

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 8, 2017

This Management's Discussion and Analysis (MD&A) of Finning International Inc. (Finning or the Company) should be read in conjunction with the interim condensed consolidated financial statements and the accompanying notes thereto, which have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. All dollar amounts presented in this MD&A are expressed in Canadian dollars, unless otherwise stated. Additional information relating to the Company, including its current Annual Information Form (AIF), can be found under the Company's profile on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com.

Second Quarter Overview

(\$ millions, except for share data)	Q2 2017	Q2 2016	% change fav (unfav)
Revenue	\$ 1,581	\$ 1,310	21%
Gross profit	422	343	23%
Selling, general & administrative expenses (SG&A)	(330)	(315)	(4)%
Equity earnings of joint ventures and associate	5	6	(30)%
Other income	1	—	n/m
Other expenses	—	(5)	n/m
Earnings before finance costs and income taxes (EBIT)	\$ 98	\$ 29	232%
Net income	\$ 56	\$ 5	n/m
Basic earnings per share (EPS)	0.34	0.03	n/m
Earnings before finance costs, income taxes, depreciation and amortization (EBITDA) ⁽¹⁾	\$ 146	\$ 77	87%
Free cash flow ⁽¹⁾	\$ (131)	\$ 64	(304)%
Adjusted EBIT ⁽¹⁾⁽²⁾	\$ 98	\$ 63	54%
Adjusted net income ⁽¹⁾⁽²⁾	\$ 56	\$ 33	72%
Adjusted EPS ⁽¹⁾⁽²⁾	\$ 0.34	\$ 0.20	72%
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 146	\$ 111	31%
<i>Gross profit margin</i>	26.7%	26.2%	
<i>SG&A as a percentage of revenue</i>	20.8%	24.1%	
<i>EBIT margin</i>	6.2%	2.3%	
<i>EBITDA margin</i>	9.2%	6.0%	
<i>Adjusted EBIT margin ⁽¹⁾⁽²⁾</i>	6.2%	4.9%	
<i>Adjusted EBITDA margin ⁽¹⁾⁽²⁾</i>	9.2%	8.5%	

n/m = % change not meaningful

- (1) These financial metrics, referred to as "non-GAAP financial measures", do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.
- (2) Certain 2016 financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on page 3 of this MD&A and the financial metrics which have been adjusted to take into account these items are referred to as "Adjusted" metrics. There were no significant items adjusted in Q2 2017, therefore the adjusted metrics above for Q2 2017 are the same as the metrics reported in accordance with IFRS ("reported metrics").

2017 Second Quarter Highlights

- Revenue of \$1.6 billion was up 21% from Q2 2016 reflecting a 46% increase in new equipment sales and a 13% increase in product support revenue. All operations reported higher revenue compared to the prior year period, with the Company's Canadian operations accounting for more than half of this increase in revenue, reporting strong performance in all markets.
- Overall gross profit margin was comparable to Q2 2016, with improved margins in all lines of business, mostly offset by a mix shift to higher new equipment sales which typically generates lower margins.
- EBIT of \$98 million and EBIT margin of 6.2% reported in Q2 2017 were higher than the \$29 million and 2.3% earned in the same period last year. Q2 2016 results included \$13 million of global severance and restructuring costs, \$11 million of unavoidable costs incurred during the wildfires in Alberta, and \$10 million of costs in the UK resulting from the write-down of certain net assets related to the sale of a non-core business and the estimated loss on certain power systems projects.
- Excluding the impact of these significant items in the prior year period, EBIT of \$98 million and EBIT margin of 6.2% in Q2 2017 were significantly higher than the Adjusted EBIT of \$63 million and Adjusted EBIT margin of 4.9% in the prior year period, mainly due to leverage of incremental revenues on fixed costs.
- EBITDA was up 31% from Adjusted EBITDA in Q2 2016.
- Basic EPS in Q2 2017 was \$0.34, compared to \$0.03 in Q2 2016. Adjusting Q2 2016 for the significant items not indicative of future operational and financial trends as noted above, Q2 2016 Adjusted EPS was \$0.20.
- Free cash flow use of \$131 million in Q2 2017 reflected higher use of cash in all operations compared with Q2 2016, largely due to increased parts purchases in the Company's Canadian and South American operations, and equipment purchases in the Company's South American and UK & Ireland operations to meet higher demand. Q2 2016 free cash flow of \$64 million reflected lower purchases of inventory in 2016 due to lower market activity.

Table of Contents

Non-GAAP Financial Measures.....	3
Strategic Direction	4
Key Performance Measures	5
Current Quarter Results	7
Year-to-Date Results	9
Invested Capital	12
Results by Reportable Segment.....	15
Outlook	22
Liquidity and Capital Resources	23
Risk Factors and Management.....	25
Controls and Procedures certification.....	25
Description of Non-GAAP Financial Measures and Reconciliations	27
Selected Quarterly Information.....	35
Forward-Looking Disclaimer	36

Non-GAAP Financial Measures

Management believes that providing certain non-GAAP financial measures provides users of the Company's consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out in this MD&A, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

During the years ended December 31, 2016 and 2015, there were a number of significant items that management does not consider to be indicative of future financial trends of the Company either by nature or amount. As a result, management excludes these items when evaluating its consolidated operating financial performance and the performance of each of its operations. These items may not be non-recurring, but management believes that excluding these significant items from financial results reported solely in accordance with GAAP provides a better understanding of the Company's consolidated financial performance when considered along with the GAAP results. Adjusted financial metrics are intended to provide additional information to users of the MD&A. This information should not be considered in isolation or as a substitute for financial measures prepared in accordance with GAAP. In addition, because non-GAAP financial measures do not have a standardized meaning under GAAP, they may not be comparable to similar measures presented by other companies.

There were no significant items identified by management to adjust the results of the Company for the three and six months ended June 30, 2017.

Significant items that affected the results of the Company for the three months ended June 30, 2016 which are not considered by management to be indicative of operational and financial trends were:

- Unavoidable costs incurred during the evacuation and cessation of operations in the Fort McMurray, Alberta area due to wildfires for a six week period in May and June 2016.
- Severance costs related to the global workforce reduction during the quarter, primarily in the UK, as the Company aligned its cost structure to lower market activity.
- Restructuring costs incurred in the UK operations related to facility closures and consolidations.
- Provisions regarding two power systems projects recorded in the UK & Ireland relating to an estimated loss from customer disputes.
- Following a strategic review of the Company's operations in the UK & Ireland, it was determined that engineering and construction services for the water utility industry no longer represented a core sector for the Company's power systems division. As a result, the Company recorded a write-down of net assets and other costs in Q2 2016 related to the sale of this business in August 2016.

The magnitude of each of these items, and reconciliation of the non-GAAP metrics to the closest equivalent GAAP metrics, is shown in the following table:

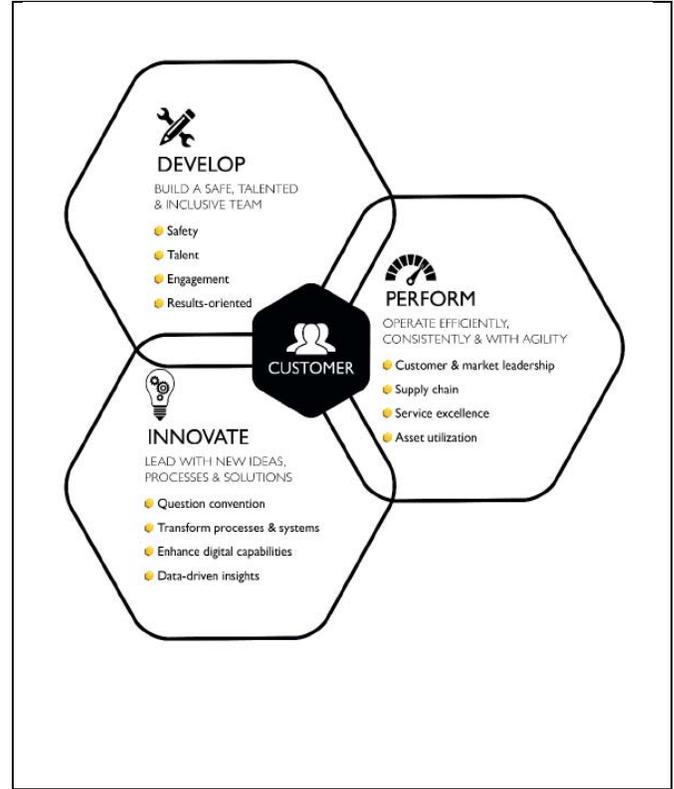
3 months ended June 30, 2016 (\$ millions except per share amounts)	EBIT				Net	EPS
	Canada	South America	UK & Ireland	Consol ⁽¹⁾	Income	Consol ⁽¹⁾
EBIT, net income, and EPS	\$ 28	\$ 38	\$ (26)	\$ 29	\$ 5	\$ 0.03
Significant items:						
Impact from Alberta wildfires –						
unavoidable costs	11	—	—	11	8	0.05
Severance costs	1	1	7	9	8	0.05
Facility closures and restructuring costs	—	—	4	4	3	0.02
Power systems project provisions						
– estimated loss on disputes	—	—	5	5	4	0.02
Write-down of net assets – expected						
sale of non-core business	—	—	5	5	5	0.03
Adjusted EBIT, Adjusted net income, and						
Adjusted EPS	\$ 40	\$ 39	\$ (5)	\$ 63	\$ 33	\$ 0.20

⁽¹⁾ Consolidated results include other operations – corporate head office

Strategic Direction

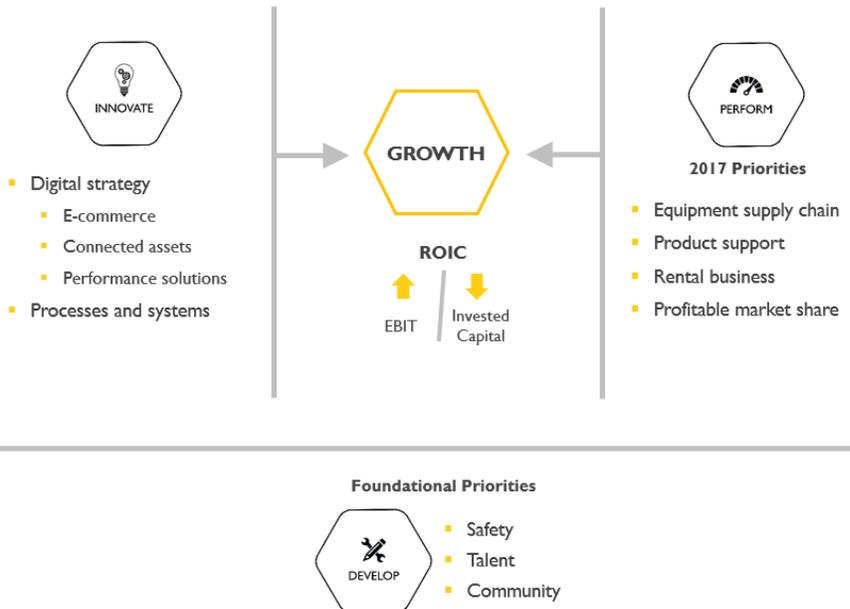
Finning’s strategy is to continue to build on its strong foundation of safety and talent management, while earning customer loyalty and advancing its operational excellence agenda. Significantly reduced cost structure and sustainable improvements across the organization are expected to drive higher profitability as demand strengthens. Capital discipline and improved working capital management are expected to contribute to positive annual free cash flow through the cycle.

As part of the Company’s strategy update in 2016, Finning launched a new purpose statement – **‘We believe in partnering and innovating to build and power a better world’**. Going forward, Finning’s customer-centric growth strategy is comprised of three pillars – develop, perform and innovate. This strategic framework aims to advance the company-wide commitment towards developing a safe, talented and inclusive team; drive efficient and consistent operating performance across Finning’s operations; and encourage innovation in all areas of the business, including broadening digital capabilities, and improving processes and systems. Execution of this strategy is expected to generate greater customer value, contribute to the Company’s financial goals, and support achievement of Finning’s vision: **‘Leveraging our global expertise and insight, we are a trusted partner in transforming our customers’ performance.’**



Profitable and Capital Efficient Growth

Finning’s focus on profitable and capital efficient growth is consistent with its commitment to improve return on invested capital (ROIC)⁽¹⁾. In 2017, the Company’s priorities include transforming its global equipment supply chain, growing product support from its large installed equipment population, and improving the financial performance of its rental business. In addition, the Company’s investment in Finning Digital, a new global division within Finning, is expected to accelerate delivery of innovative customer solutions, improve customer experience, and generate new revenue opportunities.



⁽¹⁾ This is a non-GAAP financial measure that does not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding this financial metric, including definition and reconciliation from this non-GAAP financial measure to its most directly comparable measure under GAAP, where available, see the heading “Description of Non-GAAP Financial Measures and Reconciliations” later in this MD&A.

Quarterly Key Performance Measures

The Company utilizes the following Key Performance Indicators (KPIs) to consistently measure performance across the organization and monitor progress in improving ROIC. The Company's 2017 incentive plans are aligned with these KPIs.

