

FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

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

Item 2 Date of Material Change

January 23, 2013

Item 3 News Release

A news release was issued through CNW Group on January 23, 2013 and is attached to this report.

Item 4 Summary of Material Change

On January 23, 2013, NFI and Marcopolo S.A. (“**Marcopolo**”) entered into an investment agreement, pursuant to which Marcopolo agreed to make a strategic investment of approximately \$116 million to acquire 11,087,834 newly issued common shares of NFI, representing a 19.99% stake in NFI. Each common share will be issued at a price of \$10.50 per share. 4,925,530 common shares will be issued to Marcopolo upon closing expected on or prior to March 1, 2013 for aggregate consideration of \$51.7 million with the remainder (6,162,304 common shares) to be issued to Marcopolo at the same price per share in one tranche over the next 12 months following closing as determined by NFI based on its investment and financing needs and in certain other circumstances.

The investment agreement permits Marcopolo to nominate a member to the Board of Directors of NFI (the “Board”). This right will continue so long as the shares held by or issuable to Marcopolo represent at least 10% of the outstanding common shares of NFI. The agreement also grants Marcopolo pre-emptive rights to purchase additional securities in certain circumstances to maintain its proportionate interest in NFI. Marcopolo has agreed to certain disposition and standstill restrictions including a requirement to hold the shares it acquires for a period of at least two years and a restriction on acquisitions of additional NFI securities and certain other actions for a period of at least two years. The agreement also provides that if NFI in the future enters into an agreement with a third party providing for the acquisition of all of NFI’s shares or assets, then Marcopolo will, subject to certain exceptions, agree to vote in favor of and to sell its shares as part of the transaction unless Marcopolo has made an alternative proposal that the Board believes is superior or that the shareholders have determined to accept.

NFI and Marcopolo also signed a Memorandum of Understanding to explore opportunities to cooperate on engineering, technical, purchasing and operational matters, with a focus on reducing NFI’s bus manufacturing and aftermarket part costs

and enhancing NFI's competitiveness. The companies further agreed to assess Marcopolo's technology and products for possible introduction into the Canadian and US markets through NFI as well as NFI's technology and products for potential distribution into global markets.

Item 5 Full Description of Material Change

See the attached news release dated January 23, 2013 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

January 25, 2013



NEW FLYER

Marcopolo S.A. to make a C\$116 million Strategic Investment in New Flyer

Winnipeg, Manitoba, Canada, January 23, 2013: (TSX:NFI, TSX:NFI.DB.U) New Flyer Industries Inc. (“New Flyer” or the “Company”), the leading manufacturer of heavy-duty transit buses in Canada and the United States, announced today that Marcopolo S.A. has agreed to make a strategic investment of C\$116 million to acquire 11,087,834 newly issued common shares, representing a 19.99% stake in New Flyer. Each common share will be issued at a price of C\$10.50 per share, or a 20% premium to the 30 day volume-weighted average trading price of New Flyer’s common shares on the TSX for the period ending January 23, 2013. 4,925,530 common shares will be issued to Marcopolo upon closing expected on or prior to March 1, 2013 for aggregate consideration of C\$51.7 million with the remainder of the shares to be issued to Marcopolo at the same price per share in one tranche over the next 12 months following closing as determined by New Flyer based on its investment and financing needs and in certain other circumstances. The investment is subject to customary TSX approval.

Founded in 1949, and headquartered in Caxias do Sul, Brazil, Marcopolo is one of the world’s largest bus builders and is primarily engaged in the manufacturing of buses, bus bodies, and components with a product line covering a wide range of models including: coach, urban, micro-buses, and mini-buses. Marcopolo is listed on the Brazilian stock exchange (BM&F Bovespa: POMO3, POMO4).

With anticipated annual net revenues of approximately US\$1.9 billion in 2012, Marcopolo has a market capitalization of approximately US\$2.8 billion and employs over 22,000 people around the world. Marcopolo manufactures over 32,000 buses annually - 60% are for the Brazilian market and 40% for international markets. Bus manufacturing is carried out directly by Marcopolo and through various joint ventures with companies like Daimler, Tata Motors, and others in seventeen plants located in Brazil, South Africa, Argentina, Australia, Colombia, Egypt, India and Mexico. Marcopolo also has a factory for bus parts and component fabrication in China. Further information is available on Marcopolo’s web site at www.marcopolo.com.br.

Marcopolo’s most recent investments include: a 75% stake in Volgren, Australia’s largest bus body manufacturer, and a 51% share of Metalsur Carrocerias S.R.L, an Argentine company which specializes in manufacturing intercity bus bodies through a Marcopolo controlled company called Metalpar. Marcopolo also owns minority stakes in the following Brazilian parts suppliers: Spheros (heating/ventilation/air conditioning), WSUL (seating foam), and MVC (plastics).

Marcopolo’s strategic plan has included a stated intent to enter the Canadian and US market and as such it identified New Flyer as an attractive investment given the Company’s leading position in the public transit market, operational excellence, commitment to LEAN practises, and capacity to innovate and grow.

