Unaudited Interim Condensed Consolidated Financial Statements of

NFI GROUP INC.

March 31, 2019

TABLE OF CONTENTS

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS AND TOTAL COMPREHENSIVE INCOME
For the 13-Weeks ended March 31, 2019 ("2019 Q1") and 13-Weeks ended April 1, 2018 ("2018 Q1")
(unaudited, in thousands of U.S. dollars except per share figures)

		2019 Q1		2018 Q1
Revenue (note 12)	$	566,995	$	578,634
Cost of sales (note 4)		476,408		472,027
Gross profit		90,587		106,607
Sales, general and administration costs and other operating expenses		49,357		55,357
Foreign exchange loss (gain)		324		(503)
Earnings from operations		40,906		51,753
Gain on disposition of property, plant and equipment		20		14
Unrealized foreign exchange gain (loss) on non-current monetary items		935		(3,121)
Earnings before interest and income tax		41,861		48,646
Interest and finance costs				
Interest on long-term debt		6,569		4,591
Accretion in carrying value of long-term debt (note 7)		113		395
Interest expense on lease liability (note 2)		1,496		—
Other interest and bank charges		423		754
Fair market value loss (gain) on interest rate swap		9,456		(1,990)
		18,057		3,750
Earnings before income tax expense		23,804		44,896
Income tax expense (note 6)		7,655		14,540
Net earnings for the year	$	16,149	$	30,356
Other comprehensive income (loss)				
Actuarial income (loss) on defined benefit pension plan - this item will not be reclassified subsequently to profit or loss		(3,901)		2,080
Total comprehensive income for the year	$	12,248		32,436
Net earnings per share (basic) (note 9)	$	0.26	$	0.48
Net earnings per share (diluted) (note 9)	$	0.26	$	0.48

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

NFI GROUP INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2019
(unaudited, in thousands of U.S. dollars)

		March 31, 2019		December 30, 2018
Assets				
Current				
Cash	$	9,643	$	10,820
Accounts receivable (note 3,11)		349,806		387,486
Income tax receivable		29,413		34,115
Inventories (note 4)		488,067		424,685
Prepaid expenses and deposits		10,510		10,434
		887,439		867,540
Property, plant and equipment (note 2)		226,713		247,943
Right-of-use asset (note 2)		128,504		—
Derivative financial instruments (note 11 b,c)		—		6,592
Goodwill and intangible assets		942,999		951,010
Other long term asset (note 2,5)		19,582		1,052
	$	2,205,237	$	2,074,137
Liabilities				
Current				
Accounts payable and accrued liabilities (note 2)	$	341,924	$	366,517
Derivative financial instruments (note 11 b,c)		401		1,542
Current portion of long-term liabilities (note 15)		103,349		80,310
		445,674		448,369
Accrued benefit liability		10,757		5,265
Obligations under leases (note 2)		122,359		19,087
Deferred compensation obligation		3,406		4,979
Deferred revenue		9,863		10,443
Other long-term liabilities		—		1,008
Provisions (note 14)		65,435		64,946
Deferred tax liabilities		79,907		83,121
Derivative financial instruments (note 11 b,c)		2,865		—
Long-term debt (note 7)		677,732		639,432
	$	1,417,998	$	1,276,650
Commitments and contingencies (note 13)				
Shareholders' equity				
Share capital (note 8)		644,081		654,307
Stock option and restricted share unit reserve		6,077		5,796
Accumulated other comprehensive loss		(10,607)		(6,706)
Treasury shares (note 8)		—		(8,835)
Retained earnings		147,688		152,925
	$	787,239	$	797,487
	$	2,205,237	$	2,074,137

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the 13-Weeks ended March 31, 2019

