November 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 13-WEEKS AND 39-WEEKS ENDED SEPTEMBER 27, 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 ("2015 Q3") and the 39-week period ("2015 YTD") ended September 27, 2015. 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, which is the functional currency of NFI. Unless otherwise indicated, the financial information contained in this MD&A has been prepared in accordance with IFRS 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 September 27, 2015, 55,519,753 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"), equity settled stock-based compensation, past service costs 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, past service cost, 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.

U.S. Funding

The United States federal government has provided funding to assist with the purchase of new heavy-duty transit buses since 1964. Purchases are now largely funded through the Federal Transit Administration ("FTA") funding allocations derived from gasoline taxes. Under these programs, municipal and local transit authorities in the United States receive up to 80% of the funding for new bus purchases from the federal government for (i) the replacement of buses that have operated for the FTA minimum service life, and (ii) new buses to support fleet growth based on population and ridership trends. In order to receive federal funding for new bus purchases, a minimum 20% contribution commitment from local transit authorities must be in place and the new bus purchase must comply with "Buy-America" regulations.

On July 31, 2015, U.S. President Barack Obama signed a bill to temporarily fund and ensure solvency of the Highway Trust Fund through to October 29, 2015. Shortly before the deadline expired, both the U.S. Senate and the House of Representatives passed a three week extension to November 20, 2015. This bill is the 35th short-term transportation extension since 2009.

Draft multi-year surface transportation authorization bills in the United States continue to be reviewed by House and Senate committees, with an objective that new legislation will be passed prior to the expiry of the current bill. Given the uncertainty around negotiating a multi-year and sustainable funding mechanism, management anticipates additional short term extensions to the "Moving Ahead for Progress in the 21st Century" (MAP-21) authorization.

The U.S. States Economy

Preliminary data from the Nelson Rockefeller Institute indicates state tax collections increased in the first quarter of 2015 by 5.8 percent over the previous year. State tax collections include personal income tax and sales tax, both of which have increased for 20 of the last 21 quarters, and corporate income taxes, which have increased for the past seven quarters. Although the data for the second and third quarter of 2015 has not been published, initial revenue reports indicate continued growth in overall state tax collections as well as in major tax sources, with an estimated growth of 7.6 percent in the second quarter of 2015.

Canadian Funding

On April 21, 2015, the Government of Canada announced through the Federal Budget that it would be committing to invest an additional C$1 billion per year in major transit infrastructure projects.

Investments will be made through a new Public Transit Fund and will be on top of current funding programs already included in the New Building Canada Plan. New investments will start flowing in 2017-2018 at C$250 million, increasing to increase to C$500 million in 2018-2019 and C$1 billion per year thereafter.

On October 19, 2015, Justin Trudeau was elected as the new Canadian Prime Minister. Mr. Trudeau has publicly stated that he is a strong supporter of infrastructure and transit investment.

Recent Ridership Trends

Transit ridership in both Canada and the United States remains essentially stable. The American Public Transportation Association's ("APTA") ridership report indicated that for the first quarter of 2015, ridership decreased by 0.66% in all modes of U.S. transit ridership during that period compared with the the first quarter of 2014, with a decrease in bus ridership of 1.78%. The same report indicates Canadian ridership increased by 0.01% in all modes of transit ridership during the same period as compared to the previous year. Specific data regarding Canadian bus ridership however, is not available.

Demand for Heavy-Duty Transit Buses

According to APTA's Policy Development and Research report titled "Trends in Public Transportation and Vehicle Fleet" released in November 2013, the U.S. transit bus fleet had an average age of 7.8 years in 2013, which is significantly older than the natural 6-year average given the 12-year funding cycle. The Canadian Urban Transit Association had reported in 2012 that the average age of Canadian heavy-duty buses was 6.9 years, which should result in a relatively flat replacement cycle going forward.

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 estimates 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 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
2015 Q2	1,690	5,881	7,571	13,127	20,698
2015 Q3	**2,121**	**4,074**	**6,195**	**13,225**	**19,420**

(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 Q3 decreased 6.2% compared to the 13-weeks ended June 28, 2015 ("2015 Q2"). As well, the total number of Active EUs at the end of 2015 Q3 decreased by 1,376 EUs or 18.2% compared to 2015 Q2. This decrease is largely as a result of significant contract awards during 2015 Q3.

Management anticipates the amount of bus procurement activity by public transit agencies throughout the United States and Canada to 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 fundamentals to continue to improve.

2015 Third Quarter in Review

New Flyer's Winnipeg manufacturing facility has been selected as one of 20 finalists in IndustryWeek magazine's 2015 Best Plants in North America competition. The finalists were chosen, out of hundreds of applicants, because they have demonstrated admirable manufacturing performance metrics, as well as practices and programs that exhibit a comprehensive focus on continuous improvement and customer satisfaction. The winner will be announced in early 2016.

New Flyer has been monitoring the diesel engine emissions compliance concerns that have recently come to light in the automotive industry. New Flyer purchases engines from Cummins Inc., the sole supplier of engines to the heavy-duty transit industry, that have been certified by the U.S. Environmental Protection Agency ("EPA"). The engines are certified on the basis of test data that Cummins submits to the EPA that demonstrate compliance with EPA test standards. Cummins has confirmed to New Flyer that it strives to have robust certification and compliance processes, that adhere to all emissions regulations worldwide, including prohibiting the use of defeat devices in engines. New Flyer designs these EPA certified engines into its buses, which then must pass a Cummins installation quality audit.

Bus order activity during 2015 Q3

New orders (firm and options) for 2015 Q3 totaled 1,133 EUs. The new firm and option orders awarded to New Flyer for the last twelve months ended September 27, 2015 ("2015 Q3 LTM") were 4,009 EUs compared to 1,475 EUs during the last twelve months ended September 28, 2014 ("2014 Q3 LTM"). Also, New Flyer was successful at converting 213 EUs of options during 2015 Q3, which contributed to the 1,079 EUs of options converted in 2015 Q3 LTM as compared to 1,209 EUs during 2014 Q3 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 Q3	109	1,475	359	1,209
2014 Q4	1,325	2,469	163	1,149
2015 Q1	1,020	2,930	157	800
2015 Q2	531	2,985	546	1,225
2015 Q3	**1,133**	**4,009**	**213**	**1,079**

There were 76 option EUs that expired during 2015 Q3 as compared to 119 option EUs that expired in 2015 Q2.

