

Finning Reports Q2 2015 Results

Vancouver, B.C. – Finning International Inc. (TSX: FTT) reported second quarter 2015 results today (all monetary amounts are in Canadian dollars unless otherwise stated).

Q2 2015 HIGHLIGHTS

- Basic EPS⁽¹⁾ was \$0.36. Severance costs were \$0.03 per share, and a one-time negative impact of an increase in the provincial tax rate in Alberta was \$0.01 per share.
- The Company generated \$69 million in free cash flow⁽²⁾ with significant contribution from Canada.
- The Company repurchased close to one million of its shares in Q2 at an average price of \$23.85 per share.
- EBIT⁽¹⁾⁽²⁾ margin in South America remained strong at 9.5% (10.1% excluding severance costs).
- Canada's EBIT margin was 6.2% (6.5% excluding severance costs). Canada's SG&A⁽¹⁾ was 13% lower than Q2 2014, driven by cost reductions and operational improvements.
- Effective July 1, 2015, the Company completed the previously announced acquisition of the operating assets of the Caterpillar dealership in Saskatchewan, and has successfully transitioned the business into Finning Canada operations.

"We remain focused on operating with discipline and managing through tough market conditions in Canada and South America. Company-wide cost reductions, including rationalization of our workforce and facilities network, enabled us to achieve sequential improvement in operating margins across all our regions. Going forward, we will continue to drive cost discipline and sustainable operating improvements to position Finning for long-term value creation when markets recover. For 2015, we continue to expect strong free cash flow driven by continued reductions in equipment inventory and tight controls over spending. Our healthy balance sheet and strong free cash flows have allowed us to fund the Saskatchewan acquisition and to begin repurchasing our shares. We consider share buybacks to be an effective use of excess cash when our shares are trading at a significant discount, and expect to continue repurchasing shares in step with free cash flow delivery," said Scott Thomson, president and chief executive officer of Finning International.

"I am pleased to welcome our new Saskatchewan employees to Finning. The transition of the Saskatchewan dealership to our Canadian operations has been successful due to a great team effort," concluded Mr. Thomson.

Q2 2015 FINANCIAL SUMMARY

\$ millions, except per share amounts	Three months ended Jun 30		
	2015	2014	% change
Revenue	1,656	1,768	(6)
EBIT	106	137	(23)
<i>EBIT margin</i>	6.4%	7.8%	
Net income	61	86	(29)
Basic EPS	0.36	0.50	(28)
EBITDA ⁽¹⁾⁽²⁾	157	190	(17)
Free cash flow	69	123	(44)

- Revenues of \$1.7 billion decreased by 6% from Q2 2014, driven by lower activity levels in Canada and South America. New equipment sales were down 18% reflecting lower demand from mining in South America and reduced

construction and mining activity in Canada. Consolidated product support revenue was up slightly from Q2 2014, but down modestly in functional currencies.

- Gross profit margin⁽²⁾ of 29.1% was slightly below 29.6% in Q2 2014 due to lower gross profit margins in most lines of business, reflecting customers' focus on reducing operating costs and increased competitive pressures, primarily in Canada. This decrease was partly offset by a favourable revenue mix shift to product support.
- SG&A was down 3% to \$377 million as the Company continued to drive cost discipline and operational improvements across the entire organization to achieve sustainable SG&A reductions. Global severance costs totaled approximately \$6 million in Q2 2015, consistent with severance costs incurred in Q2 2014.
- EBIT declined by 23% to \$106 million, and EBIT margin of 6.4% was below 7.8% in Q2 2014, driven mainly by lower gross profit margin in Canada. Excluding severance costs, Q2 2015 EBIT margin was 6.7%. Compared to Q1 2015, EBIT margin improved in all operations, most notably in Canada.
- Basic EPS of \$0.36 was below \$0.50 in Q2 2014. Severance costs reduced Q2 2015 EPS by approximately \$0.03 per share. The effective tax rate of 27.2% was above 24.1% in Q2 2014, mostly due to the one-time negative impact of an increase in the provincial tax rate in Alberta on the revaluation of deferred tax balances, which reduced Q2 2015 EPS by \$0.01 per share.
- Quarterly free cash flow was \$69 million compared to \$123 million in Q2 2014, reflecting lower operating results, primarily in Canada, and greater cash generation in South American in Q2 2014 driven by higher inventory reduction. Net debt to invested capital was 35.4% at the end of Q2 2015 compared to 40.9% at Q2 2014.
- The Company repurchased close to one million of its shares during Q2 at an average price of \$23.85 per share.