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

	Share Capital	Stock Option and Restricted Share Unit Reserve	Accumulated Other Comprehensive Loss	Treasury shares	Retained Earnings (Deficit)	Total Shareholders' Equity
Balance, December 31, 2017	**$ 665,602**	**$ 4,724**	**$ (9,876)**	**$ —**	**$ 107,379**	**$ 767,829**
Net earnings	—	—	—	—	30,356	30,356
Other comprehensive income	—	—	2,080	—	—	2,080
Dividends declared on common shares	—	—	—	—	(15,872)	(15,872)
Share-based compensation, net of deferred income taxes	—	544	—	—	—	544
Shares issued	194	(194)	—	—	—	—
Balance, April 1, 2018	**665,796**	**5,074**	**(7,796)**	**—**	**121,863**	**784,937**
Net earnings	—	—	—	—	129,586	129,586
Other comprehensive income	—	—	1,090	—	—	1,090
Dividends declared on common shares	—	—	—	—	(52,774)	(52,774)
Repurchase and cancellation of common shares	(13,973)	—	—	—	(32,234)	(46,207)
Change in share purchase commitment	—	—	—	(8,835)	(13,516)	(22,351)
Share-based compensation, net of deferred income taxes	—	1,517	—	—	—	1,517
Shares issued	2,484	(795)	—	—	—	1,689
Balance, December 30, 2018	**$ 654,307**	**$ 5,796**	**$ (6,706)**	**$ (8,835)**	**$ 152,925**	**$ 797,487**
Net earnings					**16,149**	**16,149**
Other comprehensive income	**—**	**—**	**(3,901)**	**—**	**—**	**(3,901)**
Dividends declared on common shares	**—**	**—**	**—**	**—**	**(19,357)**	**(19,357)**
Repurchase and cancellation of common shares	**(10,451)**	**—**	**—**	**8,835**	**(2,029)**	**(3,645)**
Share-based compensation, net of deferred income taxes	**—**	**419**	**—**	**—**	**—**	**419**
Shares issued	**225**	**(138)**	**—**	**—**	**—**	**87**
Balance, March 31, 2019	**$ 644,081**	**$ 6,077**	**$ (10,607)**	**$ —**	**$ 147,688**	**$ 787,239**

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

NFI GROUP INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the 13-Weeks Ended March 31, 2019 ("2019 Q1") and the 13-Weeks Ended April 1, 2018 ("2018 Q1")

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

	2019 Q1	2018 Q1
Operating activities		
Net earnings for the period	$ 16,149	$ 30,356
Income tax expense	7,655	14,540
Depreciation of plant and equipment	10,954	7,068
Amortization of intangible assets	8,027	9,600
Share-based compensation	419	469
Interest and finance costs recognized in profit or loss	18,057	3,750
Fair value adjustment for total return swap	44	(1,631)
Unrealized foreign exchange loss (gain) on non-current monetary items	(935)	3,121
Foreign exchange gain on cash held in foreign currency	(42)	(279)
Loss (gain) on disposition of property, plant and equipment	(20)	(14)
Defined benefit expense	1,472	7,155
Defined benefit funding	(1,405)	(9,213)
Cash generated by operating activities before non-cash working capital items and interest and income taxes paid	60,375	64,922
Changes in non-cash working capital items (note 10)	(54,857)	(24,873)
Cash generated from operating activities before interest and income taxes paid	5,518	40,049
Interest paid	(8,347)	(5,216)
Income taxes paid	(4,322)	(17,958)
Net cash generated from operating activities	(7,151)	16,875
Financing activities		
Debt issue costs	(13)	—
Repayment of obligations under leases	(2,899)	(1,067)
Proceeds from long-term debt	38,200	37,300
Share issuance	109	—
Repurchase of shares	(5,682)	—
Dividends paid	(16,784)	(16,309)
Net cash used in financing activities	12,931	19,924
Investing activities		
Acquisition of intangible assets	(17)	(5)
Proceeds from disposition of property, plant and equipment	28	24
Acquisition of property, plant and equipment	(7,010)	(11,865)
Net cash used in investing activities	(6,999)	(11,846)
Effect of foreign exchange rate on cash	42	279
Increase (decrease) in cash	(1,177)	25,232
(Bank indebtedness) cash — beginning of period	10,820	(9,938)
Cash (Bank indebtedness) — end of period	$ 9,643	$ 15,294

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

1. CORPORATE INFORMATION

NFI Group Inc. ("NFI" or the "Company") was incorporated on June 16, 2005 as New Flyer Industries Inc. under the laws of the Province of Ontario. The name of the Company was changed to "NFI Group Inc." on May 14, 2018 to better reflect the multi-platform nature of the Company's business. NFI is the largest transit bus and motor coach manufacturer and parts distributor in North America with fabrication, manufacturing, distribution and service centers in Canada and the United States. The Company provides a comprehensive suite of mass transportation solutions under several brands: New Flyer® (heavy-duty transit buses), MCI® (motor coaches), ARBOC® (low-floor cutaway and medium-duty buses) and NFI Parts™ (bus and coach parts and support).

