares are designated as “eligible dividends” for purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation.

About New Flyer

New Flyer is the leading manufacturer of heavy-duty transit buses in Canada and the United States. The Company’s three manufacturing facilities – in Winnipeg, MB; St. Cloud, MN; and Crookston, MN – are all ISO 9001, ISO 14001 and OHSAS 18001 certified. The Company currently operates a parts fabrication facility in Elkhart, IN and four parts distribution centers in Winnipeg, MB; Erlanger, KY; Fresno, CA and Brampton, ON.

With a skilled workforce of over 2,000 employees, New Flyer is a technology leader, offering the broadest product line in the industry, including drive systems powered by clean diesel, LNG, CNG and electric trolley as well as energy-efficient diesel-electric hybrid vehicles. New Flyer has delivered over 31,000 heavy-duty buses in Canada and the United States. All products are supported with an industry-leading, comprehensive parts and service network.

Further information is available on New Flyer’s web site at www.newflyer.com.

The Shares and convertible debentures of NFI are traded on the TSX under the symbols NFI and NFI.DB.U, respectively.



Forward-Looking Statements

This press release contains forward-looking statements relating to expected future events and financial and operating results of New Flyer that involve risks and uncertainties. The words “believes”, “anticipates”, “plans”, “expects”, “intends”, “projects”, “estimates” and similar expressions are intended to identify forward looking statements. Although the forward-looking statements contained in this press release are based upon what management believes to be reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward-looking statements, and the differences may be material. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including market and general economic conditions and economic conditions of and funding availability for customers to purchase buses and to exercise options for buses and to purchase parts or services, the covenants contained in NFI ULC’s senior credit facility, as amended, could impact the ability of New Flyer to continue to fund dividends and take certain other actions, and the other risks and uncertainties discussed in the materials filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Due to the potential impact of these factors, New Flyer disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

For further information, please contact:

Glenn Asham

Chief Financial Officer

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