	2017		2016				2015		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
ROIC ⁽¹⁾									
Consolidated	9.4 %	7.1 %	5.6 %	(6.6)%	(6.4)%	(4.0)%	(3.0)%	11.0 %	12.9 %
Canada	8.3 %	6.6 %	5.3 %	4.3 %	4.0 %	5.4 %	5.5 %	10.9 %	13.9 %
South America	14.9 %	14.3 %	13.3 %	(18.1)%	(17.0)%	(14.9)%	(12.8)%	13.2 %	13.6 %
UK & Ireland	14.0 %	0.0 %	(4.5)%	(17.4)%	(15.7)%	(4.5)%	(1.4)%	10.5 %	13.2 %
EBIT ⁽¹⁾ (\$ millions)									
Consolidated	98	86	18	73	29	45	(349)	63	106
Canada	57	47	(3)	37	28	25	(17)	34	52
South America	43	42	27	40	38	32	(303)	32	52
UK & Ireland	11	8	8	10	(26)	(4)	(31)	7	12
EBIT Margin ⁽¹⁾⁽³⁾									
Consolidated	6.2 %	6.1 %	1.3 %	5.4 %	2.3 %	3.0 %	(22.7)%	4.2 %	6.3 %
Canada	7.2 %	6.8 %	(0.3)%	5.9 %	4.4 %	3.0 %	(2.4)%	4.5 %	6.1 %
South America	8.4 %	8.4 %	5.0 %	8.7 %	8.8 %	7.3 %	(57.3)%	6.4 %	9.4 %
UK & Ireland	4.1 %	3.8 %	3.3 %	3.8 %	(10.5)%	(1.9)%	(10.6)%	2.7 %	4.2 %
Invested Capital ⁽²⁾ (\$ millions)									
Consolidated	3,094	2,926	2,797	2,917	3,041	3,085	3,240	3,802	3,536
Canada	1,764	1,629	1,595	1,650	1,695	1,685	1,760	1,871	1,745
South America	1,041	1,022	996	1,021	1,072	1,033	1,122	1,485	1,402
UK & Ireland	300	280	216	253	263	340	321	442	381
Invested Capital Turnover ⁽²⁾⁽³⁾									
Consolidated	1.98x	1.90x	1.90x	1.85x	1.78x	1.82x	1.78x	1.88x	1.99x
Canada	1.70x	1.62x	1.70x	1.66x	1.68x	1.80x	1.74x	1.96x	2.09x
South America	1.97x	1.88x	1.80x	1.74x	1.61x	1.59x	1.52x	1.51x	1.57x
UK & Ireland	3.73x	3.75x	3.54x	3.41x	2.98x	2.81x	2.93x	2.93x	3.21x
Inventory (\$ millions)	1,795	1,653	1,601	1,726	1,688	1,740	1,800	1,995	1,919
Inventory Turns ⁽²⁾⁽³⁾ (times)	2.51x	2.61x	2.49x	2.26x	2.43x	2.58x	2.38x	2.39x	2.44x
Working Capital to Sales Ratio ⁽²⁾⁽³⁾	28.9 %	30.3 %	30.4 %	31.5 %	32.4 %	31.4 %	32.2 %	30.1 %	28.2 %
Free cash flow (\$ millions)	(131)	(76)	113	163	64	30	347	140	70
Net Debt to Invested Capital Ratio ⁽²⁾	37.4 %	34.5 %	32.0 %	35.0 %	37.9 %	37.0 %	36.7 %	38.7 %	35.4 %
EBITDA ⁽¹⁾ (\$ millions)	146	131	65	119	77	96	(282)	125	157
Net Debt to EBITDA Ratio ⁽¹⁾⁽²⁾	2.5	2.6	2.5	109.4	71.5	12.0	9.5	2.4	1.9

⁽¹⁾ Reported financial metrics may be impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 28-30 of this MD&A and the financial metrics which have been adjusted to take into account these items are referred to as "Adjusted" metrics.

⁽²⁾ These are non-GAAP financial measures that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

⁽³⁾ In 2016, Management voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, management concluded that certain cost recoveries are better reflected as revenues. Certain line items and key performance metrics have been restated in the comparative 2015 period but the impact of restatement is not significant.

Quarterly Key Performance Measures – Adjusted

Reported financial metrics may be impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 28-30 of this MD&A and the financial metrics which have been adjusted to take these items into account are referred to as “Adjusted” metrics. The impact of these items on certain key performance measures is shown below:

	2017		2016				2015		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Adjusted ROIC ⁽¹⁾									
Consolidated	11.2 %	10.0 %	9.3 %	9.2 %	9.4 %	10.4 %	10.9 %	12.8 %	14.3 %
Canada	11.2 %	10.2 %	9.3 %	8.7 %	9.3 %	10.1 %	10.6 %	13.1 %	15.3 %
South America	15.9 %	15.4 %	15.0 %	15.6 %	14.2 %	14.5 %	14.0 %	14.3 %	15.2 %
UK & Ireland	14.0 %	8.2 %	5.9 %	3.4 %	3.3 %	7.4 %	9.0 %	11.9 %	13.9 %
Adjusted EBIT ⁽²⁾ (\$ millions)									
Consolidated	98	86	70	73	63	67	82	97	112
Canada	57	47	44	37	40	33	39	51	55
South America	43	42	37	40	39	39	46	42	55
UK & Ireland	11	8	8	10	(5)	3	3	11	12
Adjusted EBIT Margin ⁽²⁾⁽³⁾									
Consolidated	6.2 %	6.1 %	4.8 %	5.4 %	4.9 %	4.5 %	5.3 %	6.4 %	6.6 %
Canada	7.2 %	6.8 %	6.2 %	5.9 %	6.3 %	4.0 %	5.5 %	6.9 %	6.3 %
South America	8.4 %	8.4 %	7.0 %	8.7 %	9.1 %	8.9 %	9.0 %	8.3 %	10.0 %
UK & Ireland	4.1 %	3.8 %	3.3 %	3.8 %	(1.9)%	1.5 %	0.8 %	4.1 %	4.3 %
Adjusted EBITDA ⁽²⁾⁽⁴⁾	146	131	117	119	111	118	139	159	163
Net Debt to Adjusted EBITDA Ratio ⁽¹⁾⁽⁴⁾	2.3	2.1	1.9	2.1	2.2	2.0	2.0	2.2	1.8

- ⁽¹⁾ These are non-GAAP financial measures that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading “Description of Non-GAAP Financial Measures and Reconciliations” later in this MD&A.
- ⁽²⁾ There were no significant items for which adjustments were made in Q3 2016, Q1 2017, and Q2 2017, therefore the adjusted metrics above for Q3 2016, Q1 2017, and Q2 2017 are the same as the reported metrics.
- ⁽³⁾ In 2016, management voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, management concluded that certain cost recoveries are better reflected as revenues. Certain line items and key performance metrics have been restated in the comparative 2015 period but the impact of restatement is not significant.
- ⁽⁴⁾ Of the significant items described on pages 28-30, \$10 million was recorded in depreciation and amortization expense in Q4 2015.

Revenue

The Company generated revenue of \$1.6 billion during the second quarter of 2017, an increase of 21% over the same period in the prior year. Revenue was up in all operations and most lines of business, with higher new equipment sales in all operations, and higher product support sales mainly in the Company's Canadian operations.

New equipment sales increased by 46% compared to the second quarter of 2016, and was higher in all operations and all markets, due to improving market conditions. The Company's Canadian operations reported higher mining and power systems equipment sales in the second quarter of 2017. Improved construction activity in Argentina, as well as some large mining machine deliveries in Chile added to the growth in new equipment volumes. In the UK & Ireland operations, demand for equipment in the Company's power systems market has also strengthened, particularly in the electric power generation sector.

On a consolidated basis, new equipment revenue as a portion of overall revenue was 35%, compared to 29% in the prior year period.

Equipment backlog⁽¹⁾ was \$0.9 billion at June 30, 2017, higher than \$0.7 billion at March 31, 2017 and \$0.5 billion at the end of 2016. Order intake⁽¹⁾ continues to show improvement over recent quarters, and the equipment backlog level reported at June 30, 2017 is the highest level since December 31, 2014.

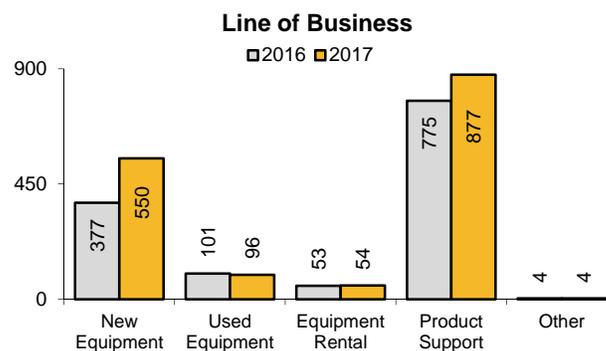
Product support revenue was up 13% compared to the second quarter of 2016, primarily in the Company's Canadian operations due to strong demand for parts in mining, including record component rebuilds. The increase in product support revenue was also partly

Earnings Before Finance Costs and Income Taxes

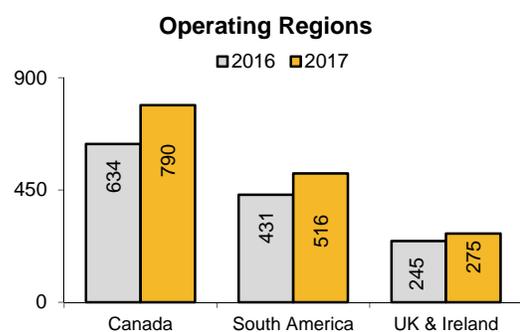
Q2 2017 gross profit of \$422 million was up 23% compared to the same period in the prior year, mostly reflecting higher volumes. Gross profit margin of 26.7% was comparable to 26.2% earned in Q2 2016. Margins improved in all lines of business, but were offset by a mix shift to higher new equipment revenue. Higher overall gross profit margin in the Company's UK & Ireland operations was mostly offset by lower gross

Revenue by Line of Business

3 months ended June 30
(\$ millions)



Revenue by Operation



attributable to lower industry activity in the prior year period amongst our oil sands customers impacted by the Alberta wildfires in Q2 2016. Parts revenue in both the Company's UK & Ireland and South American operations was also up compared to the prior year quarter.

profit margin earned in the Company's South American and Canadian operations partly from a revenue mix shift to higher new equipment revenues in both these operations. Q2 2016 gross profit margin in the Company's UK & Ireland operations was impacted by \$5 million of provisions on two power systems contracts.

⁽¹⁾ These are non-GAAP financial measures that do not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definition and reconciliation from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

SG&A in the second quarter of 2017 was 4% higher than the same period last year. Excluding prior year severance and restructuring costs of \$13 million primarily in the UK & Ireland, and \$11 million of unavoidable costs related to the Alberta wildfires, SG&A was up 13% compared to Q2 2016. Higher SG&A in the second quarter of 2017 reflects volume related increases in all operations, higher short term and long term incentive plan costs and inflationary and statutory salary increases in the Company's South American operations, which were partially offset by cost reduction measures in all operations.

As a percentage of revenue, SG&A is down by 140 basis points over the same period of the prior year, excluding the significant items noted above.

The Company reported EBIT of \$98 million and EBIT margin of 6.2% in the second quarter of 2017 compared to EBIT of \$29 million and EBIT margin of 2.3% earned in Q2 2016. Excluding the Q2 2016 significant items noted on page 3, prior period Adjusted EBIT was \$63 million with an Adjusted EBIT margin of 4.9%. Higher EBIT was reported in Q2 2017 in all operations.

The Company's improved EBIT and EBIT margin in Q2 2017, compared to Q2 2016 Adjusted EBIT and EBIT margin, were mainly due to higher sales volumes and profitability from improved activity in all operations.

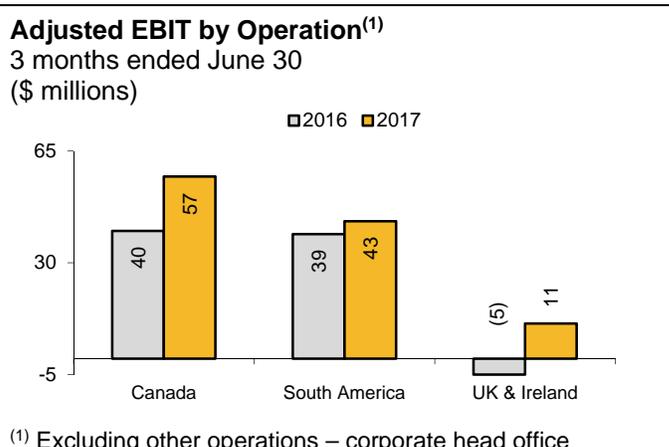
EBITDA

EBITDA for Q2 2017 was \$146 million and EBITDA margin was 9.2% (Q2 2016: EBITDA was \$77 million and EBITDA margin was 6.0%). Excluding prior year significant items noted on page 3 of this MD&A, prior year period Adjusted EBITDA was \$111 million and Adjusted EBITDA margin was 8.5%. EBITDA margin was up from the prior year period mainly due to higher EBITDA margins from the Company's Canadian and UK & Ireland operations.

The net debt to EBITDA ratio at Q2 2017 was 2.5 times. Excluding significant items not indicative of operational and financial trends, as noted in the table on page 28 of this MD&A, net debt to Adjusted EBITDA ratio was 2.3 times, which is comparable to 2.2 times net debt to Adjusted EBITDA reported in the prior year period.

Finance Costs

Finance costs in the second quarter of 2017 were \$23 million and comparable to the \$21 million reported in the same period in 2016.



Provision for Income Taxes

The effective income tax rate for Q2 2017 was 24.4% compared to 41.8% in the same period of the prior year. The higher tax rate in 2016 was primarily the result of a higher proportion of earnings in higher tax jurisdictions as well as not recording a tax benefit for certain capital losses recorded in the quarter.

Management expects the Company's effective tax rate to generally be in the 25-30% range on an annual basis. The rate may fluctuate from period to period as a result of changes in the source of income from various jurisdictions, relative income from the various jurisdictions in which the Company carries on business, changes in the estimation of tax reserves, and changes in tax rates and tax legislation.