	Q2 2015	Q1 2015	Q2 2014
Invested capital (\$ millions)	3,536	3,541	3,334
Invested capital turnover ⁽²⁾ (times)	1.97	2.03	2.12
Return on invested capital⁽²⁾ (%)			
Consolidated	12.9	14.1	16.0
Canada	13.9	15.3	16.6
South America	13.6	14.4	17.4
UK & Ireland	13.2	14.7	15.9

- Consolidated invested capital was comparable to Q1 2015 as the reduction in accounts receivable and inventories was partly offset by lower accounts payable, mostly in Canada. Invested capital turnover declined to 1.97 times from 2.03 times in Q1 2015 on lower revenues and slightly higher average invested capital over the last four quarters. ROIC⁽¹⁾ decreased to 12.9% from 14.1% in Q1 2015, as a result of lower EBIT margin and invested capital turnover, driven mostly by the market downturn in Canada.
- Order backlog⁽²⁾ was \$0.7 billion at the end of Q2 2015, down from \$0.9 billion at the end of Q1 2015, primarily due to lower order backlog in Canada as deliveries outpaced order intake in Q2. In South America, order intake improved significantly from Q1 2015; however, the backlog remained low by historical standards.

Q2 2015 HIGHLIGHTS BY OPERATION

Canada

- Revenues declined by 9%, with lower revenues in most lines of business. New equipment sales were down 16%, driven by reduced construction and mining activity. Product support revenues decreased by 7% due to lower service revenues across all segments as customers continued to focus on reducing operating costs, as well as lower parts sales in construction. Used equipment sales were \$32 million higher than in Q2 2014, as the

Canadian operations focused on reducing inventory levels. Rental revenues were 32% below Q2 2014 due to increased competition and the slowdown in the short-term rental market.

- Gross profit margins declined in most lines of business as competitive pressures were intensified by softer market conditions, a weaker Canadian dollar, and customers' focus on reducing costs. In addition, gross profit margin was negatively impacted by lower used equipment margins due to competitive pressures on surplus used equipment inventories in the market.
- SG&A costs declined by 13%, reflecting the benefit from targeted cost reductions and continued progress on the operational excellence initiatives. Since Q2 2014, the Canadian operation has reduced its workforce by about 850 people or 14% and closed 16 facilities. Severance costs associated with the workforce reductions in Q2 2015 totaled approximately \$2 million, consistent with the severance in Q2 2014.
- EBIT decreased to \$53 million from \$77 million in Q2 2014 due to lower sales activity and margins, which was partly offset by SG&A reductions. EBIT margin of 6.2% was below 8.3% in Q2 2014. Excluding severance costs, EBIT margin was 6.5%. Compared to Q1 2015, improvement in Canada's EBIT performance was mostly driven by continued SG&A reductions, while weak demand and pricing pressures continued to challenge equipment markets.
- Invested capital decreased by about \$50 million from Q1 2015, driven mostly by the reduction in equipment and parts inventories. However, invested capital turnover of 2.05 was below 2.09 times in Q1 2015, as revenues declined faster than average invested capital levels. The Canadian operation continues to reduce inventory in line with lower market activity.