In 2015 Q3, 153 EUs were removed from firm backlog, where contracts were cancelled or expired without a notice to proceed being provided by customers for firm orders. 100 of the 153 EUs removed from backlog were related to a contract where the customer declined to convert their firm order from a NABI bus model to the New Flyer Xcelsior. This customer has since issued a new Invitation for Bids and is now soliciting proposals for this order.

In addition to contracts for defined customers, New Flyer has focused on state procurements and cooperative purchasing agreements, with the objective of having available schedules from which customers within a prescribed region can purchase. New Flyer has successfully bid and been named on several state contracts. These contracts, however, are not recorded in backlog, as they do not have defined quantities allocated to New Flyer.

At the end of 2015 Q3, new firm and option orders of 1,169 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. In regards to these pending awards, contracts for 725 EUs have now been received and a separate press release issued.

At the end of 2015 Q3, New Flyer's total backlog (firm and options) was 7,290 EUs (valued at $3.59 billion) compared to 7,011 EUs (valued at $3.49 billion) at the end of 2015 Q2 and 6,239 EUs (valued at $3.07 billion) at the end of the 13-week period ending September 28, 2014 ("2014 Q3").

New Flyer's backlog at the end of 2015 Q3 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 71% of the total backlog.

The Company delivered 625 EUs in 2015 Q3, which is an increase of 0.6% over deliveries in 2014 Q3.

New Flyer's 2015 Q3 LTM Book-to-Bill ratio (defined as new firm and option orders divided by deliveries) was 162% as compared to 62% during 2014 Q3 LTM. The Company's LTM Book-to-Bill ratio has exceeded 100% for ten of the last eleven 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 Q3

Gross orders received by New Flyer's aftermarket business during 2015 Q3 decreased 20.3% compared to 2014 Q3 as a result of the winding down of the Chicago Transit Authority ("CTA") mid-life bus upgrade program. The upgrade program successfully delivered a total of 1,028 refurbished buses to the customer over a term of 25 months on budget and on schedule. 2015 Q3 gross parts orders excluding the CTA mid-life overhaul program increased 7.6% compared to 2014 Q3.

Total aftermarket shipments in 2015 Q3 decreased 14.0% over 2014 Q3, but when normalized for the completion of the CTA program, increased by 4.0%.

Quarter-over-quarter gross aftermarket orders experienced a slight increase of 0.6% compared to 2015 Q2, while shipments decreased 3.9% over 2015 Q2. Both figures have been normalized for the completion of the CTA program.

2015 Third Quarter Financial Results

The Company generated consolidated revenue of $364.7 million for 2015 Q3, an increase of 1.1% compared to consolidated revenue for 2014 Q3 of $360.8 million, and consolidated revenue for 2015 YTD of $1.1 billion, an increase of 8.6% from consolidated revenue for the 39-week period ended September 28, 2014 ("2014 YTD") of $1.0 billion.

Revenue from bus manufacturing operations for 2015 Q3 was $293.0 million, an increase of 5.1% from $278.7 million in 2014 Q3. The increase in 2015 Q3 revenue primarily resulted from a 0.6% increase in total bus deliveries of 625 EUs in 2015 Q3 compared to 2014 Q3 deliveries of 621 EUs and a 4.5% increase in average selling price per EU in 2015 Q3 of $468.8 thousand compared to $448.8 thousand in 2014 Q3. Similarly, bus revenue for 2015 YTD of $869.5 million increased 9.3% from $795.4 million for 2014 YTD. Bus deliveries of

1,791 EUs in 2015 YTD increased 1.9% compared to 1,757 EUs in 2014 YTD and the average selling price per EU in 2015 YTD of $485.5 thousand increased 7.2% from $452.7 thousand in 2014 YTD. The increase in average selling price is the result of changes in the product sales mix and pricing. The average selling price can be volatile when comparing two fiscal quarters as a result of sales mix. Total bus inventory at September 27, 2015 was 417 EUs, a decrease of 30 EUs from the previous quarter reflecting the transition to the Xcelsior® platform in the Anniston, Alabama facility. Further inventory reductions are expected as the project is completed by the end of Fiscal 2015.

Revenue from aftermarket operations in 2015 Q3 was $71.7 million, a decrease of 12.6% compared to $82.0 million in 2014 Q3. Revenue from aftermarket operations for 2015 YTD was $250.5 million, an increase of 6.3% compared to $235.7 million in 2014 YTD. The decrease in aftermarket operations revenue in 2015 Q3 is primarily a result of the completion of the CTA mid-life overhaul program. Excluding the CTA mid-life overhaul program, the revenue from aftermarket operations for 2015 Q3 was $71.0 million and $66.2 million in 2014 Q3 and $216.5 million in 2015 YTD compared to $205.1 million in 2014 YTD.

Consolidated Adjusted EBITDA for 2015 Q3 totaled $36.3 million (9.9% of revenue) compared to $25.7 million (7.1% of revenue) in 2014 Q3, which represents an increase of 41.2%. In comparing the respective periods, this increase in consolidated Adjusted EBITDA is primarily due to increased bus margins. 2015 YTD consolidated Adjusted EBITDA of $106.9 million (9.5% of revenue) increased by 47.8% compared to 2014 YTD consolidated Adjusted EBITDA of $72.3 million (7.0% of revenue).

2015 Q3 bus manufacturing operations Adjusted EBITDA of $21.6 million (7.4% of revenue) increased 72.1% compared with 2014 Q3 bus manufacturing operations Adjusted EBITDA of $12.6 million (4.5% of revenue). The increase is primarily a result of increased bus margins due to a favourable sales mix during 2015 Q3 and the cost savings achieved from the transition to Xcelsior® in Alabama, which mitigated the lack of realized ITCs. Bus manufacturing operations Adjusted EBITDA of $58.8 million (6.8% of revenue) for 2015 YTD increased 71.8% compared to $34.2 million (4.3% of revenue) for 2014 YTD. Management has continued its efforts to enhance margins during 2015 YTD through cost reductions, improved labour efficiency and price change orders. Profit margins can vary significantly between orders due to factors such as pricing, order size, propulsion system and product type and components specified by the customer. 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 throughout Fiscal 2015 are expected to be higher than the average margins achieved during Fiscal 2014.