Net Income

Net income was \$56 million in Q2 2017, compared to \$5 million earned in the same period last year. Basic EPS was \$0.34 per share compared with \$0.03 per share in Q2 2016. Excluding prior year significant items noted on page 3 of this MD&A, Adjusted net income in Q2 2016 was \$33 million and Adjusted EPS was \$0.20. The increase in net income and EPS in the second quarter of 2017 compared to the adjusted prior year period results was driven by higher sales volumes, as well as improved gross margins and savings from cost reduction measures.

Year-to-Date Overview

(\$ millions, except for share data)	YTD 2017	YTD 2016	% change fav (unfav)
Revenue	\$ 2,983	\$ 2,804	6%
Gross profit	815	724	13%
SG&A	(637)	(652)	2%
Equity earnings of joint ventures and associate	4	7	(50)%
Other income	2	—	n/m
Other expense	—	(5)	n/m
EBIT	\$ 184	\$ 74	148%
Net income	\$ 103	\$ 20	429%
EPS	0.62	0.12	428%
EBITDA	\$ 277	\$ 173	59%
Free cash flow	\$ (207)	\$ 94	(320)%
Adjusted EBIT ⁽¹⁾	\$ 184	\$ 130	41%
Adjusted net income ⁽¹⁾	\$ 103	\$ 64	61%
Adjusted EPS ⁽¹⁾	\$ 0.62	\$ 0.39	61%
Adjusted EBITDA ⁽¹⁾	\$ 277	\$ 229	21%
<i>Gross profit margin</i>	27.3%	25.8%	
<i>SG&A as a percentage of revenue</i>	21.3%	23.3%	
<i>EBIT margin</i>	6.2%	2.7%	
<i>EBITDA margin</i>	9.3%	6.2%	
<i>Adjusted EBIT margin ⁽¹⁾</i>	6.2%	4.7%	
<i>Adjusted EBITDA margin ⁽¹⁾</i>	9.3%	8.2%	

⁽¹⁾ There were no significant items adjusted in the six months ended June 30, 2017, therefore the adjusted metrics above for YTD 2017 are the same as the reported metrics. Significant items that affected the results of the Company for the six months ended June 30, 2016 which are not considered by management to be indicative of operational and financial trends are detailed below.

Year-to-date 2016 significant items:

- Unavoidable costs incurred during the evacuation and cessation of operations in the Fort McMurray, Alberta area due to wildfires for a six week period in May and June 2016.
- Severance costs related to the global workforce reduction as the Company aligned its cost structure to lower market activity.
- Restructuring costs incurred in the UK operations related to facility closures and consolidations.
- As part of the restructuring and repositioning of the power systems business in the Company's UK & Ireland operations, management completed a detailed review of power systems contracts and projects. As a result, management recorded provisions on certain power systems contracts in Q1 2016, as well as estimated losses on disputes regarding two power systems projects in Q2 2016.
- Following a strategic review of the Company's operations in the UK & Ireland, it was determined that engineering and construction services for the water utility industry no longer represented a core sector for Finning's power systems division. The Company recorded a write-down of net assets and other costs in Q2 2016 related to the sale of this business in August 2016.

The magnitude of each of these items, and reconciliation of the non-GAAP metrics to the closest equivalent GAAP metrics, is shown in the following table:

6 months ended June 30, 2016 (\$ millions except per share amounts)	EBIT				Net	EPS
	Canada	South America	UK & Ireland	Consol ⁽¹⁾	Income Consol ⁽¹⁾	Consol ⁽¹⁾
EBIT, net income, and EPS	\$ 53	\$ 70	\$ (30)	\$ 74	\$ 20	\$ 0.12
Significant items:						
Impact from Alberta wildfires – unavoidable costs	11	—	—	11	8	0.05
Severance costs	9	8	9	26	20	0.12
Facility closures and restructuring costs	—	—	4	4	3	0.02
Power systems project provisions and estimated loss on disputes	—	—	10	10	8	0.05
Write-down of net assets – expected sale of non-core business	—	—	5	5	5	0.03
Adjusted EBIT, Adjusted net income, and Adjusted EPS	\$ 73	\$ 78	\$ (2)	\$ 130	\$ 64	\$ 0.39

(1) Consolidated results include other operations – corporate head office

Revenue

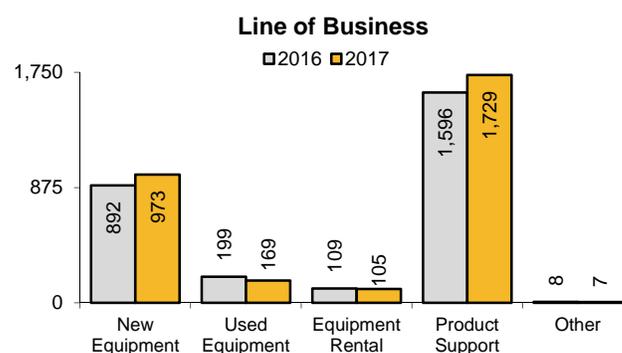
The Company generated revenue of \$3 billion during the six months ended June 30, 2017, an increase of 6% over the same period last year. Revenue was up in the Company's South American and UK & Ireland operations driven by higher new equipment sales. The Company's Canadian operations reported revenue that was comparable to the prior year period with lower new and used equipment revenue mostly offset by higher product support revenue.

Product support sales were up 8% during the six months ended June 30, 2017, compared to the first half of 2016, up in all operations, but driven primarily by the Company's Canadian operations, with strong parts activity in all markets in the current year. The improvement in 2017 is also due to the fact that the results in the prior year were impacted by the Alberta wildfires noted above.

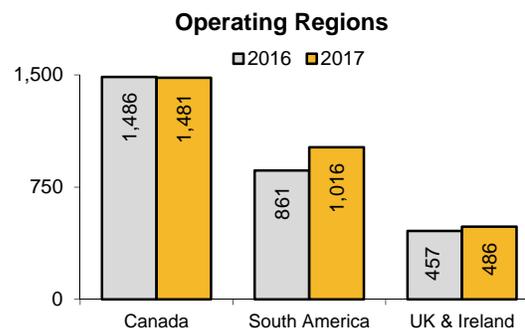
New equipment sales were up 9% during the six months ended June 30, 2017, compared to the same period in 2016, driven by the Company's South American and UK & Ireland operations. New equipment sales in the Company's South American operations in the first half of the year were more than double the levels of the comparative prior year period, reflecting stronger activity in all markets, particularly construction in Argentina. In the UK & Ireland, demand for equipment in all the Company's markets has strengthened, most notably in the electric power generation sector. The Company's Canadian operations reported a decline in new equipment revenue mainly due to delivery of equipment related to certain construction projects and significant mining deliveries in the first quarter of the prior year period, partly offset by strong power systems activity in 2017.

Revenue by Line of Business

6 months ended June 30
(\$ millions)



Revenue by Operation



Used equipment sales in the six month period ended June 30, 2017 were 15% lower than the first half of 2016, mainly due to the Company's Canadian operations, with stronger mining sales in the same period of the prior year.

Foreign currency translation of the results of the Company's UK & Ireland operations had an adverse

impact on revenue of approximately \$60 million, due to the 12% stronger Canadian dollar relative to the U.K. pound sterling in 2017 compared to the same period

last year. However, the translation impact on EBIT was minimal.

Earnings Before Finance Costs and Income Taxes

Gross profit in the first half of 2017 of \$815 million was up 13% from the comparative prior year period, with higher volumes from improved market activity, and higher or comparable margins in all lines of business. Gross profit margin of 27.3% was up from 25.8% earned in the first six months of 2016.

In the first half of 2017, both the Company's Canadian and UK & Ireland operations reported higher new and used equipment margins than the comparable period in 2016, which were partly offset by lower new and used equipment margins in the Company's South American operations. Higher rental margins were driven primarily by the Company's Canadian operations. Product support margins were slightly lower in the Company's Canadian operations, offset by slightly higher margins in the Company's South American and UK & Ireland operations.

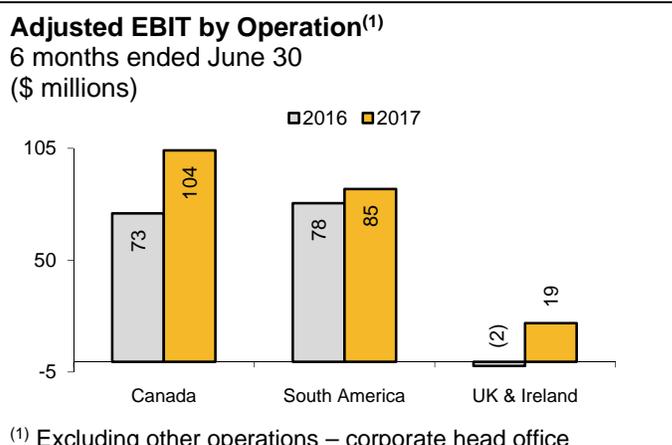
Contributing to lower gross profit margins in the first six months of 2016 were provisions on certain power system projects in the UK & Ireland, and large equipment sales in Canada at lower margins.

SG&A in the first half of 2017 was lower than the same period of the prior year. The prior year included \$30 million in severance and restructuring costs and \$11 million of unavoidable costs related to the Alberta wildfires. Excluding these costs in the prior year period, SG&A in the first half of 2017 was up 4% compared to the prior year period. Higher SG&A in the current year period reflects inflationary and statutory salary increases in the Company's South American operations, volume related increases, such as overtime and freight, and incremental costs related to digital initiatives, partially offset by cost reduction measures in all operations.

Other income of \$2 million reported in 2017 is a gain on the Company's investment in IronPlanet Holdings Inc., which was disposed of in the second quarter of 2017. Other expense of \$5 million in 2016 is a write-down of net assets and other costs related to the sale of a non-core business in the Company's UK & Ireland operations.

The Company reported EBIT of \$184 million and EBIT margin of 6.2% in the first half of 2017, higher than the \$74 million and 2.7% earned in the first six months of 2016, and higher in all operations. Excluding the significant items noted on pages 9 and 10, prior period year-to-date Adjusted EBIT was \$130 million and Adjusted EBIT margin was 4.7%.

The increase in EBIT in the first half of 2017 compared to Adjusted EBIT in the prior year period was primarily due to higher sales volumes in the current year, as well as higher gross profit margin reflecting a slightly higher



proportion of product support revenues in the sales mix, and improved or comparable gross margins from all lines of business.

EBITDA

EBITDA for the first six months of 2017 was \$277 million and EBITDA margin was 9.3% (2016 year-to-date EBITDA was \$173 million and EBITDA margin was 6.2%). Excluding significant items as noted on pages 9 and 10, 2016 year-to-date Adjusted EBITDA was \$229 million and Adjusted EBITDA margin was 8.2%. EBITDA margin was up from the prior year period Adjusted EBITDA margin mainly due to the Company's Canadian and UK & Ireland operations.

Finance Costs

Finance costs in the six months ended June 30, 2017 were \$45 million, comparable to the \$43 million in the same period in 2016.

Provision for Income Taxes

The effective income tax rate for the first half of 2017 was 25.7%, compared to 36.5% in the same period of the prior year. The higher tax rate in 2016 reflected a higher proportion of earnings in higher tax jurisdictions as well as not recording a tax benefit for certain capital losses recorded in the second quarter of 2016.

Net Income

Net income was \$103 million in the first six months of 2017, compared to \$20 million earned in the same period last year. Basic EPS was \$0.62 per share compared with \$0.12 per share in 2016. Excluding prior year significant items noted on pages 9 and 10 of this MD&A, Adjusted net income in 2016 was \$64 million and Adjusted EPS was \$0.39. The increase in net income and basic EPS compared to the adjusted prior year period results was primarily due to higher revenues and gross margins.

Invested Capital

(\$ millions, unless otherwise stated)	June 30, 2017	March 31, 2017	Increase (Decrease) from		
			March 31, 2017	December 31, 2016	
Consolidated ⁽¹⁾	\$ 3,094	\$ 2,926	\$ 168	\$ 2,797	\$ 297
Canada	\$ 1,764	\$ 1,629	\$ 135	\$ 1,595	\$ 169
South America	\$ 1,041	\$ 1,022	\$ 19	\$ 996	\$ 45
UK & Ireland	\$ 300	\$ 280	\$ 20	\$ 216	\$ 84
<i>South America (U.S. dollar)</i>	\$ 802	\$ 768	\$ 34	\$ 741	\$ 61
<i>UK & Ireland (U.K. pound sterling)</i>	£ 178	£ 168	£ 10	£ 130	£ 48

⁽¹⁾ Includes corporate head office

Compared to December 31, 2016:

The \$297 million increase in consolidated invested capital from December 31, 2016 to June 30, 2017 is net of a foreign exchange impact of approximately \$30 million in translating the invested capital balances of the Company's South American operations. The foreign exchange impact was primarily as a result of the 3% stronger Canadian dollar (CAD) relative to the U.S. dollar (USD) at June 30, 2017 compared to the rate at December 31, 2016.

Excluding the impact of foreign exchange, consolidated invested capital increased by approximately \$330 million from December 31, 2016 to June 30, 2017 reflecting:

- an increase in parts inventory, in both the Company's Canadian and South American operations, due to increased customer demand for product support, as well as a higher volume of rebuild activity in the Company's Canadian operations;
- an increase in internal service work in progress inventories in all operations, but primarily in the Company's Canadian operations, attributable to increased demand in the year;
- an increase in new equipment inventory, primarily in the Company's South American and UK & Ireland operations to meet higher demand, partly offset by a reduction in new equipment inventory in the Company's Canadian operations; and
- an increase in accounts receivable balances in the Company's Canadian operations from strong sales in the quarter.