South America

- Revenues declined by 5% (down 16% in functional currency – U.S. dollars), driven by a 35% decrease in new equipment sales (down 42% in functional currency), mostly due to reduced demand from mining. Product support revenues were up 10%, but were 2% lower in functional currency, primarily due to mining customers continuing to focus on reducing operating costs while maintaining production. Compared to Q1 2015, product support revenues showed improvement from the seasonally slow first quarter.
- EBIT of \$51 million was down 10% from Q2 2014 (down 20% in functional currency). Severance costs associated with workforce reductions in Q2 2015 were approximately \$3 million, consistent with severance costs in Q2 2014. EBIT margin was 9.5% vs. 10.0% in Q2 2014. Excluding severance costs, Q2 2015 EBIT was strong at 10.1%, benefitting from the shift in revenue mix to higher margin product support and cost discipline. Compared to Q1 2015, EBIT margin was up from 9.3%.
- Invested capital was down by about \$15 million compared to Q1 2015, but up \$7 million in functional currency, driven by higher receivables in line with increased sales, and higher parts inventory due to customers' deferral of maintenance work.

United Kingdom & Ireland

- Revenues were relatively unchanged from Q2 2014. In functional currency (U.K. Pound Sterling), revenues were down 3%, mostly due to lower new equipment revenue in power systems, while product support revenues were similar to last year.
- EBIT of \$11 million was \$3 million below Q2 2014, driven by higher SG&A due to inflationary salary increases and foreign exchange losses on the translation of Euro receivables. EBIT margin declined to 4.2% from 5.1% in Q2 2014. EBIT performance improved from Q1 2015, reflecting higher sales activity and cost savings from on-going workforce optimization. Since the beginning of 2015 to date, the UK & Ireland operations have reduced its workforce by approximately 30 people and closed two branches.
- Invested capital rose by about \$50 million from Q1 2015 (up roughly £20 million in functional currency), driven by higher new equipment inventory to support strong order intake in the first half of 2015.

CORPORATE AND BUSINESS DEVELOPMENTS

Finning Completes Acquisition of Caterpillar Dealership in Saskatchewan

Effective July 1, 2015, Finning acquired the operating assets of the Caterpillar dealership of Kramer Ltd. for \$240 million, subject to customary post-closing working capital adjustments, and became the approved Cat dealer in Saskatchewan. The acquired dealership business in Saskatchewan diversifies the Company's Canadian revenue base into sectors such as potash and uranium.

Dividend

The Board of Directors has approved a quarterly dividend of \$0.1825 per share, payable on September 3, 2015 to shareholders of record on August 20, 2015. This dividend will be considered an eligible dividend for Canadian income tax purposes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
(C\$ millions, except per share amounts)

	Three months ended Jun 30			Six months ended Jun 30		
	2015	2014	% change	2015	2014	% change
Revenue						
New equipment	639	781	(18)	1,190	1,473	(19)
Used equipment	106	64	66	173	123	41
Equipment rental	68	86	(21)	139	174	(20)
Product support	839	831	1	1,665	1,661	0
Other	4	6		8	13	
Total revenue	1,656	1,768	(6)	3,175	3,444	(8)
Gross profit	481	523	(8)	941	1,022	(8)
<i>Gross profit margin</i>	29.1%	29.6%		29.6%	29.7%	
SG&A	(377)	(388)	3	(763)	(777)	2
<i>SG&A as a percentage of revenue</i>	(22.8)%	(22.0)%		(24.0)%	(22.5)%	
Equity earnings of joint venture and associate	2	3		3	4	
Other income (expenses)	0	(1)		0	(1)	
EBIT	106	137	(23)	181	248	(27)
<i>EBIT margin</i>	6.4%	7.8%		5.7%	7.2%	
Net income	61	86	(29)	115	154	(26)
Basic EPS	0.36	0.50	(28)	0.66	0.90	(26)
EBITDA	157	190	(17)	283	356	(20)
Free cash flow	69	123	(44)	(162)	(11)	
				Jun 30, 15	Dec 31, 14	
Invested capital				3,536	3,106	
Invested capital turnover (times)				1.97	2.10	
Net debt to invested capital				35.4%	31.4%	
Return on invested capital				12.9%	15.3%	

Q2 2015 RESULTS INVESTOR CALL

The Company will hold an investor call on August 6 at 11:00 am Eastern Time. Dial-in numbers: 1-800-766-6630 (within Canada and the US) or 416-340-8527 (Toronto area and overseas). The call will be webcast live and subsequently archived at www.finning.com. Playback recording will be available at 1-800-408-3053 until August 13, 2015. The pass code to access the playback recording is 8549315 followed by the number sign.