2015 Q3 aftermarket operations Adjusted EBITDA of $14.7 million (20.5% of revenue) increased 11.7% compared to $13.1 million (16.0% of revenue) in 2014 Q3. Profit margins have improved during 2015 Q3 primarily as a result of improved market fundamentals and the benefits to the product mix that have resulted from a far broader portfolio of services and parts offerings to customers.

Aftermarket operations Adjusted EBITDA for 2015 YTD of $48.1 million (19.2% of revenue) represents an increase of 26.2% over 2014 YTD aftermarket operations Adjusted EBITDA of $38.1 million (16.2% of revenue).

The Company reported net earnings of $16.6 million in 2015 Q3, an increase of 61.6% compared to net earnings of $10.2 million in 2014 Q3, primarily as a result of improved Earnings from Operations offset by the increase in income tax expense. The Company's net earnings per Share in 2015 Q3 were $0.30, an increase from net earnings per Share of $0.18 generated during 2014 Q3. Similarly, 2015 YTD net earnings of $39.8 million increased 106.2% compared to 2014 YTD net earnings of $19.3 million. Net earnings per Share in 2015 YTD were $0.72 compared to $0.35 generated during 2014 YTD. The net earnings for 2015 YTD included a $3.7 million pension expense for past service costs as a result of the new collective bargaining agreement in Winnipeg.

The Company generated Free Cash Flow of C$22.1 million during 2015 Q3 as compared to C$17.9 million in 2014 Q3, primarily as a result of improved net earnings. The Company declared dividends in 2015 Q3 of C$8.6 million as compared to C$8.1 million in 2014 Q3. The amount of dividends declared increased in 2015 Q3 primarily as a result of the dividend rate increase in May 2015. The current annual dividend rate is C$0.62 per Share, which is declared and paid monthly.

The Company generated Free Cash Flow of C$60.9 million during 2015 YTD as compared to C$44.4 million in 2014 YTD. The Company declared dividends in 2015 YTD of C$25.2 million as compared to C$24.3 million in 2014 YTD. The Free Cash Flow payout ratio is 41.3% in 2015 YTD compared with 54.8% during 2014 YTD. The Company has paid dividends to shareholders for 120 consecutive months since the Company's initial public offering in August 2005.

The September 27, 2015 liquidity position of $68.0 million is comprised of available cash of $6.5 million and $61.5 million available under the Company's revolving credit facility ("Revolver") as compared to a liquidity position of $73.2 million at December 28, 2014. As at September 27, 2015, there were $44.0 million of direct borrowings and $9.5 million of outstanding letters of credit related to the $115.0 million Revolver. Management believes that these funds, together with share issuances, other borrowings capacity and the cash generated from the Company's operating activities, will provide the Company with sufficient liquidity and capital resources to meet its current financial obligations as they come due, as well as provide funds for its financing requirements, capital expenditures, dividend payments and other operational needs for the foreseeable future.

As previously stated in 2015 Q2, some of the final NABI buses were produced earlier than the customers need to facilitate a smoother transition to Xcelsior®-only production. During 2015 Q3, bus inventory decreased by 30 EUs as compared to the previous quarter primarily due to delivery of a portion of the excess bus inventory. Management expects to substantially deliver the remaining excess bus inventory prior to the end of Fiscal 2015.

Market and Business Outlook

Management continues to focus on executing the transition of production of the NABI bus models from the Anniston, Alabama facility to the Xcelsior® platform. The completion of the transition is on target for the end of Fiscal 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, equipment leases and the Credit Facility. Of this total, the Company had incurred $6.7 million of costs and invested $9.3 million in capital expenditures as of September 27, 2015. Management anticipates these direct operating and capital expenditures will be paid back through captured cost reductions and synergies. Currently, the annualized cost savings are expected to be approximately $16.5 million.

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 of ITCs during the first fiscal quarter of 2015.

During the first week of July 2015 there were no scheduled assembly line entries, providing an opportunity for employees to enjoy vacations in an effort to lessen future volatility in manpower. The lack of scheduled line entries resulted in a reduction of approximately 35 EUs being entered into production. The New Flyer master production schedule combined with current backlog and orders anticipated to be awarded by customers under new procurements is expected to enable the Company to continue to operate at a corporate average line entry rate of approximately 50 EUs per available production week for Fiscal 2015 and 2016. The production rates vary from quarter to quarter due to sales mix and the phased introduction of the Xcelsior® platform in the Anniston, Alabama manufacturing facility in Fiscal 2015.

With respect to the aftermarket segment, continues to expect core aftermarket parts revenue growth of approximately 5% during Fiscal 2015. Also, the aftermarket revenue generated from the CTA mid-life upgrade program ended in June 2015, which represented 13.6% of the total aftermarket revenue during 2015 YTD. In addition, management continues to be engaged in a strategic review of New Flyer's aftermarket business to identify efficiencies through business and system synchronization.

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	Q3	$	364,683	$	24,983	$	16,559	$	35,004	$	36,277	$	0.30
	Q2		375,012		23,812		12,370		33,657		39,191		0.22
	Q1		380,301		20,153		10,855		29,660		31,414		0.20
	Total	**$**	**1,119,996**	**$**	**68,948**	**$**	**39,784**	**$**	**98,321**	**$**	**106,882**	**$**	**0.72**
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)	NABI inventory acquired (equivalent units)	New Line Entry (equivalent units)	Deliveries (equivalent units)	Inventory, Ending (equivalent units)	Work in process (equivalent units)	Finished goods (equivalent units)(3)
2015	Q3	447	—	595	625	417	371	46
	Q2	384	—	657	594	447	336	111
	Q1	358	—	598	572	384	324	60
	Total	**358**	**—**	**1,850**	**1,791**	**417**	**371**	**46**
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 THIRD QUARTER AND TRAILING TWELVE MONTHS RESULTS

(Unaudited, U.S. dollars in thousands, except for deliveries in equivalent units)