Compared to March 31, 2017:

The \$168 million increase in consolidated invested capital from March 31, 2017 to June 30, 2017 is net of a foreign exchange impact of approximately \$20 million in translating the invested capital balances of the Company's South American operations. The foreign exchange impact was primarily as a result of the 3% stronger Canadian dollar (CAD) relative to the U.S. dollar (USD) at June 30, 2017 compared to the rate at March 31, 2017.

Excluding the impact of foreign exchange, consolidated invested capital increased by approximately \$190 million from March 31, 2017 to June 30, 2017 reflecting:

- an increase in parts inventory, in both the Company's Canadian and South American operations, due to increased customer demand for product support, as well as a higher volume of rebuild activity in the Company's Canadian operations;
- an increase in new equipment inventory, primarily in the Company's South American operations to meet higher customer demand; and
- an increase in accounts receivable balances in the Company's Canadian operations from strong sales in the quarter, offset by an increase in accounts payable balances in the Company's South American operations.

ROIC and Invested Capital Turnover

	June 30, 2017	March 31, 2017	December 31, 2016	June 30, 2016
ROIC				
Consolidated ⁽¹⁾	9.4 %	7.1 %	5.6 %	(6.4)%
Canada	8.3 %	6.6 %	5.3 %	4.0 %
South America	14.9 %	14.3 %	13.3 %	(17.0)%
UK & Ireland	14.0 %	0.0 %	(4.5)%	(15.7)%
Adjusted ROIC				
Consolidated ⁽¹⁾	11.2 %	10.0 %	9.3 %	9.4 %
Canada	11.2 %	10.2 %	9.3 %	9.3 %
South America	15.9 %	15.4 %	15.0 %	14.2 %
UK & Ireland ⁽²⁾	14.0 %	8.2 %	5.9 %	3.3 %
Invested Capital Turnover (times)				
Consolidated ⁽¹⁾	1.98x	1.90x	1.90x	1.78x
Canada	1.70x	1.62x	1.70x	1.68x
South America	1.97x	1.88x	1.80x	1.61x
UK & Ireland	3.73x	3.75x	3.54x	2.98x

⁽¹⁾ Includes corporate head office

⁽²⁾ There were no significant items adjusted in the UK & Ireland for the twelve month period ended June 30, 2017, therefore the adjusted ROIC at June 30, 2017 is the same as the reported metric

Return on Invested Capital

On a consolidated basis, ROIC was 9.4% at June 30, 2017, compared to 5.6% at December 31, 2016 and (6.4)% at June 30, 2016. Adjusting for significant items that management does not consider indicative of operational and financial trends, as noted on pages 28 - 30 of this MD&A, Adjusted ROIC at June 30, 2017 was 11.2%, an increase from Adjusted ROIC at December 31, 2016 of 9.3%. The increase in Adjusted ROIC compared to the prior year end reflects both the higher Adjusted EBIT achieved by the Company as well as lower average invested capital in the last 12 month period. Adjusted ROIC was higher in all operations compared to December 31, 2016 and all other quarterly periods in 2016.

Adjusted ROIC at June 30, 2017 improved compared to Adjusted ROIC at June 30, 2016 in all operations, and is further discussed below.

Canadian operations

- Reported ROIC of 8.3% (June 30, 2016: 4.0%) and Adjusted ROIC of 11.2% (June 30, 2016: 9.3%).
- Higher Adjusted ROIC at June 30, 2017 reflected lower average invested capital levels, as well as higher earnings in the last twelve month period. Average invested capital was approximately \$90 million lower compared to the prior year period mainly due to lower new equipment inventory levels, as well as lower rental and fixed assets.

South American operations

- Reported ROIC of 14.9% (June 30, 2016: (17.0)%) and Adjusted ROIC of 15.9% (June 30, 2016: 14.2%).
- \$324 million impairment loss on the shovels and drills distribution network and goodwill recorded in Q4 2015 has negatively impacted the reported ROIC at June 30, 2016.
- Higher Adjusted ROIC at June 30, 2017 was primarily due to lower average invested capital levels partly offset by slightly lower earnings in the last twelve month period. In functional currency, average invested capital decreased by approximately US\$110 million compared to the prior year period due to the impairment loss on the shovels and drills distribution network and goodwill in Q4 2015, as well as higher accounts payables.

UK & Ireland operations

- Reported ROIC of 14.0% (June 30, 2016: (15.7)%). Adjusted ROIC as at June 30, 2016 was 3.3%.
- \$14 million goodwill impairment recorded in Q4 2015 has negatively impacted reported ROIC at June 30, 2016.
- Higher Adjusted ROIC at June 30, 2017 was due to significantly improved earnings as well as lower average invested capital levels for the last twelve month period. In functional currency, average invested capital decreased by approximately £20 million primarily due to lower inventory levels.

Invested capital turnover

- Consolidated invested capital turnover at June 30, 2017 was 1.98 times, up from 1.78 times at June 30, 2016, primarily reflecting an increase in the invested capital turnover rate of the Company's South American and UK & Ireland operations, due largely to focused efforts on lowering invested capital, as well as improving revenues. Invested capital turnover in the Company's Canadian operations improved against June 30, 2016 due to a reduction in average invested capital levels, driven by lower new equipment inventory levels.

Results by Reportable Segment

The Company and its subsidiaries operate primarily in one principal business: the selling, servicing, and renting of heavy equipment, engines, and related products in various markets worldwide as noted below. Finning's reportable segments are as follows:

- *Canadian operations*: British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and a portion of Nunavut
- *South American operations*: Chile, Argentina, and Bolivia
- *UK & Ireland operations*: England, Scotland, Wales, Northern Ireland, and the Republic of Ireland
- *Other*: Corporate head office

The table below provides details of revenue by operation and lines of business.

3 months ended June 30, 2017 (\$ millions)	Canada	South America	UK & Ireland	Consol	Revenue percentage
New equipment	\$ 235	\$ 139	\$ 176	\$ 550	35%
Used equipment	62	14	20	96	6%
Equipment rental	33	13	8	54	3%
Product support	459	349	69	877	56%
Other	1	1	2	4	0%
Total	\$ 790	\$ 516	\$ 275	\$ 1,581	100%
Revenue percentage by operation	50%	33%	17%	100%	

3 months ended June 30, 2016 (\$ millions)	Canada	South America	UK & Ireland	Consol	Revenue percentage
New equipment	\$ 157	\$ 74	\$ 146	\$ 377	29%
Used equipment	66	14	21	101	8%
Equipment rental	31	14	8	53	4%
Product support	379	329	67	775	59%
Other	1	—	3	4	0%
Total	\$ 634	\$ 431	\$ 245	\$ 1,310	100%
Revenue percentage by operation	48%	33%	19%	100%	

6 months ended June 30, 2017 (\$ millions)	Canada	South America	UK & Ireland	Consol	Revenue percentage
New equipment	\$ 395	\$ 282	\$ 296	\$ 973	33%
Used equipment	108	26	35	169	6%
Equipment rental	64	26	15	105	3%
Product support	913	680	136	1,729	58%
Other	1	2	4	7	0%
Total	\$ 1,481	\$ 1,016	\$ 486	\$ 2,983	100%
Revenue percentage by operation	50%	34%	16%	100%	

6 months ended June 30, 2016 (\$ millions)	Canada	South America	UK & Ireland	Consol	Revenue percentage
New equipment	\$ 496	\$ 138	\$ 258	\$ 892	32%
Used equipment	138	27	34	199	7%
Equipment rental	66	28	15	109	4%
Product support	785	667	144	1,596	57%
Other	1	1	6	8	0%
Total	\$ 1,486	\$ 861	\$ 457	\$ 2,804	100%
Revenue percentage by operation	53%	31%	16%	100%	

Canadian Operations

The Canadian reporting segment includes Finning (Canada), OEM Remanufacturing Company Inc. (OEM), and a 25% interest in Pipeline Machinery International (PLM). The Canadian operations sell, service, and rent mainly Caterpillar equipment and engines in British Columbia, Alberta, Saskatchewan, Yukon, the Northwest Territories, and a portion of Nunavut. The Canadian operations' markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

The table below provides details of the results from the Canadian operations:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2017	2016	2017	2016
Revenue from external sources	\$ 790	\$ 634	\$ 1,481	\$ 1,486
Operating costs	(713)	(587)	(1,335)	(1,388)
Depreciation and amortization	(26)	(25)	(50)	(52)
Equity earnings of joint venture	6	6	8	7
EBIT	\$ 57	\$ 28	\$ 104	\$ 53
EBIT margin	7.2%	4.4%	7.0%	3.6%
EBITDA ⁽¹⁾	\$ 83	\$ 53	\$ 154	\$ 105
EBITDA margin	10.5%	8.5%	10.4%	7.1%
Adjusted EBIT ⁽²⁾	\$ 57	\$ 40	\$ 104	\$ 73
Adjusted EBIT margin ⁽²⁾	7.2%	6.3%	7.0%	5.0%
Adjusted EBITDA ⁽²⁾	\$ 83	\$ 65	\$ 154	\$ 125
Adjusted EBITDA margin ⁽²⁾	10.5%	10.3%	10.4%	8.4%

⁽¹⁾ EBITDA is calculated by adding depreciation and amortization to EBIT

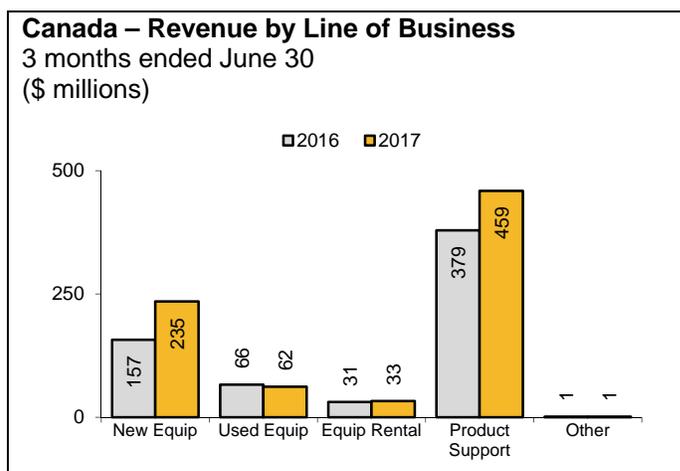
⁽²⁾ There were no significant items adjusted in Q1 and Q2 2017, therefore the adjusted metrics above for the three and six months ended June 30, 2017 are the same as the reported metrics. Significant items that affected results for the three and six months ended June 30, 2016 which management does not consider to be indicative of operational and financial trends are described on pages 3, 9, and 10 of this MD&A.

Second Quarter Overview

Second quarter 2017 revenue of \$790 million was 25% higher than the second quarter of 2016, reflecting higher new equipment and product support revenues.

New equipment revenue was up 50% in the second quarter of 2017 compared to the same period in 2016, with higher demand in the mining and power systems markets. Product support revenue was up 21% in the second quarter of 2017 compared to the second quarter of 2016, up in all markets but primarily due to strong demand from mining, including record component rebuild work. Product support revenues were also lower in Q2 2016 due to production shutdowns and slowdowns amongst our oil sand customers affected by the wildfires in Northern Alberta. Excluding the estimated impact of the wildfires, product support revenues would have been 11% higher compared to Q2 2016.

Gross profit in Q2 2017 was higher than the prior year, reflecting higher sales volumes, partially offset by lower overall gross profit margin, primarily due to a revenue mix shift to higher new equipment sales. New equipment revenue comprised 30% of total revenue in the second quarter of 2017 compared to 25% in the same period last year.



SG&A was 7% higher in Q2 2017 compared to the same period in the prior year, due to variable costs from increased sales volumes, including higher overtime, shop supplies, freight and short term incentive plan costs. Included in SG&A in the second quarter of 2016 were unavoidable costs from the Alberta wildfires of \$11 million, representing salaries and facilities costs during the evacuation of approximately 800 employees and cessation of operations in the Fort McMurray area for a six week

period in May and June, as well as severance and restructuring costs of \$1 million.

The Canadian operations contributed EBIT of \$57 million and EBIT margin of 7.2% in Q2 2017, compared to the \$28 million and 4.4% earned in the prior year period. Excluding severance costs, as well as the unavoidable costs from the fires noted above, Adjusted EBIT in Q2 2016 was \$40 million and Adjusted EBIT margin was 6.3%. EBIT margin was higher in Q2 2017 due to leverage of incremental revenues on fixed costs.

Other Developments

Finning Canada and the International Association of Machinists and Aerospace Workers – Vancouver Lodge 692 (IAMAW), representing approximately 600 hourly employees in British Columbia and the Yukon have reached a memorandum of agreement for a new three-year collective agreement. The agreement is subject to a ratification vote by the union membership, which is expected to conclude in the next several weeks. The previous collective agreement expired on April 14, 2017.

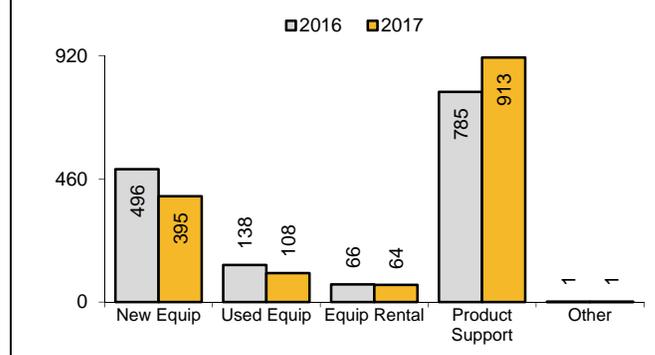
Year-to-Date Overview

Revenue for the six months ended June 30, 2017 of \$1.5 billion was comparable to the same period last year, with lower new and used equipment revenues mostly offset by higher product support revenues. New equipment revenue was down 20% in the first half of 2017 compared to the same period in 2016, mainly due to delivery of equipment related to certain construction projects and significant mining deliveries in the Canadian operations in the first quarter of 2016, partly offset by strong power systems activity in 2017.