ABOUT FINNING

Finning International Inc. (TSX: FTT) is the world's largest Caterpillar equipment dealer delivering unrivalled service to customers for over 80 years. Finning sells, rents, and provides parts and services for equipment and engines to help customers maximize productivity. Headquartered in Vancouver, B.C., the Company operates in Western Canada, Chile, Argentina, Bolivia, Uruguay, as well as in the United Kingdom and Ireland.

CONTACT INFORMATION

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FOOTNOTES

- (1) Earnings Before Finance Costs and Income Taxes (EBIT); Earnings per Share (EPS); Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA); Selling, General & Administrative Expenses (SG&A); Return on Invested Capital (ROIC).
- (2) These financial metrics do not have a standardized meaning under International Financial Reporting Standards, which are also referred to herein as generally accepted accounting principles (GAAP), and may not be comparable to similar measures used by other issuers. The Company's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial metrics, including definitions, under the heading "Description of Non-GAAP and Additional GAAP Measures".

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 words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue; expected free cash flow; EBIT margin; ROIC; market share growth; expected results from service excellence action plans; anticipated asset utilization; inventory turns and parts service levels; the expected target range of the Company's net debt to invested capital ratio; and the expected financial impact from the acquisition of the operating assets of the Caterpillar dealer in Saskatchewan. 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 August 6, 2015. 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 dependence on the continued market acceptance of Caterpillar's products and Caterpillar's 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 to meet growing product support demand; 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, availability and benefits from information technology and the data processed by that technology. 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 of this MD&A. 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.

Finning cautions readers that the risks described in 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 hereof. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 5, 2015

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 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 on the SEDAR (System for Electronic Document Analysis and Retrieval) website at www.sedar.com.

Results of Operations and Financial Performance

2015 Second Quarter Overview

	Q2 2015		Q2 2014	
	(\$ millions)		(% of revenue)	
Revenue	\$ 1,656	\$ 1,768		
Gross profit	481	523	29.1%	29.6%
Selling, general & administrative expenses (SG&A)	(377)	(388)	(22.8)%	(22.0)%
Equity earnings of joint venture and associate	2	3	0.1%	0.2%
Other expenses	—	(1)	0.0%	(0.0)%
Earnings before finance costs and income taxes (EBIT) ⁽¹⁾	106	137	6.4%	7.8%
Finance costs	(22)	(23)	(1.3)%	(1.3)%
Provision for income taxes	(23)	(28)	(1.4)%	(1.6)%
Net income	\$ 61	\$ 86	3.7%	4.9%
Basic earnings per share (EPS)	\$ 0.36	\$ 0.50		
Earnings before finance costs, income taxes, depreciation and amortization (EBITDA) ⁽¹⁾	\$ 157	\$ 190	9.5%	10.8%
Free cash flow ⁽¹⁾	\$ 69	\$ 123		

2015 Second Quarter Highlights

- Revenue of \$1.7 billion was down 6% from Q2 2014 driven mainly by an 18% decrease in new equipment revenue, as a result of lower demand from mining in the Company's South American operations and reduced mining and construction activity in the Company's Canadian operations.
- EBIT of \$106 million was down from \$137 million in Q2 2014 with lower SG&A offset by lower gross profit, reflecting the challenging economic conditions in Canada and South America. This was reflected in a lower EBIT margin ⁽¹⁾ of 6.4% compared to 7.8% earned in the second quarter of 2014.
- Basic EPS of \$0.36 was lower than the \$0.50 earned in Q2 2014. The second quarter 2015 results included severance costs (\$0.03 per share) and the one-time negative impact of an increase in the provincial tax rate in Alberta on the revaluation of deferred tax balances (\$0.01 per share).
- The Company's free cash flow in Q2 2015 was \$69 million compared to \$123 million in Q2 2014, reflecting lower operating results, primarily in the Company's Canadian operations, and greater cash generation through a larger reduction in inventory in Q2 2014, primarily in the Company's South American operations.
- Return on invested capital (ROIC) ⁽¹⁾ decreased to 12.9% from 14.1% in Q1 2015, as a result of lower earnings on slightly higher average invested capital levels.
- The Company committed to repurchase 964,634 Finning common shares for cancellation at an average cost of \$23.85 per share, of which 706,534 settled in June 2015 and the remainder settled in early July 2015.
- Effective July 1, 2015 the Company acquired the operating assets of Kramer Ltd. for cash consideration of approximately \$240 million, subject to post-closing working capital adjustments, and became the approved Caterpillar dealer in Saskatchewan.