	13-Weeks Ended September 27, 2015	13-Weeks Ended September 28, 2014	39-Weeks Ended September 27, 2015	39-Weeks Ended September 28, 2014	52-Weeks Ended September 27, 2015	52-Weeks Ended September 28, 2014
Statement of Earnings Data						
Revenue						
Canada	$ 15,041	$ 58,764	$ 67,976	$ 125,914	$ 104,033	$ 148,246
U.S.	277,929	219,949	801,498	669,519	1,102,074	960,409
Bus manufacturing operations	292,970	278,713	869,474	795,433	1,206,107	1,108,655
Canada	14,691	15,269	49,079	48,136	64,515	64,407
U.S.	57,022	66,780	201,443	187,542	269,363	239,253
Aftermarket operations	71,713	82,049	250,522	235,678	333,878	303,660
Total revenue	$ 364,683	$ 360,762	$ 1,119,996	$ 1,031,111	$ 1,539,985	$ 1,412,315
Earnings from operations(1)	$ 24,983	$ 12,898	$ 68,948	$ 35,045	$ 80,604	$ 59,022
Earnings before finance costs and income taxes	23,999	12,781	66,879	35,548	82,771	57,739
Net earnings	16,559	10,245	39,784	19,292	47,211	33,024
EBITDA(1)	35,004	22,910	98,321	60,906	123,872	92,187
Adjusted EBITDA(1)						
Bus manufacturing operations including realized foreign exchange losses/gains	21,606	12,557	58,752	34,197	81,929	61,510
Aftermarket operations	14,671	13,140	48,130	38,132	59,989	47,649
Total Adjusted EBITDA(1)	$ 36,277	$ 25,697	$ 106,882	$ 72,329	$ 141,918	$ 109,159
Other Data (unaudited)						
Deliveries						
Canada	41	154	184	323	274	374
U.S.	584	467	1,607	1,434	2,197	2,018
Total deliveries (equivalent units)	625	621	1,791	1,757	2,471	2,392
Product rationalization capital expenditures	$ 2,029	$ —	$ 7,507	$ —	$ 9,257	$ —
Other capital expenditures	1,847	4,347	5,569	11,156	7,006	20,312
Total capital expenditures	$ 3,876	$ 4,347	$ 13,076	$ 11,156	$ 16,263	$ 20,312
New options awarded	$ 400,569	$ 24,928	$ 858,814	$ 243,207	$ 1,263,200	$ 300,746
New firm orders awarded	$ 114,544	$ 33,186	$ 353,845	$ 255,634	$ 644,454	$ 353,795
Exercised options	120,132	171,872	468,585	510,290	550,461	614,584
Total firm orders	$ 234,676	$ 205,058	$ 822,430	$ 765,924	$ 1,194,915	$ 968,379

Selected Statement of Financial Position Data

(Unaudited, U.S. dollars in thousands)	September 27, 2015		December 28, 2014		December 29, 2013	
Total assets	$ 1,135,181		$ 1,136,115		$ 1,136,402	
Long-term financial liabilities	335,535		329,644		346,233	
Other Data		Equivalent Units		Equivalent Units		Equivalent Units
Firm orders - USA	$ 942,448	1,770	$ 1,066,985	1,980	$ 1,031,743	2,088
Firm orders - Canada	42,948	110	50,371	122	71,220	188
Total firm orders	985,396	1,880	1,117,356	2,102	1,102,963	2,276
Options - USA	2,417,022	4,907	2,121,260	4,257	2,442,771	5,136
Options - Canada	187,617	503	155,313	386	111,444	266
Total options	2,604,639	5,410	2,276,573	4,643	2,554,215	5,402
Total backlog	$ 3,590,035	7,290	$ 3,393,929	6,745	$ 3,657,178	7,678

Equivalent Units in Backlog	**39-Weeks Ended September 27, 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[3]	4,653[4]
New orders	806	1,878	1,114	1,355	1,923	3,356
NABI acquired backlog	—	—	—	—	551	608
Options exercised	916	(916)	1,149	(1,149)	601	(601)
Shipments	(1,791)	—	(2,437)	—	(2,191)	—
Removal of deferred order[3] [4]	—	—	—	—	(280)	(1,520)
Cancelled/expired	(153)	(195)	—	(965)	—	(1,094)
End of period	1,880	5,410	2,102	4,643	2,276	5,402

The maximum term for a contract permitted by the FTA is five years. Remaining options included in the total backlog will expire, if not exercised, as follows:

2015 Q4	445
2016	855
2017	530
2018	1,395
2019	1,521
2020	664
Total options	5,410

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

(3) 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.

(4) 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 determined in accordance with IFRS 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 September 27, 2015	13-Weeks Ended September 28, 2014	39-Weeks Ended September 27, 2015	39-Weeks Ended September 28, 2014	52-Weeks Ended September 27, 2015	52-Weeks Ended September 28, 2014
Net earnings	$ 16,559	$ 10,245	$ 39,784	$ 19,292	$ 47,211	$ 33,024
Addback[1]						
Income taxes (recovered)	3,952	(160)	16,386	5,881	21,354	11,102
Interest expense	3,488	2,696	10,709	10,375	14,206	13,613
Amortization	10,021	10,012	29,373	25,861	39,349	33,165
Unrealized foreign exchange loss (gain) on non-current monetary items and forward foreign exchange contracts	984	117	2,069	(503)	1,752	1,283
EBITDA[2]	35,004	22,910	98,321	60,906	123,872	92,187
Costs associated with assessing strategic and corporate initiatives[5]	318	—	318	—	318	575
Impairment loss on equipment and intangible assets[8]	—	—	—	3,919	912	3,919
Product rationalization costs[4]	683	189	3,591	285	6,399	285
Past service costs[9]	—	—	3,688	—	3,688	—
Non-recurring costs relating to business acquisition[7]	—	48	—	581	—	581
Realized investment tax credits[6]	—	2,392	169	6,117	5,776	10,990
Equity settled stock-based compensation	272	158	795	521	953	622
Adjusted EBITDA[2]	$ 36,277	$ 25,697	$ 106,882	$ 72,329	$ 141,918	$ 109,159