The Company's common shares (the "Shares") are listed on the Toronto Stock Exchange ("TSX") under the symbol "NFI".

These unaudited interim condensed consolidated financial statements (the "Statements") were approved by the Company's board of directors (the "Board") on May 8, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these Statements are the same as those applied by the Company in its audited consolidated financial statements as at and for the 52-week period ended December 30, 2018 ("Fiscal 2018"), unless otherwise stated. These Statements should be read in conjunction with the Company's audited consolidated financial statements for Fiscal 2018. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Statement of Compliance

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

2.2 Basis of Presentation

The Statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") which requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from these estimates.

In preparing these Statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied by the Company in its audited consolidated financial statements as at December 30, 2018, and for Fiscal 2018.

2.3 Principles of consolidation

The Statements include the accounts of the Company's subsidiaries. Inter-company transactions between subsidiaries are eliminated on consolidation.

2.4 New and amended standards adopted by the Company

IFRS 16 - Leases ("IFRS 16")

Effective December 31, 2018, the Company adopted IFRS 16, which specifies how to recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases. The adoption of this standard will result in the recognition of amounts through the consolidated statements of net earnings through depreciation and interest charges on the right-of-use asset and lease liability, respectively. Under the former accounting policy, IAS 17, expenses related to leases were recorded through operating expenses. On transition, the Company has elected to use the following practical expedients:

- To utilize the modified retrospective approach to adopting the standard, accordingly comparative information for 2018 has not been restated.
- To utilize the definition of a lease under IAS 17, leases to identify contracts that are, or contain, leases.
- To exclude the recognition of the right-of-use asset and lease liability for leases with a term of twelve months or less.

(unaudited, in thousands of U.S. dollars except per share figures)

Lease assets formerly capitalized as fixed assets are transfered at their net book value to the Right-of-use asset line item within consolidated statement of financial position. No adjustments to the carrying value of these leased assets was made as a part of transition to IFRS 16.

The transition adjustment is shown in below.

	Assets			Liabilities		
	Right-of-use asset	Property, plant and equipment	Other long-term asset	Obligations under leases	Current portion of obligation under leases	Accounts Payable and accrued liabilties
Opening balances at December 31, 2018	$ —	$ 247,943	$ 1,052	$ 19,087	$ 7,936	$ 366,517
Transition to IFRS 16	131,595	(27,319)	4,225	104,670	5,553	(1,722)
Adjusted December 31, 2018	$ 131,595	$ 220,624	$ 5,277	$ 123,757	$ 13,489	$ 364,795

The following table reconciles the Company's operating lease obligations at December 30, 2018, as previously disclosed in the Company's audited consolidated financial statements.

Operating lease commitments at December 30, 2018	$ 70,690
Extension options reasonably certain to be exercised	134,422
Discounted using the incremental borrowing rate at December 31, 2018	(94,316)
Recognition exemptions for short-term and low-value leases	(573)
Lease obligations recognized at December 31, 2018	$ 110,223

The weighted average incremental borrowing rate at December 31, 2018 was 5.3%

The Company's accounting policy under IFRS 16 is as follows:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated based on the lease term of the asset using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms are as follows:

Land and Building	4 - 35 years
Machinery and Equipment	15 months - 5 years
Automobiles	13 months - 3 years
Office Equipment	14 months - 5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(unaudited, in thousands of U.S. dollars except per share figures)

2.5 Fiscal Periods

The Company's 2019 fiscal period is divided into quarters as follows:

	Period from December 31, 2018 to December 29, 2019 ("Fiscal 2019")		Period from January 1, 2018 to December 30, 2018 ("Fiscal 2018")	
	Period End Date	# of Calendar Weeks	Period End Date	# of Calendar Weeks
Quarter 1	March 31, 2019	13	April 1, 2018	13
Quarter 2	June 30, 2019	13	July 1, 2018	13
Quarter 3	September 29, 2019	13	September 30, 2018	13
Quarter 4	December 29, 2019	13	December 30, 2018	13
Fiscal year	December 29, 2019	52	December 30, 2018	52