⁽¹⁾ These financial metrics do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP). For additional information regarding these financial metrics, see the heading "Description of Non-GAAP and Additional GAAP Measures" later in this MD&A.

Key Performance Measures

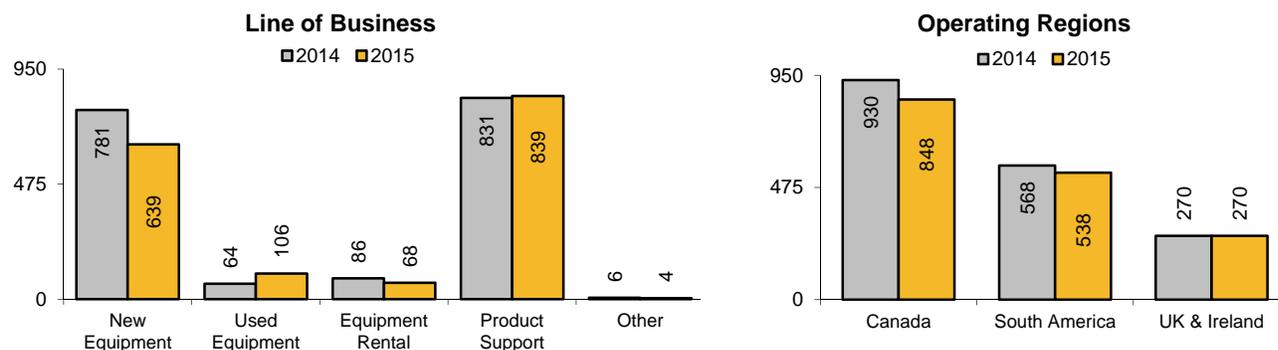
The Company is focused on building shareholder value by improving return on invested capital. With safety and talent management as the foundation, management is executing on the following operational priorities: customer and market leadership; supply chain optimization; service excellence; and asset utilization. These priorities are linked directly to improving EBIT performance and capital efficiency. The Company has aligned its 2015 employee incentive plans to these priorities, and defined the following key performance indicators (KPIs) to consistently measure progress on performance across the organization.