Used equipment revenue was down 22% in the first half of 2017 compared to the first half of 2016 reflecting stronger mining sales in the prior year period.

Product support revenue was up 16% from the first half of 2016, primarily due to strong parts activity in all markets in the current year. The comparative period in 2016 includes the impact of the Alberta wildfires in Q2 2016. Excluding the estimated impact of the wildfires, product support revenues would have been 12% higher compared to the first half of 2016.

Canada – Revenue by Line of Business
6 months ended June 30
(\$ millions)



Gross profit increased in the first half of 2017 compared to the first half of 2016, reflecting higher gross profit margins in most lines of business, as well as a revenue mix shift to higher product support sales. Prior year new equipment margins reflected a higher proportion of lower margin large equipment sales.

SG&A for the first six months of 2017 was comparable to the first half of 2016. In the first half of 2016, in order to further align its cost structure to lower market activity, the Company reduced its Canadian workforce resulting in severance and restructuring costs of \$9 million. Excluding these severance and restructuring costs and \$11 million of unavoidable costs relating to the Alberta wildfires noted above, SG&A was up 6% compared to the first six months of 2016. This increase is primarily due to higher product support revenues and the associated variable costs.

The Canadian operations contributed EBIT of \$104 million for the six months ended June 30, 2017, compared to the \$53 million earned in the prior year period. EBIT margin for the first half of 2017 was 7.0%, compared to the 3.6% earned in the same period in 2016. Excluding severance costs and the unavoidable costs of the Alberta wildfires, Adjusted EBIT margin for the first half of 2016 was 5.0%. EBIT margin was higher in the first half of 2017 due to higher gross profit margins achieved in the current year primarily due to sales mix, partly offset by higher relative SG&A.

South American Operations

Finning's South American operations sell, service, and rent mainly Caterpillar equipment and engines in Chile, Argentina, and Bolivia. The South American operations' markets include mining, construction, forestry, and power systems.

The table below provides details of the results from the South American operations:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2017	2016	2017	2016
Revenue from external sources	\$ 516	\$ 431	\$ 1,016	\$ 861
Operating costs	(458)	(378)	(901)	(760)
Depreciation and amortization	(15)	(15)	(30)	(31)
EBIT	\$ 43	\$ 38	\$ 85	\$ 70
EBIT margin	8.4%	8.8%	8.4%	8.1%
EBITDA ⁽¹⁾	\$ 58	\$ 53	\$ 115	\$ 101
EBITDA margin	11.2%	12.3%	11.3%	11.7%
Adjusted EBIT ⁽²⁾	\$ 43	\$ 39	\$ 85	\$ 78
Adjusted EBIT margin ⁽²⁾	8.4%	9.1%	8.4%	9.0%
Adjusted EBITDA ⁽²⁾	\$ 58	\$ 54	\$ 115	\$ 109
Adjusted EBITDA margin ⁽²⁾	11.2%	12.5%	11.3%	12.6%

⁽¹⁾ EBITDA is calculated by adding depreciation and amortization to EBIT

⁽²⁾ There were no significant items adjusted in Q1 and Q2 2017, therefore the adjusted metrics above for the three and six months ended June 30, 2017 are the same as the reported metrics. Significant items that affected results for the three and six months ended June 30, 2016 which management does not consider to be indicative of operational and financial trends are described on pages 3, 9, and 10 of this MD&A.

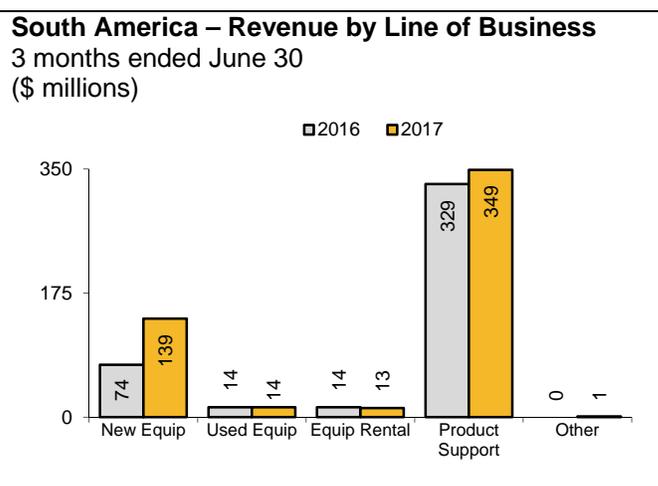
Second Quarter Overview

Second quarter 2017 revenue increased 20% to \$516 million compared to Q2 2016 (up 15% in functional currency). This increase was driven primarily by higher new equipment revenue. New equipment revenue was up 90% (up 82% in functional currency) reflecting improvement in all markets, particularly construction activity in Argentina, as well as some large deliveries to mining customers in Chile. Order intake improved significantly in the quarter, driven by construction, resulting in notably higher equipment backlog levels at June 30, 2017, the highest level recorded since June 30, 2014.

Product support revenue was slightly up from the prior year quarter, reflecting stronger parts sales in all sectors.

The weaker Canadian dollar on average in the quarter relative to the U.S. dollar compared to last year had a positive foreign currency translation impact on revenue in Q2 2017 of approximately \$20 million and was not significant at the EBIT level.

Gross profit increased compared to the second quarter of 2016, reflecting higher sales volumes, partially offset



by lower overall gross profit margin. Gross profit margin decreased in Q2 2017 compared to last year, reflecting a revenue mix shift to higher new equipment sales, as well as lower new and used equipment margins. New equipment revenue comprised 27% of total revenue in the second quarter of Q2 2017 compared to 17% in Q2 2016.

The Company's South American operations reduced its workforce in the prior year quarter which resulted in severance costs of \$1 million. Excluding those severance costs, SG&A (in functional currency) in Q2 2017 increased by 13% compared to the prior year period. The increase in SG&A was primarily due to inflationary and statutory salary increases, as well as variable costs from increased sales volumes, including higher short term incentive plan costs.

For the three months ended June 30, 2017, the Company's South American operations reported EBIT of \$43 million and EBIT margin of 8.4% compared to EBIT of \$38 million and EBIT margin of 8.8% in the same period of the prior year. Excluding severance costs in the prior year, Q2 2016 Adjusted EBIT margin was 9.1%. EBIT margin was lower in Q2 2017 primarily due to a higher proportion of new equipment sales resulting in lower overall gross profit margin, partly offset by a lower percentage of SG&A to sales.

Year-to-Date Overview

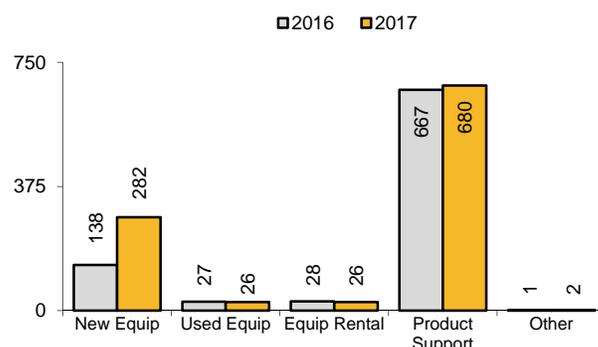
For the six months ended June 30, 2017 revenue increased 18% over the prior year period to \$1 billion (up 17% in functional currency). This increase was primarily driven by higher new equipment revenue, up 104% over the prior year period, reflecting stronger market activity in all sectors, particularly construction in Argentina.

Product support revenues grew modestly from the first half of 2016, despite a 7-week labour dispute at the Escondida mine in Q1 2017, as a result of an increase in product support revenues from other customers, as well as the successful implementation of a mitigation plan with Escondida.

Gross profit was higher than the first six months of 2016, reflecting higher sales volumes, partially offset by lower overall gross profit margin. Gross profit margin decreased in the first half of 2017 compared to the first half of 2016, reflecting a revenue mix shift to higher new equipment sales, including a higher proportion of lower margin large mining equipment.

South America – Revenue by Line of Business

6 months ended June 30
(\$ millions)



The Company's South American operations reduced its workforce in the first half of the prior year which resulted in severance costs of \$8 million. Excluding these severance costs, SG&A in 2017 increased by 8% compared to the prior year period. The increase in SG&A was due in large part to inflationary and statutory salary increases and variable costs from increased sales volumes, including higher short term incentive plan costs.

For the six months ended June 30, 2017, the Company's South American operations reported EBIT of \$85 million and EBIT margin of 8.4% compared to EBIT of \$70 million and EBIT margin of 8.1% in the six months ended June 30, 2016. Excluding severance costs, Adjusted EBIT margin for the first half of 2016 was 9.0%. EBIT margin was lower in the first half of 2017 due to lower gross profit margins achieved in the current year from the mix of sales as well as the impact of the Escondida strike in Q1 2017, partly offset by the lower percentage of SG&A to sales.

UK & Ireland Operations

The Company's UK & Ireland operations sell, service, and rent mainly Caterpillar equipment and engines in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. The UK & Ireland operations' markets include mining, quarrying, construction, and power systems.

The table below provides details of the results from the UK & Ireland operations:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2017	2016	2017	2016
Revenue from external sources	\$ 275	\$ 245	\$ 486	\$ 457
Operating costs	(257)	(258)	(454)	(466)
Depreciation and amortization	(7)	(8)	(13)	(16)
Other expenses	—	(5)	—	(5)
EBIT	\$ 11	\$ (26)	\$ 19	\$ (30)
EBIT margin	4.1%	(10.5)%	4.0%	(6.6)%
EBITDA ⁽¹⁾	\$ 18	\$ (18)	\$ 32	\$ (14)
EBITDA margin	6.6%	(7.4)%	6.7%	(3.2)%
Adjusted EBIT ⁽²⁾	\$ 11	\$ (5)	\$ 19	\$ (2)
Adjusted EBIT margin ⁽²⁾	4.1%	(1.9)%	4.0%	(0.4)%
Adjusted EBITDA ⁽²⁾	\$ 18	\$ 3	\$ 32	\$ 14
Adjusted EBITDA margin ⁽²⁾	6.6%	1.2%	6.7%	3.1%

⁽¹⁾ EBITDA is calculated by adding depreciation and amortization to EBIT

⁽²⁾ There were no significant items adjusted in Q1 and Q2 2017, therefore the adjusted metrics above for the three and six months ended June 30, 2017 are the same as the reported metrics. Significant items that affected results for the three and six months ended June 30, 2016 which management does not consider to be indicative of operational and financial trends are described on pages 3, 9, and 10 of this MD&A.

Second Quarter Overview

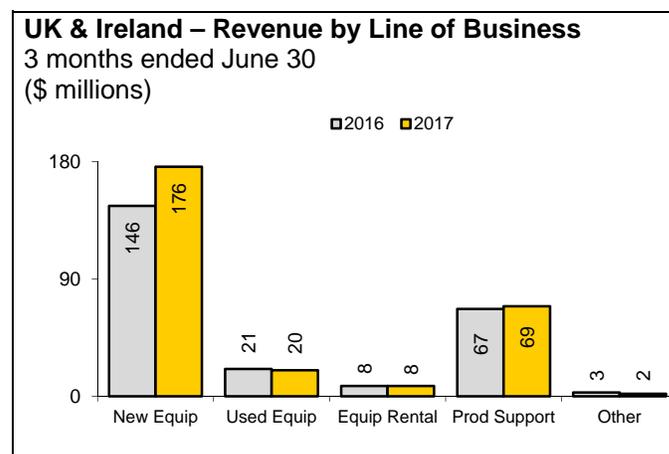
Revenue in the second quarter of 2017 of \$275 million was 12% higher than the same period in 2016 (up 21% in functional currency), driven primarily by higher new equipment sales, reflecting continued market demand and healthy market activity, particularly in the electric power generation sector. Strong order intake resulted in a continued high equipment backlog level.

Product support sales were also higher than Q2 2016, reflecting stronger parts sales across both the equipment and power system businesses.

The stronger Canadian dollar on average in the quarter relative to the U.K. pound sterling compared to last year had a negative foreign currency translation impact on revenue in the second quarter of 2017 of approximately \$20 million and was not significant at the EBIT level.

Q2 2017 gross profit was higher than the prior year period, reflecting higher sales volumes and higher gross profit margins in most lines of business, partly offset by a revenue mix shift to higher new equipment sales. New equipment revenue comprised 64% of total revenue in the second quarter of Q2 2017 compared to 59% in Q2 2016.

The comparative improvement in gross profit also reflects \$5 million of estimated losses on certain power systems projects included in Q2 2016. Second quarter 2016 results were further impacted by reduced mining activity and general market uncertainty regarding the outcome of the Brexit vote. This market weakness and



uncertainty resulted in additional asset provisions and adjustments in the UK results in the prior year quarter.

SG&A in Q2 2017 was lower than the comparative period in the prior year. Excluding severance and restructuring costs of \$11 million in the prior year quarter, SG&A in Q2 2017 decreased 3% (in functional currency) compared to the prior year period. SG&A is down compared to the prior year period on higher revenue due to the successful implementation of transformation initiatives focused on lowering the costs to serve our customers.

Following a strategic review in 2016 of the Company's operations in the UK, it was determined that engineering and construction services for the water utility industry no longer represented a core sector for

Finning's power systems division in the UK. As a result, the Company recorded a charge in other expenses of approximately \$5 million in the second quarter of 2016, representing the write-down of net assets and other costs related to the August 2016 sale of this business.