3. ACCOUNTS RECEIVABLE

	March 31, 2019	December 30, 2018
Trade, net of allowance for doubtful accounts	$ 325,130	$ 358,441
Other	24,676	29,045
	$ 349,806	$ 387,486

4. INVENTORIES

	March 31, 2019	December 30, 2018
Raw materials	$ 216,391	$ 213,117
Work in process	196,839	150,654
Finished goods	74,837	60,914
	$ 488,067	$ 424,685

	2019 Q1	2018 Q1
Cost of inventories recognized as expense and included in cost of sales	$ 469,631	$ 459,213
Write-down of inventory to net realizable value in cost of sales	1,712	1,950
Reversals of a previous write-down in inventory	—	1,654

5. OTHER LONG-TERM ASSETS

	March 31, 2019	December 30, 2018
Long-term restricted deposit (note 13b)	$ 14,490	$ —
Long-term accounts receivable	5,092	1,052
	$ 19,582	$ 1,052

Long-term restricted cash are collateral for certain of the Company's letters of credit.

6. INCOME TAX EXPENSE

The income tax expense for 2019 Q1 was $7,655 compared to $14,540 in 2018 Q1. The Effective Tax Rate ("ETR") for 2019 Q1 was 32.2% and the ETR for 2018 Q1 was 32.4%. The reduction in the overall income tax expense is primarily due to lower earnings before taxes.

7. LONG-TERM DEBT

	Face Value	Unamortized Transaction Costs	**Net Book Value March 31, 2019**	Net Book Value December 30, 2018
Revolving Credit Facility, Unsecured (“Revolver”)	679,800	2,068	677,732	639,432

On October 25, 2018 NFI entered into a new five-year senior unsecured, revolving credit facility (the"Credit Facility") and extinguished its fifth amended and restated credit agreement (the "Prior Credit Agreement").

The unsecured Credit Facility has a total borrowing limit of $1.0 billion, which includes a $100 million letter-of-credit facility and a $250 million accordion feature. $28.3 million of outstanding letters-of-credit were drawn at March 31, 2019. The Credit Facility bears interest at a rate equal to LIBOR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates and matures on October 25, 2023. Amounts drawn under the Credit Facility bear interest at a rate equal to LIBOR or a U.S. base rate for loans denominated in U.S. dollars and a Canadian prime rate or bankers' acceptance rate for loans denominated in Canadian dollars, plus an applicable margin to those rates.

8. SHARE CAPITAL

		March 31, 2019		December 30, 2018
Authorized - Unlimited				
Issued - 60,862,299 Common Shares (December 30, 2018: 61,832,625)	$	644,081	$	654,307

Share repurchase

On June 11, 2018, the Company announced that the TSX had accepted a notice filed by the Company of its intention to implement a Normal Course Issuer Bid ("NCIB") to repurchase its Shares through the facilities of the TSX and any alternative Canadian trading systems on which the Shares are traded. On January 17, 2019 the Company amended the NCIB. Pursuant to the amended NCIB, the Company is permitted to repurchase for cancellation up to 5,549,465 Shares, representing approximately 10% of the outstanding public float of Shares on June 4, 2018. The Company was permitted to repurchase Shares commencing on June 14, 2018 up to June 13, 2019, or earlier should the Company complete its repurchases prior to such date. The actual number of Shares to be purchased and the timing and pricing of any purchases under the NCIB will depend on future market conditions and potential alternative uses for cash resources. The Company may elect to modify, suspend or discontinue the program at any time without prior notice. During 2019 Q1 the Company repurchased 232,100 Shares at an average price of C$31.82 per Share for a total repurchase of C$7.4 million. The Company canceled 986,075 Shares during 2019 Q1, including the 232,100 Share purchased in 2019 Q1 and 753,975 Shares that were purchased in 2018 Q4.