	2015		2014				2013		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Return on Invested Capital									
Consolidated	12.9%	14.1%	15.3%	15.4%	16.0%	15.4%	15.7%	15.8%	15.8%
Canada	13.9%	15.3%	17.1%	16.8%	16.6%	15.7%	15.9%	15.9%	15.5%
South America	13.6%	14.4%	14.6%	15.8%	17.4%	17.0%	17.6%	17.9%	18.1%
UK & Ireland	13.2%	14.7%	16.3%	15.6%	15.9%	16.3%	16.4%	16.8%	15.4%
EBIT									
EBIT (\$ millions)									
Consolidated	106	75	142	114	137	111	145	136	123
Canada	53	29	73	80	77	54	69	76	61
South America	51	45	59	32	57	50	76	56	59
UK & Ireland	11	7	11	14	14	12	8	12	13
EBIT Margin									
Consolidated	6.4%	5.0%	7.9%	6.8%	7.8%	6.6%	8.1%	7.6%	7.6%
Canada	6.2%	3.7%	7.7%	9.2%	8.3%	6.0%	7.9%	7.9%	7.9%
South America	9.5%	9.3%	9.8%	6.2%	10.0%	9.0%	11.3%	9.4%	9.5%
UK & Ireland	4.2%	3.1%	4.3%	4.8%	5.1%	4.9%	3.3%	5.3%	5.7%
Invested Capital									
Invested Capital ⁽¹⁾ (\$ millions)									
Consolidated	3,536	3,541	3,106	3,340	3,334	3,414	3,138	3,342	3,443
Canada	1,745	1,794	1,475	1,714	1,756	1,682	1,488	1,716	1,740
South America	1,402	1,417	1,348	1,298	1,274	1,443	1,391	1,379	1,454
UK & Ireland	381	330	284	344	309	296	265	268	259
Invested Capital Turnover ⁽¹⁾ (times)									
Consolidated	1.97x	2.03x	2.10x	2.09x	2.12x	2.06x	2.04x	2.03x	2.01x
Canada	2.05x	2.09x	2.19x	2.15x	2.20x	2.11x	2.03x	1.95x	1.92x
South America	1.56x	1.62x	1.66x	1.71x	1.74x	1.73x	1.78x	1.86x	1.87x
UK & Ireland	3.20x	3.38x	3.43x	3.43x	3.43x	3.41x	3.37x	3.27x	3.12x
Inventory (\$ millions)	1,918	1,973	1,661	1,806	1,835	1,945	1,756	1,904	1,978
Inventory Turns ⁽¹⁾ (times)	2.30x	2.57x	2.81x	2.64x	2.56x	2.61x	2.74x	2.44x	2.23x
Working Capital to Sales Ratio ⁽¹⁾	28.6%	27.3%	26.1%	26.0%	25.5%	26.3%	26.5%	26.7%	27.0%
Free Cash Flow (\$ millions)	69	(232)	385	109	123	(134)	365	163	6
Net Debt to Invested Capital Ratio ⁽¹⁾	35.4%	36.0%	31.4%	39.4%	40.9%	42.9%	40.8%	47.8%	50.6%
Net Debt to EBITDA Ratio ⁽¹⁾	1.9	1.9	1.4	1.8	1.8	2.0	1.7	2.2	2.4

⁽¹⁾ These financial metrics do not have a standardized meaning under IFRS. For additional information regarding these financial metrics, including definitions, see the heading "Description of Non-GAAP and Additional GAAP Measures" later in this MD&A.

Revenue

Three months ended June 30
(\$ millions)



The Company generated revenue of \$1.7 billion during the three months ended June 30, 2015, a decrease of 6% from Q2 2014, driven primarily by a decrease in new equipment revenue in the Company's South American and Canadian operations, as well as a decrease in product support revenue in the Company's Canadian operations. These decreases were partially offset by higher used equipment sales in all operations.

Foreign exchange had a positive impact on revenue of approximately \$120 million, mainly due to the 13% weaker Canadian dollar relative to the U.S. dollar and 3% weaker Canadian dollar relative to the U.K. pound sterling for the second quarter of 2015 compared to last year.

New equipment sales were down 18% compared to the second quarter of 2014. In Canada, new equipment revenue was down compared to 2014 as a result of reduced construction and mining activity, partially offset by increased power systems demand. In South America, concerns regarding the price of copper, driven by lower demand, and higher production costs in copper mining continue to delay investments in new projects. As a result, demand for new equipment in the South American mining sector was down from the second quarter of 2014. In the UK & Ireland, new equipment revenue was also down compared to the prior year.

The equipment order backlog⁽¹⁾ was \$0.7 billion at the end of June 2015, down from \$0.9 billion at the end of March 2015 and \$1.0 billion at the end of 2014, primarily due to deliveries outpacing order intake in Canada in response to softening market conditions. In South America, order intake strengthened from the first quarter of 2015, but backlog remained very low. Order backlog remained strong in the UK & Ireland.

Used equipment revenue increased 66% compared to the prior year, primarily driven by higher sales volume in the Company's Canadian operations resulting from efforts to reduce inventory.

Rental revenue decreased by 21% compared to the second quarter of 2014, primarily due to softening in the short-term rental market and increased competition in the Company's Canadian operations relative to a year ago. Rental revenue in South America and the UK & Ireland was largely unchanged compared to the second quarter of 2014.