RECONCILIATION OF CASH FLOW TO EBITDA AND ADJUSTED EBITDA

(Unaudited, U.S. dollars in thousands)	13-Weeks Ended September 27, 2015	13-Weeks Ended September 28, 2014	39-Weeks Ended September 27, 2015	39-Weeks Ended September 28, 2014	52-Weeks Ended September 27, 2015	52-Weeks Ended September 28, 2014
Net cash (used) generated by operating activities	$ 11,617	$ 466	$ 17,565	$ 18,974	$ 45,495	$ 13,452
Addback[1]						
Changes in non-cash working capital items	6,471	21,796	44,182	32,777	45,579	69,260
Defined benefit funding	793	849	2,358	2,990	2,897	5,147
Defined benefit expense	(821)	(672)	(6,068)	(1,995)	(6,668)	(2,810)
Interest paid	3,811	1,810	9,609	9,446	11,784	11,294
Impairment loss on equipment and intangible assets[8]	—	—	—	(3,919)	(912)	(3,919)
Realized investment tax credits	—	(2,392)	(169)	(7,275)	(6,384)	(12,361)
Equity settled stock-based compensation	(272)	(158)	(795)	(521)	(953)	(622)
Foreign exchange (loss) gain on cash held in foreign currency	(738)	(402)	(961)	(23)	(1,092)	(520)
Income taxes paid [3]	14,143	1,613	32,600	10,452	34,126	13,266
EBITDA[2]	35,004	22,910	98,321	60,906	123,872	92,187
Costs associated with assessing strategic and corporate initiatives[5]	318	—	318	—	318	575
Impairment loss on equipment and intangible assets[8]	—	—	—	3,919	912	3,919
Product rationalization costs[4]	683	189	3,591	285	6,399	285
Past service costs[9]	—	—	3,688	—	3,688	—
Non-recurring costs relating to business acquisition[7]	—	48	—	581	—	581
Realized investment tax credits[6]	—	2,392	169	6,117	5,776	10,990
Equity settled stock -based compensation	272	158	795	521	953	622
Adjusted EBITDA[2]	$ 36,277	$ 25,697	$ 106,882	$ 72,329	$ 141,918	$ 109,159

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.
6. The Company recognizes ITCs in Adjusted EBITDA only during the period in which they are applied against income taxes payable. During 2015 Q3 LTM the Company recognized $5,776 of ITCs, however a related contractual liability exists to a third party of $608.
7. Normalized to exclude non-recurring expenses related to the transitional costs related to the 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 the 13-weeks ended December 28, 2014 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.
9. A new collective bargaining agreement at the Company's Winnipeg facility commenced on April 1, 2015 which included retroactive changes to the Company's defined benefit pension plan. The effect of the pension plan amendments was to increase the accrued benefit liability and the expected annual pension plan expense in 2015 Q2 by $3,688 to reflect pension benefits provided to employees for past service.

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, except per Share figures)	**13-Weeks Ended September 27, 2015**	**13-Weeks Ended September 28, 2014**	**39-Weeks Ended September 27, 2015**	**39-Weeks Ended September 28, 2014**	**52-Weeks Ended September 27, 2015**	**52-Weeks Ended September 28, 2014**
Net cash generated by operating activities	$ 11,617	$ 466	$ 17,565	$ 18,974	$ 45,495	$ 13,452
Changes in non-cash working capital items(3)	6,471	21,796	44,182	32,777	45,579	69,260
Interest paid(3)	3,811	1,810	9,609	9,446	11,784	11,294
Interest expense(3)	(2,751)	(2,916)	(8,613)	(9,443)	(11,588)	(12,579)
Income taxes paid(3)	14,143	1,613	32,600	10,452	34,126	13,266
Current income tax expense(3)	(14,380)	(4,090)	(40,638)	(14,499)	(51,830)	(24,832)
Principal portion of finance lease payments	(501)	(456)	(1,407)	(1,133)	(2,040)	(1,519)
Cash capital expenditures (8)						
• related to product rationalization	(2)	—	(2,462)	—	(5,045)	—
• other	(1,847)	(1,947)	(5,569)	(6,742)	(4,611)	(14,851)
Costs associated with assessing strategic and corporate initiatives(7)	318	—	318	—	318	575
Non-recurring transitional costs relating to business acquisition(9)	—	48	—	581	0	581
Product rationalization costs(11)	683	189	3,591	285	6,399	285
Past service costs(12)	—	—	3,688	—	3,688	—
Defined benefit funding(4)	793	849	2,358	2,990	2,897	5,147
Defined benefit expense(4)	(821)	(672)	(6,068)	(1,995)	(6,668)	(2,810)
Realized investment tax credits(10)	—	—	—	(1,158)	(608)	(1,371)
Foreign exchange loss on cash held in foreign currency(5)	(738)	(402)	(961)	(23)	(1,092)	(520)
Free Cash Flow (US$)(1)	16,796	16,288	48,193	40,512	66,804	55,378
U.S. exchange rate(2)	1.3172	1.0970	1.2633	1.0955	1.2273	1.0849
Free Cash Flow(1) (C$)	**22,124**	**17,868**	**60,883**	**44,383**	**81,995**	**60,083**
Free Cash Flow per Share (C$)(6)	0.3985	0.3220	1.0967	0.8000	1.4771	1.0831
Declared dividends on Shares (C$)	**8,606**	**8,116**	**25,167**	**24,341**	**33,284**	**32,453**
Declared dividend per Share (C$)(6)	0.1550	0.1462	0.4533	0.4388	0.5996	0.5850

(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 Q3 was 55,517,364, 55,511,927 for 2015 YTD and 55,509,481 for 2015 Q3 LTM. The weighted average number of Shares outstanding for 2014 Q3 was 55,483,741, 55,473,811 for 2014 YTD and 55,472,084 for 2014 Q3 LTM.

(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.

(9) Normalized to exclude non-recurring expenses related to the transitional costs related to the 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 2015 Q3 LTM the Company recognized $5,776 of ITCs, however a related contractual liability exists to a third party of $608.

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

(12) A new collective bargaining agreement at the Company's Winnipeg facility commenced on April 1, 2015 which included retroactive changes to the Company's defined benefit pension plan. The effect of the pension plan amendments was to increase the accrued benefit liability and the expected annual pension plan expense in 2015 Q2 by $3,688 to reflect pension benefits provided to employees for past service.