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

Shares	Number (000s)		Net Book Value
Balance - December 30, 2018	61,833	$	654,307
Stock options exercised	10		109
Restricted share units exercised	5		116
Repurchase and cancellation of Shares	(986)		(10,451)
Balance - March 31, 2019	60,862	$	644,081

(unaudited, in thousands of U.S. dollars except per share figures)

9. EARNINGS PER SHARE

		2019 Q1		2018 Q1
Net earnings attributable to equity holders	$	16,149	$	30,356
Weighted average number of Shares in issue		61,022,400		62,953,316
Add: net incremental Shares from assumed conversion of stock options and exercise of restricted share units		297,107		634,222
Weighted average number of Shares for diluted earnings per Share		61,319,507		63,587,538
Net earnings per Share (basic)	$	0.2646	$	0.4822
Net earnings per Share (diluted)	$	0.2634	$	0.4774

Basic earnings per Share is calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of Shares outstanding during the period excluding Shares purchased by the Company and held as treasury shares.

Diluted earnings per Share is calculated using the same method as basic earnings per Share except that the average number of Shares outstanding includes the potential dilutive effect of outstanding stock options and restricted share units granted by the Company as determined by the treasury stock method.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items

Cash inflow (outflow)		2019 Q1		2018 Q1
Accounts receivable	$	37,680	$	953
Income tax receivable		4,702		4,089
Inventories		(69,159)		(59,338)
Prepaid expenses and deposits		(76)		1,222
Accounts payable and accrued liabilities		(20,838)		39,699
Income tax payable		0		(7,328)
Deferred revenue		18,454		7,237
Provisions		(69)		(2,344)
Long-term restricted deposit		(14,490)		0
Other		(11,061)		(9,063)
	$	(54,857)	$	(24,873)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Financial Instruments

The Company has made the following classifications:

Cash	Fair value through profit or loss
Long-term deposit	Fair value through profit or loss
Receivables	Amortized cost
Deposits	Amortized cost
Bank indebtedness	Amortized cost
Accounts payables and accrued liabilities	Amortized cost
Other long-term liabilities	Amortized cost
Long-term debt	Amortized cost
Derivative financial instruments	Fair value through profit or loss

(b) Fair value measurement of financial instruments

(unaudited, in thousands of U.S. dollars except per share figures)

The Company categorizes its fair value measurements of financial instruments recorded at fair value according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 - fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 - fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable market data.

Level 3 - fair value measurements using significant non-market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable data, including assumptions about risk.

The following table presents the carrying amounts and fair values of financial liabilities and financial assets, including their levels in the fair value hierarchy. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	March 31, 2019		
	Fair value level	Carrying amount	Fair value
Financial assets recorded at fair value			
Cash	Level 1	$ 9,463	$ 9,463
Long term restricted cash	Level 1	$ 14,490	$ 14,490
Financial liabilities recorded at fair value			
Total return swap contracts	Level 2	$ 42	$ 42
Foreign exchange forward contracts	Level 2	$ 359	$ 359
Derivative financial instrument liabilities - current		$ 401	$ 401
Interest rate swap	Level 2	$ 2,865	$ 2,865
Derivative financial instrument liabilities - long term		$ 2,865	$ 2,865

(c) Risk Management

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

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

On January 20, 2016, the Company entered into a $482,000 interest rate swap designed to hedge floating rate exposure on the $482,000 Term Credit Facility under the Prior Credit Agreement. The interest rate swap fixes the interest rate at 1.154% plus the applicable interest margin. On February 13, 2019, the Company blended the unrealized gain from the existing swap into a $600,000 amortizing notional interest rate swap designed to hedge floating rate exposure on the Company's new Credit Facility. The interest rate swap fixes the interest rate at 2.27% plus applicable margin until October 2023.

The Company entered into a total return swap transaction to hedge the exposure associated with increases in its share value on a portion of the outstanding performance share units, restricted share units, and deferred share units. The total return swap has a re-investment feature which increases the number of Shares in the swap when dividends are paid by the Company. As at March 31, 2019 the Company held a position of 223,946 Shares at a weighted average price of C$33.28. The Company does not apply hedge accounting to these derivative instruments and as such, gains and losses arising from marking these derivatives to market are recognized in net earnings in the period in which they arise.

At March 31, 2019, the Company had $55 million of foreign exchange forward contracts to buy Canadian dollars with U.S. dollars at an average agreed exchange rate of $0.76. These foreign exchange contracts range in expiry dates from April 2019 to September 2019. The related liability of $0.4 million (December 30, 2018: $1.5 million liability) is recorded on the unaudited 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 unaudited interim condensed consolidated statements of net earnings and total comprehensive income.