Product support revenue was up slightly from the same period in 2014 with increases in the Company's South American and UK & Ireland operations as a result of translating revenue with a weaker Canadian dollar, partially offset by a 7% decrease in the Company's Canadian operations, due principally to lower construction demand. Product support revenue in the Company's South American operations was up 10% in Canadian dollars, but down slightly in functional currency (U.S. dollars), primarily due to a decrease in service revenue from the weakening Chilean peso against the US dollar. Product support revenue in the Company's UK & Ireland operations was up slightly in Canadian dollars and comparable in functional currency (U.K. pound sterling).

⁽¹⁾ These financial metrics do not have a standardized meaning under IFRS. For additional information regarding these financial metrics, see the heading "Description of Non-GAAP and Additional GAAP Measures" later in this MD&A.

Earnings Before Finance Costs and Income Taxes

On a consolidated basis, EBIT of \$106 million in the three months ended June 30, 2015 was 23% lower than the \$137 million earned in the same period of 2014, reflecting lower earnings, primarily from the Company's Canadian operations as a result of reduced market activity.

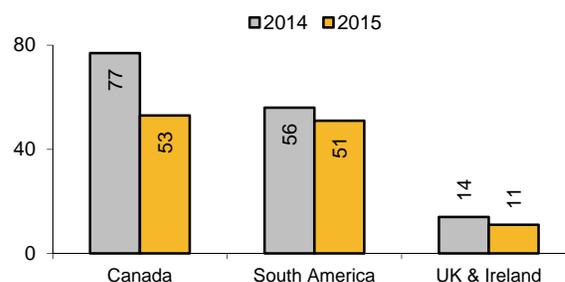
Gross profit of \$481 million in the second quarter of 2015 was down 8% compared to 2014, primarily due to lower new equipment volumes, described above. Gross profit margin⁽²⁾ was 29.1%, down from 29.6% in the second quarter of 2014, primarily due to lower gross profit margins in most lines of business compared to Q2 2014.

This reduction is due to customers' focusing on reducing operating costs in a challenging economic environment and increased competitive pressures, primarily in the Company's Canadian operations. This decrease was partially offset by a favourable revenue mix shift to higher margin product support revenue.

SG&A costs of \$377 million were down 3% from the second quarter of 2014. Actions have been taken across all operations to reduce the Company's cost structure to respond to lower market activity. As a result, SG&A in Q2 2015 included severance costs in all operations of \$6 million, consistent with severance costs incurred in Q2 2014. Global cost savings from operational improvements and volume-related decreases were partially offset by inflationary and statutory salary increases in South America.

The Company's EBIT margin was 6.4% in the second quarter of 2015, down from 7.8% in the same period of 2014, driven mainly by lower gross profit margin, as discussed above.

EBIT by Operation⁽¹⁾
Three months ended June 30
(\$ millions)



Finance Costs

Finance costs in the three months ended June 30, 2015 of \$22 million were marginally lower than the \$23 million reported in the same period of 2014.

Provision for Income Taxes

The effective income tax rate for the second quarter of 2015 was 27.2%, up from 24.1% in the prior year. The increase was due to a \$2 million expense recognized in the second quarter of 2015 on the one-time revaluation of the Company's deferred tax balances as a result of a 2% increase in the Alberta provincial corporate income tax rate, effective July 1, 2015.

Net Income

Net income was \$61 million in the second quarter of 2015, down from the \$86 million of net income earned in the same period last year. Basic EPS was \$0.36 per share compared with \$0.50 per share in the second quarter of 2014. The decrease in net income and basic EPS compared to the second quarter of 2014 was primarily the result of lower EBIT, reflecting the challenging economic conditions in Canada and South America. The second quarter 2015 results included severance costs (\$0.03 per share) and the negative one-time impact of the increase in the provincial tax rate in Alberta (\$0.01 per share).

⁽¹⁾ Excluding other operations – corporate head office

⁽²⁾ These financial metrics do not have a standardized meaning under IFRS. For additional information regarding these financial metrics, see the heading "Description of Non-GAAP and Additional GAAP Measures" later in this MD&A.