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 approved an annual dividend rate increase to C$0.62 per Share from the prior rate of C$0.585 per Share, 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 or materials are sourced differently, 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 Q3, approximately 92% of revenue was USD denominated and approximately 8% was CAD denominated. As at September 27, 2015, the backlog consisted of firm CAD orders of 110 EUs ($43 million U.S. equivalent) representing approximately 4.4% of firm orders. CAD options at September 27, 2015 totaled 503 EUs ($188 million U.S. equivalent) representing approximately 7.2% 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 inflows 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 Q3, the Company recorded a realized foreign exchange loss of $0.6 million (2014 Q3: $0.2 million loss).

At September 27, 2015, the Company had $16.0 million of foreign exchange forward contracts to buy Canadian dollars that expire October 2015 to December 2015 and contracts to buy 3 million Euros that expire October 2015 to December 2015. The related liability of $0.2 million (2014: $0.7 million asset) is recorded on the interim condensed consolidated statements of financial position as a current derivative financial instruments liability 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 Q3 (13-Weeks)**	2014 Q3 (13-Weeks)	**2015 YTD (39-weeks)**	2014 YTD (39-weeks)
Bus Manufacturing Revenue	$ 292,970	$ 278,713	$ 869,474	$ 795,433
Aftermarket Revenue	71,713	82,049	250,522	235,678
Total Revenue	$ 364,683	$ 360,762	$ 1,119,996	$ 1,031,111
Earnings from Operations(1)	24,983	12,898	68,948	35,045
Earnings before interest and income taxes	23,999	12,781	66,879	35,548
Earnings before income tax expense	20,511	10,085	56,170	25,173
Net earnings for the period	16,559	10,245	39,784	19,292

(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 $364.7 million for 2015 Q3, an increase of 1.1% compared to consolidated revenue for 2014 Q3 of $360.8 million, and consolidated revenue for 2015 YTD of $1.1 billion, an increase of 8.6% from consolidated revenue for 2014 YTD of $1.0 billion.

Revenue from bus manufacturing operations for 2015 Q3 was $293.0 million, an increase of 5.1% from $278.7 million in 2014 Q3. The increase in 2015 Q3 revenue primarily resulted from a 0.6% increase in total bus deliveries of 625 EUs in 2015 Q3 compared to 2014 Q3 deliveries of 621 EUs and a 4.5% increase in average selling price per EU in 2015 Q3 of $468.8 thousand compared to $448.8 thousand in 2014 Q3. Similarly, bus revenue for 2015 YTD of $869.5 million increased 9.3% from $795.4 million for 2014 YTD. Bus deliveries of 1,791 EUs in 2015 YTD increased 1.9% compared to 1,757 EUs in 2014 YTD and the average selling price per EU in 2015 YTD of $485.5 thousand increased 7.2% from $452.7 thousand in 2014 YTD. The increase in average selling price is the result of changes in the product sales mix and pricing. The average selling price can be volatile when comparing two fiscal quarters as a result of sales mix. Total bus inventory at September 27, 2015 was 417 EUs, a decrease of 30 EUs from the previous quarter reflecting the transition to the Xcelsior® platform in the Anniston, Alabama facility. Further inventory reductions are expected as the project is completed by the end of Fiscal 2015.

Revenue from aftermarket operations in 2015 Q3 was $71.7 million, a decrease of 12.6% compared to $82.0 million in 2014 Q3. Revenue from aftermarket operations for 2015 YTD was $250.5 million, an increase of 6.3% compared to $235.7 million in 2014 YTD. The decrease in aftermarket operations revenue in 2015 Q3 is primarily a result of the completion of the CTA mid-life overhaul program. Excluding the CTA mid-life overhaul program, the revenue from aftermarket operations for 2015 Q3 was $71.0 million and $66.2 million in 2014 Q3 and $216.5 million in 2015 YTD compared to $205.1 million in 2014 YTD.

Cost of sales

The consolidated cost of sales for 2015 Q3 of $315.3 million decreased by 3.4% from 2014 Q3 consolidated cost of sales of $326.5 million. 2015 YTD consolidated cost of sales of $982.6 million increased by 5.4% as compared to $932.1 million during 2014 YTD. This increase is consistent with the related increase in revenue and improved profit margins achieved during 2015 YTD.

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 Q3 was $262.1 million (89.5% of revenue from bus manufacturing operations), which is the same as compared to the $262.1 million (94.0% of revenue from bus manufacturing operations) in 2014 Q3. The cost of sales from bus manufacturing operations for 2015 YTD of $792.4 million (91.1% of revenue from bus manufacturing operations) increased 5.9% compared to $748.2 million (94.1% of revenue from bus manufacturing operations) in 2014 YTD. This increase in cost of sales primarily relates to the 2015 YTD sales mix with higher average selling prices, increased bus deliveries with improved profit margins and a $3.7 million pension expense for past service costs as a result of the new collective bargaining agreement in Winnipeg.

The cost of sales from aftermarket operations of $53.2 million (74.2% of aftermarket operations revenue) in 2015 Q3 decreased 17.4% compared to $64.4 million (78.5% of aftermarket operations revenue) in 2014 Q3. During 2015 YTD, cost of sales from aftermarket operations of $190.2 million (75.9% of aftermarket operations revenue) increased 3.4% compared to $183.9 million (78.0% of aftermarket operations revenue) in 2014 YTD, 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 Q3 of $23.7 million (6.5% of revenue) increased 12.1% compared with $21.2 million (5.9% of revenue) in 2014 Q3. Consolidated SG&A for 2015 YTD were $68.6 million (6.1% of revenue) which increased 16.9% compared to $58.6 million (5.7% of revenue) in 2014 YTD. The 2015 YTD SG&A includes $3.7 million of additional product rationalization costs and a $3.9 million increase in the long-term incentive compensation expense as a result of improved earnings performance and stock price appreciation.

Realized foreign exchange loss/gain

In 2015 Q3, the Company recognized a net realized loss of $0.6 million compared with a net realized loss of $0.2 million in 2014 Q3. During 2015 YTD the Company recognized a net realized gain of $0.1 million compared to a loss of $1.4 million gain in 2014 YTD.

Earnings from operations

Consolidated earnings from operations for 2015 Q3 in the amount of $25.0 million (6.9% of revenue) increased 93.7% compared to earnings from operations in 2014 Q3 of $12.9 million (3.6% of revenue). 2015 YTD consolidated earnings from operations were $68.9 million (6.2% of revenue), which represents a 96.7% increase as compared to $35.0 million (3.4% of revenue) in 2014 YTD.