(d) Liquidity Management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. At March 31, 2019, the Company had a cash balance of $9,643 (December 30, 2018: $10,820), the $679,800 Revolver due in 2023 (December 30, 2018: $641,600 Revolver) and $28,274 of outstanding letters of credit (December 31, 2018: $13,769). $14,490 of the letters of credit were outside of the Credit Facility and are fully collateralized. The unsecured Credit Facility has a total borrowing limit of $1.0 billion, which includes a $100 million letter-of-credit facility and a $250 million accordion feature.

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

The following table outlines the maturity analysis of the undiscounted cash flows of certain non-financial liabilities and leases as at March 31, 2019:

US dollars in thousands	Total	2019	2020	2021	2022	2023	Post 2023
Leases	219,592	15,297	18,804	17,396	16,556	14,748	136,791
Accrued benefit liability	8,513	8,208	305	—	—	—	—
	$ 228,105	$ 23,505	$ 19,109	$ 17,396	$ 16,556	$ 14,748	$ 136,791

Credit risk

Financial instruments which potentially subject the Company to credit risk and concentrations of credit risk consist principally of cash, accounts receivable and derivative financial instruments. 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, up to 80% of the capital cost of new transit buses and coaches sold to public transit authorities and municipalities typically come from the U.S. Federal Transit Administration, while the remaining 20% comes from state and municipal sources. The maximum exposure to the risk of credit for accounts receivable 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. During 2019 Q1, the Company recorded a bad debt expense of $45.

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 consolidated statements of net earnings and total comprehensive income within "sales, general and administration costs and other operating expenses". When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against "sales, general and administration costs and other operating expenses":

(unaudited, in thousands of U.S. dollars except per share figures)

		March 31, 2019		December 30, 2018
Current, including holdbacks	$	330,396	$	358,729
Past due amounts but not impaired				
1 – 60 days		15,555		24,153
Greater than 60 days		4,200		4,830
Less: Allowance for doubtful accounts		(345)		(226)
Total accounts receivables, net	$	349,806	$	387,486

As at March 31, 2019, there was no amount that would otherwise be past due or impaired whose terms have been renegotiated.

The counterparties to the Company's derivatives are significant financial institutions. 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.

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. At March 31, 2019, the Company was in compliance with the ratios. The results of the financial covenants tests as of such date are as follows:

	March 31, 2019	March 31, 2019 (excluding IFRS 16)	December 30, 2018
Total Leverage Ratio (must be less than 3.75)	2.62	2.28	2.09
Interest Coverage Ratio (must be greater than 3.00)	11.31	11.88	13.39

Under the Credit Facility, the total leverage ratio is 3.75 and increases to 4.25 in the event of a material acquisition. The Credit Facility terms provides relief for changes in accounting requirements.

(e) Capital management

The Company's objectives in managing capital are to deploy capital to provide an appropriate return to shareholders and to maintain a capital structure that provides the flexibility to take advantage of growth and development opportunities, maintain existing assets, meet financial obligations and enhance the value of the Shares. The capital structure of the Company consists of cash, long-term debt, other long-term liabilities and shareholders' equity. The Company manages capital to ensure an appropriate balance between debt and equity. In order to maintain or adjust its capital structure, the Company may issue additional Shares, repurchase Shares, borrow additional funds or refinance debt at different terms and conditions.

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. In accordance with terms of the Credit Facility. At March 31, 2019, the Company was in compliance with the ratios.

12. SEGMENT INFORMATION

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

The Manufacturing Operations segment derives its revenue from the manufacture, service and support of new transit buses, coaches, medium duty buses and cutaways. Based on management's judgement and applying the aggregation criteria in IFRS 8.12, the Company's transit bus, motor coach and cutaway operations fall under a single reportable segment. Aggregation of these operating segments is based on the segments having similar economic characteristics with similar long-term average returns, products and services, production methods, distribution, geographic market and regulatory environment.

The Manufacturing Operations segment has recorded vendor rebates of $2,217 (2017: $235), which have been recognized into earnings during 2019, but for which the full requirements for entitlement to these rebates have not yet been met.

The Aftermarket Operations segment derives its revenue from the sale of aftermarket parts for transit buses and motor coaches.