For the quarter ended June 30, 2017, the Company's UK & Ireland operations reported EBIT of \$11 million, compared to EBIT losses of \$(26) million in Q2 2016. EBIT margin was 4.1% in Q2 2017 compared to (10.5)% earned in the second quarter of 2016. Excluding significant items in the comparative prior year period (severance and restructuring costs of \$11 million, estimated loss on certain power systems projects of \$5 million, and write-down of net assets of \$5 million) described above, Adjusted EBIT margin for Q2 2016 was (1.9)%; below the significantly improved EBIT margin of 4.1% achieved for Q2 2017. EBIT margin was higher in Q2 2017 due to lower SG&A relative to sales as a result of higher volumes and a reduced cost structure, as well as higher gross profit margin achieved in the current year.

Year-to-Date Overview

For the six months ended June 30, 2017, revenue of \$486 million was 6% higher than the same period in 2016 (up 20% in functional currency), driven primarily by higher new equipment sales, due to stronger market demand and activity.

The stronger Canadian dollar on average in the year to date period relative to the U.K. pound sterling compared to last year had a negative foreign currency translation impact on revenue in the first half of 2017 of approximately \$60 million and was not significant at the EBIT level.

Gross profit in absolute dollars and as a percentage of revenue was up in the first half of 2017 compared with the same period of 2016, reflecting higher new equipment sales and higher margins in most lines of business partly offset by a revenue mix shift to new equipment revenue.

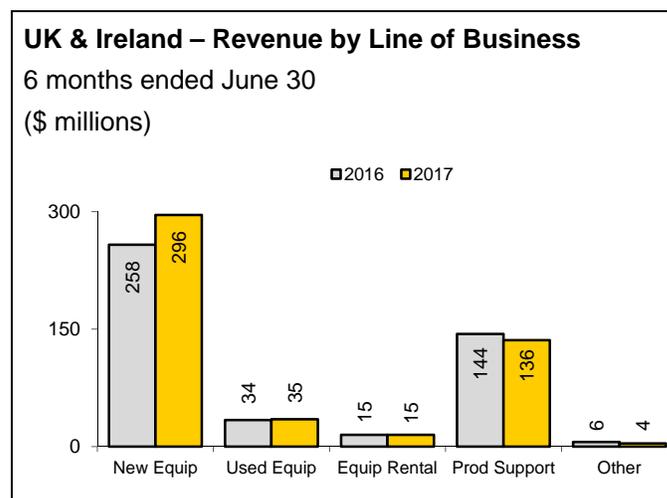
As part of the restructuring and repositioning of the UK's power systems business, management in the UK & Ireland completed a detailed review of power systems contracts and projects in 2016. As a result of

Corporate and Other Operations

Net operating costs before finance costs and income taxes of the Company's corporate and other operations segment were \$13 million in the second quarter of 2017 (year-to-date 2017: \$24 million) compared to \$11 million in Q2 2016 (year-to-date 2016: \$19 million). Included in this segment are corporate operating costs, as well as equity earnings (loss) from the Company's 28.8% investment in Energyst B.V.

For the three months ended June 30, 2017, corporate operating costs were \$2 million higher than the comparative prior year period, due in large part to higher long-term incentive plan costs. Results from Energyst B.V. were \$1 million lower due to lower operating results, offset by a \$1 million gain in the second quarter of 2017 on the disposition of the Company's investment in IronPlanet Holdings Inc.

For the six months ended June 30, 2017, corporate operating costs were \$3 million higher than the comparative prior year period, due in part to higher long-term incentive plan costs, as well as higher costs relating to transformation activities. Results from Energyst B.V. were \$4 million lower due to restructuring costs as well as lower operating results, partly offset by a \$2 million gain in 2017 relating to the Company's investment in IronPlanet Holdings Inc.



this review, management recorded a provision of \$10 million in the first half of 2016 relating to certain power systems contracts and projects, unfavourably impacting gross profit margins in the prior year, and contributing to the comparative improvement in the current year.

SG&A was lower in the first half of 2017 compared to 2016. Excluding severance and restructuring costs of \$13 million in the prior year, SG&A in 2017 decreased 3% (in functional currency) compared to the prior year period due to the successful implementation of cost savings initiatives.

In the first half of 2016, the Company recorded \$5 million of costs related to the write-down of net assets in other expenses, as described above.

For the six months ended June 30, 2017, the Company's UK & Ireland operations reported EBIT of \$19 million, compared to EBIT losses of \$(30) million in the same period in 2016. EBIT margin was 4.0% compared to (6.6)% earned in the prior year period. Excluding significant items noted above in the prior year period, Adjusted EBIT margin for 2016 was (0.4)%, below the solid and significantly improved EBIT margin of 4.0% achieved in 2017. EBIT margin was higher in 2017 due to higher gross profit margin as well as lower SG&A relative to sales as a result of higher volumes and a reduced cost structure in the current year.

Outlook

Canada

Producer and contractor activity in mining continues to generate robust demand for parts and service, including component rebuilds. However, demand for mining equipment is expected to remain soft in the near term as uncertainty regarding the sustainability of stronger commodity prices continues.

In heavy construction, customers remain optimistic regarding upcoming infrastructure projects. Demand for core equipment remains strong in British Columbia, is stable in Alberta, and is showing signs of improvement in Saskatchewan. Product support activity in the heavy construction and pipeline sectors appears to be strengthening.

Demand for power systems products has increased as a result of improving activity in the oil and gas sector.

Equipment markets remain very competitive across all sectors. The Company believes the rate of recovery in Western Canada will be dependent on the commodity markets and timing of significant infrastructure projects.

South America

In mining, the Company is maintaining a strong share of a very weak market. While quoting activity for new mining equipment has increased, order intake remains low by historic standards. Fleet utilization continues to improve, and the Company's product support business, including component rebuilds, remains stable.

In Chile, the Company does not expect any meaningful improvement in construction activity until after the presidential elections held in November 2017.

In Argentina, the Company is successfully selling equipment into the competitive construction market and encouraged by an increase in infrastructure activity following the change in government policies. While the outcome of the mid-term elections in October 2017 may have an impact on the current government's agenda, the Company anticipates that infrastructure spend will continue in the near term.

The Company is investing in a new ERP system in the South American operations, which is expected to go live in 2018.

UK & Ireland

In the UK & Ireland, the equipment market has undergone a structural shift away from the coal mining and oil & gas sectors towards general construction. The Company has successfully restructured its operating model to lower its cost structure and increase supply chain velocity. While activity levels in the quarry, general construction and plant hire sectors generate robust demand for new equipment and product support, competitive pricing pressure remains intense. In the power systems sector, the order intake for standby and short-term capacity power solutions is strong.

On March 29, 2017, the UK triggered Article 50 of the Lisbon Treaty. This begins a two year process to exit the European Union (Brexit), and there are significant uncertainties around the impact and final outcome. While Brexit has not had a material impact on activity levels to this point, it resulted in a sharp devaluation of the U.K. pound sterling and economic uncertainty that continues to impact customer confidence and future investment decisions. To help offset reduced business confidence, the UK government is accelerating infrastructure investments and approvals, including large-scale rail, power, road, and airport infrastructure projects.

2017 Outlook

The Company expects its 2017 revenue to increase modestly over 5% from 2016, up from the previous projection for flat revenue. Reflecting improved revenue outlook and higher backlog, including some purchases of large equipment packages for delivery in 2018, the Company has lowered its annual free cash flow expectation to a range of \$150 to \$200 million in 2017, from the previous projection of approximately \$300 million.

Operational Focus

As market conditions recover, the Company aims to drive profitable and capital efficient growth, consistent with its commitment to improve ROIC.

Significantly reduced cost structure and transformational improvements achieved across the organization are expected to yield operating leverage in an upcycle, resulting in higher profitability levels. Capital discipline and improved inventory turns are expected to continue to drive positive annual free cash flow.

The Company continues to transform its global equipment supply chain, grow product support from its large installed equipment population and improve the financial performance of its rental business.

In addition, the Company's investment in Finning Digital, a new global division within Finning, is expected to accelerate delivery of innovative customer solutions. Finning Digital is focused on improving the customer experience and pursuing new opportunities for revenue generation in digitally-enabled services.

Foreign exchange exposure

The Company expects on-going volatility in foreign exchange markets to continue impacting its results. The devaluation of the Canadian dollar increases earnings translated from the Company's foreign subsidiaries; the opposite is true for the appreciation of the Canadian dollar. Transactional gains or losses are dependent on the Company's hedging activities and general market conditions.

Liquidity and Capital Resources

Management assesses liquidity in terms of the Company's ability to generate sufficient cash flow, along with other sources of liquidity including cash and borrowings, to fund its operations and growth in operations. Liquidity is affected by the following items:

- operating activities, including the level of accounts receivable, inventories, accounts payable, rental equipment, and financing provided to customers;
- investing activities, including property, plant, and equipment and intangible asset expenditures, acquisitions of complementary businesses, and divestitures of non-core businesses; and
- financing activities, including bank credit facilities, long-term debt, and other capital market activities, providing both short and long-term financing.

The magnitude of each of these items is shown in the following table:

(\$ millions)	3 months ended June 30			6 months ended June 30		
	2017	2016	Increase (Decrease) in cash	2017	2016	Increase (Decrease) in cash
Cash (used in) provided by operating activities	\$ (112)	\$ 75	\$ (187)	\$ (170)	\$ 132	\$ (302)
Cash used in investing activities	\$ (14)	\$ (56)	\$ 42	\$ (35)	\$ (61)	\$ 26
Cash provided by (used in) financing activities	\$ 54	\$ (57)	\$ 111	\$ 33	\$ (129)	\$ 162
Free cash flow	\$ (131)	\$ 64	\$ (195)	\$ (207)	\$ 94	\$ (301)

The most significant contributors to the changes in cash flows for 2017 over 2016 were as follows:

	Quarter over Quarter	Year over Year
Cash (used in) provided by operating activities	<ul style="list-style-type: none"> • primarily due to higher parts purchases in the Company's Canadian and South American operations, reflecting increased product support demand • higher spend on equipment inventory in all operations, supporting increased demand • higher spend on rental equipment, primarily in the Company's Canadian operations • partly offset by higher earnings from all operations reflecting improving market conditions 	<ul style="list-style-type: none"> • primarily due to higher parts purchases in the Company's Canadian and South American operations, reflecting increased product support demand • higher spend on equipment inventory in all operations, supporting increased demand • partly offset by higher earnings from all operations reflecting improving market conditions
Cash used in investing activities	<ul style="list-style-type: none"> • higher cash use in the prior year due to investments in short-term instruments 	<ul style="list-style-type: none"> • higher cash use in the prior year due to investments in short term instruments
Cash provided by (used in) financing activities	<ul style="list-style-type: none"> • \$96 million additional cash provided by short-term debt • \$30 million of dividends paid in Q2 2017 was comparable to Q2 2016 	<ul style="list-style-type: none"> • \$151 million additional cash provided by short-term debt • \$61 million of dividends paid in 2017 was comparable to 2016
Free cash flow (use) generation	<ul style="list-style-type: none"> • higher use of cash in operating activities for the reasons outlined above • slightly higher capital expenditures and lower proceeds from disposals of fixed assets 	<ul style="list-style-type: none"> • higher use of cash in operating activities for the reasons outlined above

Capital resources and management

The Company's cash and cash equivalents balance at June 30, 2017 was \$411 million (December 31, 2016: \$593 million; June 30, 2016: \$384 million). To complement the internally generated funds from operating and investing activities, the Company has \$1.8 billion in unsecured credit facilities. Included in this amount is a committed global credit bank facility totaling \$1.0 billion with various Canadian and other global financial institutions, \$0.9 billion of which was available at June 30, 2017.

Based on the availability of these facilities, the Company's business operating plans, and the discretionary nature of some of the cash outflows, such as rental and capital expenditures, the Company believes it continues to have sufficient liquidity to meet operational needs and planned growth and development.

The Company is currently evaluating several alternatives related to the 6.02% \$350 million notes that are due June 1, 2018, including refinancing, repayment utilizing available cash resources, or any combination thereof.

The Company is rated ⁽¹⁾ by both Dominion Bond Rating Service (DBRS) and Standard & Poor's (S&P):

	Long-term debt		Short-term debt	
	Jun 30, 2017	Dec 31, 2016	Jun 30, 2017	Dec 31, 2016
S&P	BBB+	BBB+	N/A	N/A
DBRS	BBB (high)	BBB (high)	R-2 (high)	R-2 (high)

During the six month period ended June 30, 2017, the Company repurchased 89,900 shares at an average price of \$25.45 (no shares were repurchased in 2016) through a share repurchase program by way of a Normal Course Issuer Bid (NCIB) ⁽²⁾.

Dividends paid to shareholders in Q2 2017 were \$30 million, consistent with the second quarter of 2016.

Net Debt to Invested Capital

Net Debt to Invested Capital %	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Jun 30, 2016
	37.4%	34.5%	32.0%	37.9%

The Company is subject to a maximum Net Debt to Invested Capital level of 62.5% pursuant to a covenant in its syndicated bank credit facility. The Company was in compliance with this covenant at the end of Q2 2017.

Accounting Policies and Pronouncements

Changes in Accounting Policies

The adoption of recent amendments to IAS 7 Statement of Cash Flows had no impact on the Company's financial results, but the Company has disclosed changes in liabilities arising from financing activities as required by the amendments in Note 8 of the Company's interim condensed consolidated financial statements. For more details on recent changes in accounting policies, please refer to note 1 of the Company's interim condensed consolidated financial statements.

The effect of future accounting pronouncements and effective dates are also discussed in note 1 of the interim condensed consolidated financial statements.

(1) A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization.