The earnings from bus manufacturing operations (including amortization and depreciation) for 2015 Q3 of $11.3 million (3.9% of bus manufacturing revenue) increased compared to earnings of $0.8 million for 2014 Q3 (0.3% of bus manufacturing revenue). Similarly, 2015 YTD earnings from bus manufacturing operations of $23.5 million (2.7% of revenue) increased compared to earnings of $0.3 million in 2014 YTD. 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. As well, the 2015 YTD earnings were negatively impacted by a retroactive past pension service cost charge of $3.7 million whereas the 2014 YTD earnings were negatively impacted by a $3.9 million impairment loss on equipment and intangible assets. 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 $13.7 million (19.2% of aftermarket revenue) in 2015 Q3 increased 13.2% compared to 2014 Q3 earnings of $12.1 million (14.7% of aftermarket revenue). In 2015 YTD, the earnings from aftermarket operations of $45.4 million (18.1% of aftermarket revenue) increased 30.8% compared to $34.7 million (14.7% of aftermarket revenue) in 2014 YTD. The percentage of revenue was positively impacted by improved market fundamentals and the benefits to the product mix that have resulted from a far broader portfolio of services and parts offerings to customers partially offset by lower margins on the CTA mid-life overhaul program.

Unrealized foreign exchange gain/loss

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

(Unaudited, U.S. dollars in thousands)		2015 Q3		2014 Q3		2015 YTD		2014 YTD
Unrealized loss (gain) on forward foreign exchanges contracts	$	464	$	(401)	$	913	$	(846)
Unrealized loss on other long-term monetary assets/liabilities		520		518		1,156		343
	$	984	$	117	$	2,069	$	(503)

Earnings before interest and income taxes ("EBIT")

In 2015 Q3, the Company recorded EBIT of $24.0 million compared to EBIT of $12.8 million in 2014 Q3. EBIT has been impacted by non-cash and non-recurring items as follows:

(Unaudited, U.S. dollars in thousands)		2015 Q3		2014 Q3		2015 YTD		2014 YTD
Non-cash and non-recurring charges:								
Past service pension costs	$	—	$	—	$	3,688	$	—
Costs associated with assessing strategic and corporate initiatives		318		—		318		—
Unrealized foreign exchange loss (gain)		984		117		2,069		(503)
Equity settled stock-based compensation		272		158		795		521
Product rationalization costs		683		189		3,591		285
Impairment loss on equipment and intangible assets		—		—		—		3,919
Non-recurring costs relating to business acquisition		—		48		—		581
Amortization		10,021		10,012		29,373		25,861
Total non-cash and non-recurring charges:	$	12,278	$	10,524	$	39,834	$	30,664

Absent these non-cash and non-recurring charges, the 2015 Q3 EBIT would have been $36.3 million compared to $23.3 million in 2014 Q3.

Finance costs

The finance costs for 2015 Q3 were $3.5 million, an increase of 29.4% when compared to $2.7 million in 2014 Q3. The increase was primarily as a result of the $0.9 million loss on the fair value adjustment on the interest rate swap offset by a $0.1 million reduction in other interest and bank charges. The finance costs for 2015 YTD of $10.7 million increased 3.2% compared to $10.4 million in 2014 YTD.

Earnings before income taxes ("EBT")

EBT for 2015 Q3 of $20.5 million improved compared to EBT of $10.1 million in 2014 Q3 and the EBT for 2015 YTD of $56.2 million increased compared to $25.2 million in 2014 YTD. 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 Q3 was $4.0 million, consisting of $14.4 million of current income tax expense and $10.4 million of deferred income tax expense recovered. In comparison, the income tax expense recovered for 2014 Q3 was $0.2 million, consisting of $4.1 million of current income tax expense and $4.3 million of deferred income tax expense recovered. Current income tax expense recorded in 2015 Q3 increased by $10.3 million as compared to 2014 Q3 primarily as a result of increased EBT.

The income tax expense for 2015 YTD was $16.4 million, consisting of $40.6 million of current income tax expense and $24.3 million of deferred income tax expense recovered. In comparison, the income tax expense for 2014 YTD was $5.9 million, consisting of $14.5 million of current income tax expense and $8.6 million of deferred income tax expense recovered.

Net earnings

The Company reported net earnings of $16.6 million in 2015 Q3, an increase of 61.6% compared to net earnings of $10.2 million in 2014 Q3 and 2015 YTD net earnings of $39.8 million increased 106.2% compared to 2014 YTD net earnings of $19.3 million. The increased net earnings in 2015 Q3 and 2015 YTD are primarily as a result of increased Earnings from Operations offset by increased income taxes.

The Company's net earnings per Share in 2015 Q3 were $0.30, an increase from net earnings per Share of $0.18 generated during 2014 Q3. The net earnings per Share in 2015 YTD of $0.72 increased as compared to net earnings per Share of $0.35 generated during 2014 YTD.

Cash Flow

The cash flows of the Company are summarized as follows:

(Unaudited, U.S. dollars in thousands)	2015 Q3	2014 Q3	2015 YTD	2014 YTD
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	$ 36,042	$ 25,685	$ 103,956	$ 71,649
Interest paid	(3,811)	(1,810)	(9,609)	(9,446)
Income taxes paid	(14,143)	(1,613)	(32,600)	(10,452)
Net cash earnings	18,088	22,262	61,747	51,751
Changes in non-cash working capital items	(6,471)	(21,796)	(44,182)	(32,777)
Cash flow generated from operating activities	11,617	466	17,565	18,974
Cash flow (used in) generated from financing activities	(11,317)	6,873	(19,404)	(14,159)
Cash flow used in investing activities	$ (1,864)	$ (2,590)	$ (8,142)	$ (8,027)

Cash flows from operating activities

The 2015 Q3 net operating cash inflow of $11.6 million is the result of $18.1 million of net cash earnings offset by an investment in non-cash working capital of $6.5 million, compared to 2014 Q3 net operating cash inflow of $0.5 million resulting from $22.3 million of net cash earnings less an investment in non-cash working capital of $21.8 million. The cash outflow from the change in non-cash working capital during 2015 Q3 was primarily due to increased accounts receivables. The working capital impact caused by the increased accounts receivables is expected to reverse by the end of Fiscal 2015. The cash outflow from the change in non-cash working capital changes during 2014 Q3 was primarily due to increased accounts receivables and inventories offset by increased accounts payables. Working capital volatility is due to varying product mix, customer payment terms and the impact of the product rationalization that is occurring in Alabama during 2015 YTD.