There is no inter-segment revenue. Unallocated items in the consolidated earnings before income taxes primarily include unrealized foreign exchange gains or losses, interest and finance costs and corporate overhead costs.

(unaudited, in thousands of U.S. dollars except per share figures)

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

Segment information about profits and assets is as follows:

	2019 Q1			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 476,367	$ 90,628	—	$ 566,995
Operating costs and expenses	444,394	75,275	23,522	543,191
Earnings (loss) before income tax expense	31,973	15,353	(23,522)	23,804
Total assets	1,521,882	432,569	250,786	2,205,237
Addition of capital expenditures	6,868	142	—	7,010
Addition of goodwill and intangibles assets	17	—	—	17
Goodwill	304,804	131,474	—	436,278

	2018 Q1			
	Manufacturing Operations	Aftermarket Operations	Unallocated	Total
Revenue from external customers	$ 478,579	$ 100,055	—	578,634
Operating costs and expenses	437,037	81,925	14,776	533,738
Earnings (loss) before income tax expense	41,542	18,130	(14,776)	44,896
Total assets	1,367,950	401,831	275,471	2,045,252
Addition of capital expenditures	10,857	1,008	—	11,865
Addition of goodwill and intangibles assets	5	0	—	5
Goodwill	304,850	131,474	—	436,324

The Company's revenue by geography is summarized below:

	2019 Q1	2018 Q1
United States	$ 496,379	$ 527,173
Canada	70,616	51,461
Total	$ 566,995	$ 578,634

The Company's disaggregated manufacturing revenue by major product type is provided below. The Aftermarket Operations revenue does not have similarly disaggregated categories.

	2019 Q1	2018Q1
Transit buses	382,926	$ 357,890
Motor coaches	74,135	97,650
Medium-duty and cutaway buses	7,264	11,049
Pre-owned coach	10,008	8,133
Fiberglass reinforced polymer components	2,034	3,857
Manufacturing revenue	$ 476,367	$ 478,579

13. COMMITMENTS AND CONTINGENCIES

(unaudited, in thousands of U.S. dollars except per share figures)

(a) Through the normal course of operations, the Company has indemnified the surety companies providing surety bonds required under various contracts with customers. In the event that the Company fails to perform under a contract and the surety companies incur a cost on a surety bond, the Company is obligated to repay the costs incurred in relation to the claim up to the value of the bond.

The Company's guarantee under each bond issued by the surety companies expires on completion of obligations under the customer contract to which the bond relates. The estimated maturity dates of the surety bonds outstanding at March 31, 2019 range from April 2019 to December 2022.

At December 30, 2018, outstanding surety bonds guaranteed by the Company totaled $428,384 (December 30. 2018: $394,428). The Company has not recorded any liability under these guarantees, as management believes that no material events of default exist under any contracts with customers.

(b) The Company has a letter of credit sub-facility of $100,000 as part of the Credit Facility (December 30, 2018: $100,000). As at March 31, 2019, letters of credit totaling $28,274 (December 30, 2018: $13,769) remain outstanding as security for contractual obligations of the Company. Of these letters of credit $14,490 (note 5) are outside of the Credit Facility and are fully collateralized.

As at March 31, 2019, management believes that the Company was in compliance in all material respects with all applicable contractual obligations and the Company has not provided for any costs associated with these letters of credit.

14. PROVISIONS

The Company's insurance risk retention meets the IFRS definition of provisions, a liability with uncertain timing or amount.

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

		Insurance Risk Retention		Warranty		Total
December 30, 2018	$	24,504		76,280		100,784
Additions		2,130		11,145		13,275
Amounts used/realized		(920)		(12,468)		(13,388)
Unwinding of discount and effect of changes in the discount rate		—		(4)		(4)
Exchange rate differences		—		60		60
	$	25,714	$	75,013	$	100,727
Less current portion		3,000		32,292		35,292
March 31, 2019	$	22,714	$	42,721	$	65,435

15. CURRENT PORTION OF LONG TERM LIABILITIES

		March 31, 2019		December 30, 2018
Deferred revenue	$	50,893	$	31,859
Provisions (note 14)		35,292		35,838
Other long-term liabilities		981		—
Deferred compensation obligation		2,840		4,677
Obligations under leases (note 2)		13,343		7,936
	$	103,349	$	80,310