(2) The Company renewed its NCIB for a further year effective May 11, 2017. A copy of the NCIB notice is available on request from the Company's Corporate Secretary at 1000-666 Burrard Street, Vancouver, BC, V6C 2X8.

Risk Factors and Management

Finning and its subsidiaries are exposed to market, credit, liquidity, and other risks in the normal course of their business activities. The Company's Enterprise Risk Management (ERM) process is designed to ensure that such risks are identified, managed, and reported. This ERM framework assists the Company in managing business activities and risks across the organization in order to achieve the Company's strategic objectives.

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. On a quarterly basis, the Audit Committee reviews the Company's process with respect to risk assessment and management of key risks, including the Company's major financial risks and exposures and the steps taken to monitor and control such exposures. The Audit Committee also reviews the adequacy of disclosures of key risks in the Company's AIF, MD&A, and consolidated financial statements. Key financial risks are disclosed in the annual MD&A and other key business risks are disclosed in the Company's AIF. Copies of the Company's MD&A and AIF are available on SEDAR at www.sedar.com and in the investors section of the Company's website at www.finning.com.

Key exchange rates that impacted the Company's results were as follows:

Exchange rate	June 30			December 31			3 months ended June 30 – average			6 months ended June 30 – average		
	2017	2016	Change	2016	Change	2017	2016	Change	2017	2016	Change	
CAD/USD	1.2977	1.3009	0 %	1.3427	3 %	1.3449	1.2886	(4)%	1.3343	1.3302	(0)%	
CAD/GBP	1.6862	1.7225	2 %	1.6564	(2)%	1.7211	1.8484	7 %	1.6806	1.9057	12 %	
CLP/USD	663.21	661.49	(0)%	667.29	1 %	664.24	677.25	2 %	659.97	689.63	4 %	
ARS/USD	16.63	15.04	(11)%	15.89	(5)%	15.73	14.22	(11)%	15.70	14.32	(10)%	

The impact of foreign exchange due to fluctuation in the value of the Canadian dollar (CAD) relative to the U.S. dollar (USD), U.K. pound sterling (GBP), Chilean peso (CLP), and Argentine peso (ARS) is expected to continue to affect Finning's results.

Controls and Procedures Certification

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and the CFO, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to them in a timely manner.

The Company has a Disclosure Policy and a Disclosure Committee in place to mitigate risks associated with the

disclosure of inaccurate or incomplete information, or failure to disclose required information.

- The Disclosure Policy sets out accountabilities, authorized spokespersons, and Finning's approach to the determination, preparation, and dissemination of material information. The policy also defines restrictions on insider trading and the handling of confidential information.
- The Disclosure Committee, consisting of senior management and legal counsel, reviews all financial information prepared for communication to the public to ensure it meets all regulatory requirements. The Disclosure Committee is responsible for raising any outstanding issues it believes require the attention of the Audit Committee for that Committee's approval prior to recommending disclosure.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management has designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. There has been no change in the design of the Company's internal control over financial reporting during the quarter ended June 30, 2017, that would materially affect, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Regular involvement of the Company's internal audit function and quarterly reporting to the Audit Committee assist in providing reasonable assurance that the objectives of the control system are met.

While the officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance that the objectives of the control systems are met, they are aware that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Outstanding Share Data

As at August 3, 2017

Common shares outstanding	168,097,364
Options outstanding	4,752,830

Description of Non-GAAP Financial Measures and Reconciliations

Non-GAAP Financial Measures

Management believes that providing certain non-GAAP financial measures provides users of the Company's consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS financial measures, where available, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS financial measures alone.

The non-GAAP financial measures used by management do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for GAAP measures as determined in accordance with IFRS.

Set out below is a description of the non-GAAP financial measures used by the Company in this MD&A and a quantitative reconciliation from each non-GAAP financial measure to the most directly comparable measure, where available, specified, defined, or determined under GAAP and used in the Company's consolidated financial statements (GAAP measures).

Key Performance Indicators

Management uses key performance indicators (KPIs) to consistently measure performance against the Company's priorities across the organization. The Company's KPIs include, among others, ROIC, net debt to invested capital, inventory turns, invested capital turnover, working capital to sales ratio, equipment backlog, and net debt to EBITDA ratio. These KPIs, including those that are expressed as ratios, are non-GAAP financial measures that do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other issuers.

EBITDA, Adjusted EBITDA, and Adjusted EBIT

EBITDA is defined as earnings before finance costs, income taxes, depreciation, and amortization and is utilized by management to assess and evaluate the financial performance of its operating segments. Management believes that EBITDA improves comparability between periods by eliminating the impact of finance costs, income taxes, depreciation, and amortization. EBITDA is also commonly regarded as an indirect measure of operating cash flow, a significant indicator of success for many businesses and is a common valuation metric.

Management may also calculate an Adjusted EBIT and Adjusted EBITDA to exclude items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company's underlying business performance.

EBITDA is calculated by adding depreciation and amortization to EBIT. Adjusted EBITDA is calculated by adding depreciation and amortization to Adjusted EBIT.

The most comparable GAAP financial measure to EBITDA is EBIT. A reconciliation between EBIT and EBITDA for the three and six months ended June 30 is as follows:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2017	2016	2017	2016
EBIT	\$ 98	\$ 29	\$ 184	\$ 74
Depreciation and amortization	48	48	93	99
EBITDA	\$ 146	\$ 77	\$ 277	\$ 173

A reconciliation between EBIT, Adjusted EBIT, and Adjusted EBITDA for the three and six months ended June 30 is as follows:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2017	2016	2017	2016
EBIT	\$ 98	\$ 29	\$ 184	\$ 74
Significant items ⁽¹⁾	—	34	—	56
Adjusted EBIT	\$ 98	\$ 63	\$ 184	\$ 130
Depreciation and amortization	48	48	93	99
Adjusted EBITDA	\$ 146	\$ 111	\$ 277	\$ 229

⁽¹⁾ Results for the three and six months ended June 30, 2016 were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 3, 9, and 10 of this MD&A.

A reconciliation between EBIT, Adjusted EBIT, and Adjusted EBITDA for the consolidated operations for the last nine quarters is as follows:

3 months ended (\$ millions)	2017		2016				2015		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	\$ 98	\$ 86	\$ 18	\$ 73	\$ 29	\$ 45	\$ (349)	\$ 63	\$ 106
Significant items:									
Severance costs	—	—	15	—	9	17	2	25	6
Facility closures and restructuring costs	—	—	32	—	4	—	45	6	—
Impairment loss on distribution network and goodwill	—	—	—	—	—	—	338	—	—
Inventory and other asset impairments	—	—	—	—	—	—	42	—	—
Impact from Alberta wildfires – unavoidable costs	—	—	—	—	11	—	—	—	—
Power systems project provisions and estimated loss on disputes and alleged fraudulent activity by a customer	—	—	10	—	5	5	—	—	—
Loss on sale of non-core business	—	—	—	—	5	—	—	—	—
Acquisitions and disposal of business, net	—	—	—	—	—	—	(8)	3	—
Gain on investment	—	—	(5)	—	—	—	—	—	—
ARS devaluation	—	—	—	—	—	—	12	—	—
Adjusted EBIT	\$ 98	\$ 86	\$ 70	\$ 73	\$ 63	\$ 67	\$ 82	\$ 97	\$ 112
Depreciation and amortization ⁽¹⁾	48	45	47	46	48	51	57	62	51
Adjusted EBITDA	\$ 146	\$ 131	\$ 117	\$ 119	\$ 111	\$ 118	\$ 139	\$ 159	\$ 163
Adjusted EBIT – 12 months	\$ 327	\$ 292	\$ 273	\$ 285	\$ 309	\$ 358	\$ 383	\$ 445	\$ 483
Adjusted EBITDA – 12 months	\$ 513	\$ 478	\$ 465	\$ 487	\$ 527	\$ 579	\$ 604	\$ 661	\$ 693

⁽¹⁾ Of the significant items described above, \$10 million was recorded in depreciation and amortization expense in Q4 2015

A reconciliation between EBIT, Adjusted EBIT, and Adjusted EBITDA for the Canadian operations for the last nine quarters is as follows:

3 months ended (\$ millions)	2017		2016				2015		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	\$ 57	\$ 47	\$ (3)	\$ 37	\$ 28	\$ 25	\$ (17)	\$ 34	\$ 52
Significant items:									
Severance costs	—	—	15	—	1	8	—	11	3
Facility closures and restructuring costs	—	—	32	—	—	—	40	6	—
Inventory and other asset impairments	—	—	—	—	—	—	16	—	—
Impact from Alberta wildfires – unavoidable costs	—	—	—	—	11	—	—	—	—
Adjusted EBIT	\$ 57	\$ 47	\$ 44	\$ 37	\$ 40	\$ 33	\$ 39	\$ 51	\$ 55
Depreciation and amortization ⁽¹⁾	26	24	24	24	25	27	31	34	26
Adjusted EBITDA	\$ 83	\$ 71	\$ 68	\$ 61	\$ 65	\$ 60	\$ 70	\$ 85	\$ 81
Adjusted EBIT – 12 months	\$ 185	\$ 168	\$ 154	\$ 149	\$ 163	\$ 178	\$ 189	\$ 225	\$ 257

A reconciliation between EBIT, Adjusted EBIT, and Adjusted EBITDA for the South American operations for the last nine quarters is as follows:

3 months ended (\$ millions)	2017		2016				2015		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	\$ 43	\$ 42	\$ 27	\$ 40	\$ 38	\$ 32	\$ (303)	\$ 32	\$ 52
Significant items:									
Severance costs	—	—	—	—	1	7	—	10	3
Facility closures and restructuring costs	—	—	—	—	—	—	3	—	—
Impairment loss on distribution network and goodwill	—	—	—	—	—	—	324	—	—
Inventory and other asset impairments	—	—	—	—	—	—	10	—	—
Estimated loss on alleged fraudulent activity by a customer	—	—	10	—	—	—	—	—	—
ARS devaluation	—	—	—	—	—	—	12	—	—
Adjusted EBIT	\$ 43	\$ 42	\$ 37	\$ 40	\$ 39	\$ 39	\$ 46	\$ 42	\$ 55
Depreciation and amortization ⁽¹⁾	15	15	16	15	15	16	19	20	19
Adjusted EBITDA	\$ 58	\$ 57	\$ 53	\$ 55	\$ 54	\$ 55	\$ 65	\$ 62	\$ 74
Adjusted EBIT – 12 months	\$ 162	\$ 158	\$ 155	\$ 164	\$ 166	\$ 182	\$ 190	\$ 202	\$ 209

⁽¹⁾ Of the significant items described above, \$5 million was recorded in depreciation and amortization expense in Q4 2015 in each of the Canadian and South American operations

A reconciliation between EBIT, Adjusted EBIT, and Adjusted EBITDA for the UK & Ireland operations for the last nine quarters is as follows:

3 months ended (\$ millions)	2017		2016				2015		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	\$ 11	\$ 8	\$ 8	\$ 10	\$ (26)	\$ (4)	\$ (31)	\$ 7	\$ 12
Significant items:									
Severance costs	—	—	—	—	7	2	2	4	—
Facility closures and restructuring costs	—	—	—	—	4	—	2	—	—
Impairment loss on distribution network and goodwill	—	—	—	—	—	—	14	—	—
Inventory and other asset impairments	—	—	—	—	—	—	16	—	—
Power systems project provisions and estimated loss on disputes	—	—	—	—	5	5	—	—	—
Loss on sale of non-core business	—	—	—	—	5	—	—	—	—
Adjusted EBIT	\$ 11	\$ 8	\$ 8	\$ 10	\$ (5)	\$ 3	\$ 3	\$ 11	\$ 12
Depreciation and amortization	7	6	7	7	8	8	7	8	6
Adjusted EBITDA	\$ 18	\$ 14	\$ 15	\$ 17	\$ 3	\$ 11	\$ 10	\$ 19	\$ 18
Adjusted EBIT – 12 months	\$ 37	\$ 21	\$ 16	\$ 11	\$ 12	\$ 29	\$ 33	\$ 42	\$ 45

Adjusted EBIT Margin, EBITDA Margin, and Adjusted EBITDA Margin

These measures are defined, respectively, as Adjusted EBIT divided by total revenue, EBITDA divided by total revenue, and Adjusted EBITDA divided by total revenue, using total revenue as disclosed in the Company's condensed consolidated statement of income. These measures are utilized by management to assess and evaluate the financial performance or profitability of its operating segments.

Free Cash Flow

Free cash flow is defined as cash flow provided by (used in) operating activities less net additions to property, plant, and equipment and intangible assets, as disclosed in the Company's condensed consolidated statement of cash flow. Free cash flow is a measure used by the Company to assess cash operating performance and the ability to raise and service debt. A reconciliation of free cash flow is as follows:

(\$ millions)	3 months ended June 30		6 months ended June 30	
	2017	2016	2017	2016
Cash flow (used in) provided by operating activities ⁽¹⁾	\$ (112)	\$ 75	\$ (170)	\$ 132
Additions to property, plant, and equipment and intangible assets ⁽¹⁾	(20)	(17)	(39)	(55)
Proceeds on disposal of property, plant, and equipment ⁽¹⁾	1	6	2	17
Free cash flow	\$ (131)	\$ 64	\$ (207)	\$ 94

⁽¹⁾ As disclosed in the Company's condensed consolidated statement of cash flow

Inventory Turns

Inventory turns is the number of times the Company's inventory is sold and replaced over a period and is used by management as a measure of asset utilization. Inventory turns is calculated as annualized cost of sales for the last six months divided by average inventory, based on an average of the last two quarters, as follows:

(\$ millions, except as noted)	June 30, 2017	December 31, 2016
Cost of sales – annualized	\$ 4,337	\$ 4,150
Inventory – two quarter average	\$ 1,725	\$ 1,663
Inventory turns (number of times)	2.51	2.49

Invested Capital Turnover

Invested capital turnover is used by management as a measure of efficiency in the use of the Company's invested capital and is calculated as total revenue for the last twelve months divided by invested capital, defined on page 32, based on an average of the last four quarters, as follows:

(\$ millions, except as noted)	June 30, 2017	December 31, 2016
Revenue – last twelve months	\$ 5,807	\$ 5,628
Invested capital – four quarter average	\$ 2,934	\$ 2,960
Invested capital turnover	1.98	1.90

Net Debt to Invested Capital Ratio

Net Debt to Invested Capital is a ratio that is calculated as net debt divided by invested capital (both defined below), and is used by management as a measurement of the Company's financial leverage.