Cash flow from financing activities

The Company's 2015 Q3 financing activities resulted in a net cash outflow of $11.3 million compared to a net cash inflow of $6.9 million in 2014 Q3. The cash outflow during 2015 Q3 primarily relates to $6.6 million of dividend payments and $4.0 million Revolver repayment. The cash inflow during 2014 Q3 primarily related to the $15.0 million of Revolver borrowings as a result of working capital requirements offset by $7.5 million of dividend payments.

Cash flow from investing activities

2015 Q3 investing activities resulted in a net cash outflow of $1.9 million compared to a net cash outflow of $2.6 million in 2014 Q3. 2015 Q3 cash outflows were primarily as a result of property, plant and equipment ("PPE") expenditures shown as follows:

(Unaudited, U.S. dollars in thousands)	2015 Q3	2014 Q3	2015 YTD	2014 YTD
PPE expenditures	$ 3,876	$ 4,347	$ 13,076	$ 11,156
Less PPE expenditures funded by capital leases	(2,027)	(1,815)	(5,045)	(3,300)
Acquisition of PPE reported on statement of cash flows	1,849	2,532	8,031	7,856
Less PPE expenditures funded by senior term loan	—	(585)	—	(1,114)
Cash PPE expenditure	$ 1,849	$ 1,947	$ 8,031	$ 6,742

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 Company generated Free Cash Flow of C$22.1 million during 2015 Q3 as compared to C$17.9 million in 2014 Q3 primarily as a result of improved net earnings. The Company declared dividends in 2015 Q3 of C$8.6 million as compared to C$8.1 million in 2014 Q3. The amount of dividends declared increased in 2015 Q3 primarily as a result of the dividend rate increase in May 2015. The current annual dividend rate is C$0.62 per Share, which is declared and paid monthly.

The Company generated Free Cash Flow of C$60.9 million during 2015 YTD as compared to C$44.4 million in 2014 YTD. The Company declared dividends in 2015 YTD of C$25.2 million as compared to C$24.3 million in 2014 YTD. The Free Cash Flow payout ratio is 41.3% in 2015 YTD compared with 54.8% during 2014 YTD. The Company has paid dividends to shareholders for 120 consecutive months since the Company's initial public offering in August 2005.

The September 27, 2015 liquidity position of $68.0 million is comprised of available cash of $6.5 million and $61.5 million available under the Revolver as compared to a liquidity position of $73.2 million at December 28, 2014. As at September 27, 2015, there were $44.0 million of direct borrowings and $9.5 million of outstanding letters of credit related to the $115.0 million Revolver. Management believes that these funds, together with share issuances, other borrowings capacity and the cash generated from the Company's operating activities, will provide the Company with sufficient liquidity and capital resources to meet its current financial obligations as they come due, as well as provide funds for its financing requirements, capital expenditures, dividend payments and other operational needs for the foreseeable future.

As previously stated in 2015 Q2, some of the final NABI buses were produced earlier than the customers need to facilitate a smoother transition to Xcelsior®-only production. During 2015 Q3, bus inventory decreased by 30 EUs as compared to the previous quarter primarily due to delivery of a portion of the excess bus inventory. Management expects to substantially deliver the remaining excess bus inventory prior to the end of Fiscal 2015.

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 September 27, 2015, the Company was in compliance with the ratios. The results of the financial covenants tests as of such date are as follows:

	September 27, 2015	December 28, 2014
Total Leverage Ratio (must be less than 3.25)	1.36	1.65
Interest Coverage Ratio (must be greater than 3.00)	12.25	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 $2.0 million at September 27, 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:

		September 27, 2015		December 28, 2014
Current, including holdbacks	$	199,411	$	197,441
Past due amounts but not impaired				
1 – 60 days		13,912		14,200
Greater than 60 days		4,692		746
Less: allowance for doubtful accounts		(356)		(262)
Total accounts receivables, net	$	217,659	$	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

The following table outlines the Company's maturity analysis of the undiscounted cash flows of certain non-current financial liabilities and leases as at September 27, 2015:

U.S. dollars in thousands		**Total**		**2015**		**2016**		**2017**		**2018**		**2019**		**Post 2019**
Senior term loan	$	149,500	$	1,250	$	5,000	$	143,250	$	—	$	—	$	—
Convertible debentures		72,634		2,020		4,039		66,575		—		—		—
Other long-term liabilities		5,250		1,000		2,250		1,000		1,000		—		—
Finance leases		8,515		757		2,925		2,303		1,592		934		4
Accrued pension benefit		1,016		1,016		—		—		—		—		—
Operating leases		42,296		1,355		5,517		5,350		5,397		4,508		20,169
	$	279,211	$	7,398	$	19,731	$	218,478	$	7,989	$	5,442	$	20,173

As at September 27, 2015, outstanding surety bonds guaranteed by the Company amounted to $104.8 million, representing an increase compared to $89.7 million at June 28, 2015. The estimated maturity dates of the surety bonds outstanding at September 27, 2015 range from October 2015 to February 2017.

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 September 27, 2015, letters of credit amounting to $9.5 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 September 27, 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 - March 26, 2013	490,356	(242,680)	(2,500)	245,176	March 26, 2021	C$10.20	C$1.55
Granted - December 30, 2013	612,050	(153,015)	—	459,035	December 30, 2021	C$10.57	C$1.44
Granted - 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:

	September 27, 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

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 $85,844 of Director Restricted Share Units ("Director RSUs") in 2015 Q3. Of these Director RSUs issued, approximately $23,468 were exercised and exchanged for 1,591 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 on the buses it sells. 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:

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. IFRS 9 - Financial Instruments introduces new requirements for the classification and measurement of financial instruments. 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, 2018 and early adoption is permitted. 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.

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 changes in the Company's ICFR during 2015 Q3 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.