New Flyer plans to use the net proceeds of the Marcopolo investment to continue to support its future growth and diversification initiatives in accordance with the Company’s strategic plan and for general corporate purposes. In May 2012 of a Joint Venture with the UK’s largest bus builder, Alexander Dennis Limited, to introduce a MiDi bus in Canada and the US to both public and private operators. In August 2012 New Flyer completed its conversion from an Income Deposit Security structure to a common share corporation.

The two companies also signed a Memorandum of Understanding to explore opportunities to cooperate on engineering, technical, purchasing and operational matters, with a focus on reducing New Flyer’s bus manufacturing and aftermarket part costs and enhancing New Flyer’s competitiveness. The companies further agreed to assess Marcopolo’s technology and products for possible introduction into the Canadian and US markets through New Flyer as well as New Flyer’s technology and products for potential distribution into global markets.

The investment agreement permits Marcopolo to nominate a member to the Board of Directors of New Flyer (the “Board”) while Marcopolo holds at least 10% of the outstanding common shares of New Flyer and grants Marcopolo pre-emptive rights to purchase additional securities in certain circumstances to maintain its



NEW FLYER

proportionate interest in New Flyer. Marcopolo has agreed to certain disposition and standstill restrictions including a requirement to hold the shares it acquires for a period of at least two years and a restriction on acquisitions of additional New Flyer securities and certain other actions for a period of at least two years. The agreement also provides that if New Flyer in the future enters into an agreement with a third party providing for the acquisition of all of New Flyer's shares or assets, then Marcopolo will, subject to certain exceptions, agree to vote in favor of and to sell its shares as part of the transaction unless Marcopolo has made an alternative proposal that the Board believes is superior or that the shareholders have determined to accept.

The Honourable Brian Tobin P.C., O.C., Chair of the New Flyer Board of Directors, said "We are thrilled to have such a respected global leader in the industry invested in our company and actively supporting New Flyer's strategic plan. We were approached by Marcopolo nearly one year ago and both companies have invested considerable time and resources to get to know one another, thereby ensuring that this investment makes sound strategic, economic and cultural sense for each of us".

Paul Soubry, President and CEO of New Flyer added: "Marcopolo is a world-class company with extensive technology, expertise and experience and we look forward to working with them to take New Flyer to the next level. We were impressed with Marcopolo on so many levels: from product range, to technology and capability, to their commitment to all stakeholders (employees, customers, shareholders, suppliers and their communities in which they operate). This investment will allow us to be more aggressive in executing our growth, diversification and new product development agenda while giving us timing flexibility in drawing the second portion of the funds to ensure that the additional dividend requirements can be better matched to cash flows generated from the use of those funds".

José Rubens de la Rosa, CEO of Marcopolo, said "The investment is in line with Marcopolo's growth strategy and marks its definitive entry into the U.S. and Canadian markets, two of the most sophisticated and advanced in the world. New Flyer has experience in manufacturing products with high standards in terms of specifications and sophistication and in the development and application of sustainable technologies, such as hybrid vehicles powered by renewable and alternative fuels."

BMO Capital Markets acted as financial advisor to New Flyer on the transaction and Blair Franklin acted as financial advisor to Marcopolo.

A conference call for analysts and interested listeners will be held on Thursday January 24, 2013 at 1:00 p.m. (ET). The call-in number for listeners is 888-231-8191 or 647-427-7450. A live audio feed of the call will also be available at <http://www.newswire.ca/en/webcast/detail/1103267/1202307>. Management will discuss the Marcopolo Strategic Investment Transaction presentation which will be available on New Flyer's web site at http://www.newflyer.com/index/events_and_presentations. A replay of the call will be available from 4:00 p.m. (ET) on January 24th until 11:59 p.m. (ET) on January 31st. To access the replay, call toll free 1-855-859-2056 or 416-849-0833 and then enter pass code number 92676348. The replay will also be available on New Flyer's web site at http://www.newflyer.com/index/events_and_presentations.

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; Brampton, ON; Erlanger, KY and Fresno, CA. The Company also operates a New Product Development center in Winnipeg, MB and a service center in Arnprior, ON.

With a skilled workforce of over 2,200 employees, New Flyer is a technology leader, offering the broadest product line in the industry, including drive systems powered by clean diesel, natural gas, electric trolley as well as energy-efficient diesel-electric hybrid and now all-electric battery vehicles. New Flyer has delivered over 32,000 heavy-duty buses in Canada and the United States. All products are supported with an industry-leading,



NEW FLYER

comprehensive parts and service network. Further information is available on New Flyer's web site at www.newflyer.com.

The common shares and convertible unsecured subordinated debentures of New Flyer are traded on the Toronto Stock Exchange under the symbols NFI and NFI.DB.U, respectively.

Forward-Looking Statements

This press release may contain forward-looking statements relating to expected future events, including the timing, and completion, of the investment described herein and commercial cooperation between New Flyer and Marcopolo. 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 satisfaction of conditions to closing contained in the investment agreement, risks related to acquisitions, joint ventures and other strategic relationships with third parties, market and general economic conditions and economic conditions of and funding availability for customers to purchase buses and to purchase parts or services, customers may not exercise options to purchase additional buses, the ability of customers to terminate contracts for convenience and the other risks and uncertainties discussed in the materials filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Due to the potential impact of these factors, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

For further information, please contact:

Glenn Asham
Chief Financial Officer
(204) 224-1251