Net debt is calculated as short-term and long-term debt, net of cash. Invested capital is net debt plus all components of shareholders' equity (share capital, contributed surplus, accumulated other comprehensive income, and retained earnings). Invested capital is also calculated as total assets less total liabilities, excluding net debt. Invested capital is used by management as a measure of the total cash investment made in the Company and each operating segment. Management uses invested capital in a number of different measurements in assessing financial performance against other companies and between reportable segments.

The calculation of Net Debt to Invested Capital is as follows:

(\$ millions, except as noted)	June 30, 2017	December 31, 2016
Cash and cash equivalents	\$ (411)	\$ (593)
Short-term debt	102	2
Current portion of long-term debt	350	—
Long-term debt	1,116	1,487
Net debt	1,157	896
Shareholders' equity	1,937	1,901
Invested capital	\$ 3,094	\$ 2,797
Net debt to invested capital	37.4%	32.0%

Net Debt to EBITDA Ratio and Net Debt to Adjusted EBITDA Ratio

These ratios are calculated, respectively, as net debt, defined and calculated above, divided by EBITDA, and net debt divided by Adjusted EBITDA, for the last twelve months. These ratios are used by management in assessing the Company's operating leverage and ability to repay its debt. These ratios approximate the length of time, in years, that it would take the Company to repay its debt, with net debt and EBITDA or Adjusted EBITDA held constant. These ratios are calculated as follows:

(\$ millions, except as noted)	June 30, 2017	December 31, 2016
Net debt	\$ 1,157	\$ 896
EBITDA – 12 months ended	\$ 461	\$ 357
Net Debt to EBITDA Ratio ⁽¹⁾	2.5	2.5
Net debt	\$ 1,157	\$ 896
Adjusted EBITDA – 12 months ended	\$ 513	\$ 465
Net Debt to Adjusted EBITDA Ratio	2.3	1.9

⁽¹⁾ 2016 results were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on page 28 of this MD&A.

Adjusted net income and Adjusted EPS

Adjusted net income excludes from net income (as disclosed in the Company's condensed consolidated statement of income) the after-tax amounts of significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company's underlying business performance.

Adjusted EPS is calculated by dividing Adjusted net income by the weighted average number of common shares outstanding during the period.

An example of a reconciliation between net income and EPS (the nearest GAAP measures) and Adjusted net income and Adjusted EPS can be found on page 3 of this MD&A.

ROIC and Adjusted ROIC

Return on Invested Capital, or ROIC, is defined as earnings before finance costs and income taxes (EBIT) for the last twelve months divided by invested capital (a non-GAAP financial measure defined above), based on an average of the last four quarters, expressed as a percentage.

Management views ROIC (at a consolidated and operating segment level), as a useful measure for supporting investment and resource allocation decisions, as it adjusts for certain items that may affect comparability between certain competitors and segments. Management may also calculate an Adjusted ROIC using Adjusted EBIT to exclude significant items that are not considered to be indicative of operational and financial trends either by nature or amount to provide a better overall understanding of the Company's underlying business performance.

ROIC for the consolidated operations is calculated as follows:

(\$ millions)	June 30, 2017	December 31, 2016
EBIT – 12 months ended	\$ 275	\$ 165
Invested capital – four quarter average	\$ 2,934	\$ 2,960
ROIC	9.4 %	5.6 %

Adjusted ROIC, on a consolidated and segmented basis, is calculated as follows:

(\$ millions, except as noted)	2017		2016				2015		
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Consolidated									
Adjusted EBIT									
– 12 months ended	\$ 327	\$ 292	\$ 273	\$ 285	\$ 309	\$ 358	\$ 383	\$ 445	\$ 483
Invested capital									
– four quarter average	\$ 2,934	\$ 2,920	\$ 2,960	\$ 3,071	\$ 3,292	\$ 3,416	\$ 3,530	\$ 3,496	\$ 3,381
Adjusted ROIC	11.2%	10.0%	9.3%	9.2%	9.4%	10.4%	10.9%	12.8%	14.3%
Canada									
Adjusted EBIT									
– 12 months ended	\$ 185	\$ 168	\$ 154	\$ 149	\$ 163	\$ 178	\$ 189	\$ 225	\$ 257
Invested capital									
– four quarter average	\$ 1,659	\$ 1,642	\$ 1,656	\$ 1,697	\$ 1,753	\$ 1,765	\$ 1,792	\$ 1,721	\$ 1,682
Adjusted ROIC	11.2%	10.2%	9.3%	8.7%	9.3%	10.1%	10.6%	13.1%	15.3%
South America									
Adjusted EBIT									
– 12 months ended	\$ 162	\$ 158	\$ 155	\$ 164	\$ 166	\$ 182	\$ 190	\$ 202	\$ 209
Invested capital									
– four quarter average	\$ 1,020	\$ 1,028	\$ 1,030	\$ 1,062	\$ 1,178	\$ 1,261	\$ 1,357	\$ 1,413	\$ 1,366
Adjusted ROIC	15.9%	15.4%	15.0%	15.6%	14.2%	14.5%	14.0%	14.3%	15.2%
UK & Ireland									
Adjusted EBIT									
– 12 months ended	\$ 37	\$ 21	\$ 16	\$ 11	\$ 12	\$ 29	\$ 33	\$ 42	\$ 45
Invested capital									
– four quarter average	\$ 262	\$ 253	\$ 268	\$ 294	\$ 342	\$ 371	\$ 369	\$ 359	\$ 335
Adjusted ROIC	14.0%	8.2%	5.9%	3.4%	3.3%	7.4%	9.0%	11.9%	13.9%

Working Capital

Working capital is defined as total current assets (excluding cash and cash equivalents) less total current liabilities (excluding short-term debt and current portion of long-term debt). Management views working capital as a measure for assessing overall liquidity. Working capital is calculated as follows:

(\$ millions)	June 30, 2017	December 31, 2016
Total current assets	\$ 3,482	\$ 3,378
Cash and cash equivalents	(411)	(593)
Total current assets ⁽¹⁾	\$ 3,071	\$ 2,785
Total current liabilities	\$ 1,707	\$ 1,233
Short-term debt	(102)	(2)
Current portion of long-term debt	(350)	—
Total current liabilities ⁽²⁾	\$ 1,255	\$ 1,231
Working capital	\$ 1,816	\$ 1,554

⁽¹⁾ Excluding cash and cash equivalents

⁽²⁾ Excluding short-term debt and current portion of long-term debt

Working Capital to Sales Ratio

This ratio is calculated as working capital, based on an average of the last four quarters, divided by total revenue for the last twelve months. This is a useful KPI for management in assessing the Company's efficiency in its use of working capital to generate sales. The Working Capital to Sales Ratio is calculated as follows:

(\$ millions, except as noted)	June 30, 2017	December 31, 2016
Working capital – four quarter average	\$ 1,678	\$ 1,709
Revenue – 12 months ended	\$ 5,807	\$ 5,628
Working capital to sales	28.9 %	30.4 %

Equipment Backlog and Order Intake

The Company's global equipment backlog is defined as the retail value of new equipment units ordered by customers for future deliveries. Order intake represents committed new equipment orders. Management uses equipment backlog and order intake as measures of projecting future new equipment deliveries. There are no directly comparable IFRS measures for equipment backlog and order intake.

Selected Quarterly Information

(\$ millions, except for share, per share, and option amounts)	2017		2016				2015 (Restated) ⁽¹⁾	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	Revenue from operations							
Canada	\$ 790	\$ 691	\$ 716	\$ 619	\$ 634	\$ 852	\$ 714	\$ 743
South America	516	500	535	461	431	430	528	509
UK & Ireland	275	211	240	253	245	212	295	265
Total revenue	\$ 1,581	\$ 1,402	\$ 1,491	\$ 1,333	\$ 1,310	\$ 1,494	\$ 1,537	\$ 1,517
Net income (loss) ⁽²⁾	\$ 56	\$ 47	\$ 9	\$ 36	\$ 5	\$ 15	\$ (309)	\$ 33
Earnings Per Share ⁽²⁾								
Basic EPS	\$ 0.34	\$ 0.28	\$ 0.05	\$ 0.22	\$ 0.03	\$ 0.09	\$ (1.82)	\$ 0.19
Diluted EPS	\$ 0.34	\$ 0.28	\$ 0.05	\$ 0.22	\$ 0.03	\$ 0.09	\$ (1.82)	\$ 0.19
Total assets	\$ 5,029	\$ 4,901	\$ 4,910	\$ 4,886	\$ 4,754	\$ 4,870	\$ 5,108	\$ 5,520
Long-term debt								
Current	\$ 350	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Non-current	1,116	1,481	1,487	1,474	1,470	1,492	1,548	1,553
Total long-term debt ⁽³⁾	\$ 1,466	\$ 1,481	\$ 1,487	\$ 1,474	\$ 1,470	\$ 1,492	\$ 1,548	\$ 1,553
Cash dividends paid per common share	18.25¢	18.25¢	18.25¢	18.25¢	18.25¢	18.25¢	18.25¢	18.25¢
Common shares outstanding (000's)	168,097	168,083	168,167	168,134	168,102	168,034	168,031	169,612
Options outstanding (000's)	4,755	4,501	4,564	4,823	5,026	5,102	5,171	5,315

- 1) In 2016, management voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, management concluded that certain cost recoveries were better reflected as revenues. Certain line items and key performance metrics have been restated in the comparative 2015 period but the impact of restatement is not significant.
- 2) 2016 and 2015 results were impacted by the following significant items:

(\$ millions except per share amounts)	2016					2015		
	Annual	Q4	Q3	Q2	Q1	Annual	Q4	Q3
Distribution network and goodwill impairment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 338	\$ 338	\$ —
Impact from Alberta wildfires - unavoidable costs	11	—	—	11	—	—	—	—
Facility closures and restructuring costs	36	32	—	4	—	53	45	6
Severance costs	41	15	—	9	17	48	2	25
Power systems provisions and estimated loss on disputes and alleged fraudulent activity by a customer	20	10	—	5	5	—	—	—
Inventory and other asset impairments	—	—	—	—	—	42	42	—
Gain on investment	(5)	(5)	—	—	—	—	—	—
FX impact on devaluation of ARS	—	—	—	—	—	12	12	—
Acquisition and disposal of businesses, net	5	—	—	5	—	(5)	(8)	3
Impact of significant items ^(a) on EBIT:	\$ 108	\$ 52	\$ —	\$ 34	\$ 22	\$ 488	\$ 431	\$ 34
Capital loss utilized/tax rate change impact on EPS:	—	—	—	—	—	0.02	0.07	—
Impact of significant items on EPS:	\$ 0.50	\$ 0.23	\$ —	\$ 0.17	\$ 0.10	\$ 2.23	\$ 2.05	\$ 0.15

(a) Of the significant items described above, \$10 million was recorded in depreciation and amortization expense in Q4 2015.

- 3) In October 2015 the Company closed a three-year extension to its \$1.0 billion global operating credit facility, extending the maturity date to October 2020 from the previous maturity in September 2017.

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include terminology such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will, and variations of such terminology. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy, markets and activities and the associated impact on the Company's financial results; in Canada, demand for mining equipment, power systems products and core equipment, financial impact from the Alberta wildfires, competitive market conditions, dependence on commodity markets, upcoming infrastructure projects, activity in the oil and gas sector, and the Company's collective agreement negotiations with the International Association of Machinists and Aerospace Workers (IAMAW) – Vancouver Lodge 692; in South America, product support activity, expectations for construction activity in Chile and infrastructure activity in Argentina, impact of upcoming elections in Argentina; in the UK & Ireland, the shift to general construction, demand for new equipment and product support, demand in the electric power generation sector, the impact of Brexit, and competitive pricing pressure; expected impact of and volatility in foreign exchange markets; expected free cash flow and liquidity; expected deliveries of equipment in 2018; expected profitability levels; expected range of the Company's effective tax rate; market share growth; expected results from cost reductions, capital discipline, improved working capital management and transformation initiatives; expected results from execution of the Company's strategy; inventory turns; timing and delivery of innovative customer solutions; planned activities and anticipated results of Finning Digital; and investment in a new ERP system for the South American business. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws

Unless otherwise indicated by us, forward-looking statements in this report reflect Finning's expectations at the date in this MD&A. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from

the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning cannot guarantee that any forward-looking statement will materialize. Factors that could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's ability to maintain its relationship with Caterpillar; Finning's dependence on the continued market acceptance of its products, including Caterpillar products, and the timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenue occurs; Finning's ability to reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability and availability of, and benefits from information technology and the data processed by that technology; and Finning's ability to protect itself from cybersecurity threats or incidents. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section in this MD&A for forward-looking statements. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in Section 4 of the Company's current AIF and in the annual MD&A for the financial risks.

Finning cautions readers that the risks described in the MD&A and the AIF are not the only ones that could

impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations. Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this report. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them.

Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.