Other developments

Effective July 1, 2015 the Company acquired the operating assets of Kramer Ltd. for cash consideration of approximately \$240 million, subject to post-closing working capital adjustments, and became the approved Caterpillar dealer in Saskatchewan. The acquired dealership business in Saskatchewan will add to Finning's Western Canadian operations in British Columbia, Alberta, Yukon, Northwest Territories, and part of Nunavut. This diversifies the company's revenue base into sectors such as potash and uranium. In 2014, the acquired dealership business generated approximately \$275 million in revenue. The acquisition expands Finning's Western Canada operations into a contiguous territory, and provides a platform for long-term growth opportunities and diversification into new markets.

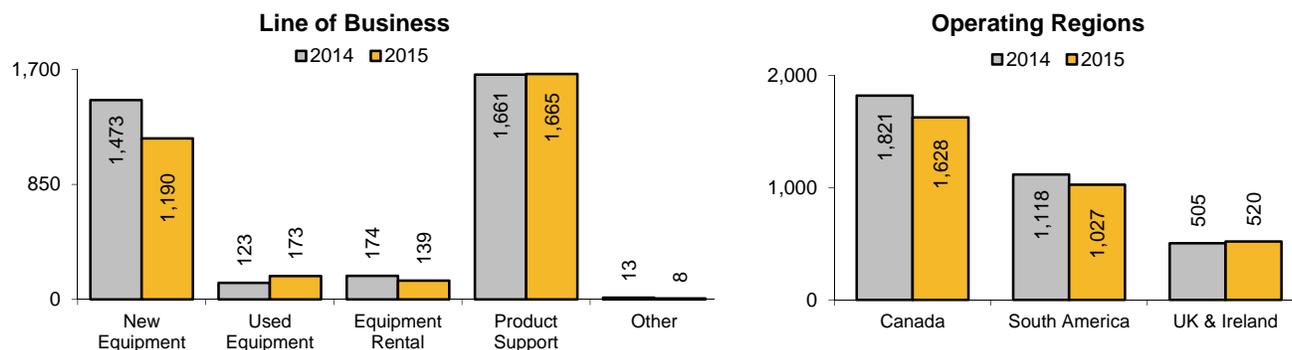
As part of a broader repositioning of the Caterpillar dealership network, Finning expects to transition out of Uruguay, which generates approximately US\$30 million in annual revenue. The Company will provide further updates as they become available.

Year-to-Date Overview

	YTD 2015	YTD 2014	YTD 2015	YTD 2014
	(\$ millions)		(% of revenue)	
Revenue	\$ 3,175	\$ 3,444		
Gross profit	941	1,022	29.6%	29.7%
Selling, general & administrative expenses (SG&A)	(763)	(777)	(24.0)%	(22.5)%
Equity earnings of joint venture and associate	3	4	0.1%	0.1%
Other expenses	—	(1)	0.0%	(0.1)%
Earnings before finance costs and income taxes (EBIT)	181	248	5.7%	7.2%
Finance costs	(40)	(44)	(1.3)%	(1.3)%
Provision for income taxes	(26)	(50)	(0.8)%	(1.4)%
Net income	\$ 115	\$ 154	3.6%	4.5%
Basic earnings per share (EPS)	\$ 0.66	\$ 0.90		
Earnings before finance costs, income taxes, depreciation and amortization (EBITDA)	\$ 283	\$ 356	8.9%	10.3%
Free cash flow	\$ (162)	\$ (11)		

Revenue

Six months ended June 30
(\$ millions)



For the six months ended June 30, 2015, the Company generated revenue of \$3.2 billion, a decrease of 8% over the same period last year, driven primarily by a decrease in new equipment revenue in the Company's South American and Canadian operations, as well as a decrease in product support revenue in the Company's Canadian operations.

Foreign exchange had a positive impact on revenue of approximately \$220 million, mainly due to the 13% weaker Canadian dollar relative to the U.S. dollar and 3% weaker Canadian dollar relative to the U.K. pound sterling for the first six months of 2015 compared to the same period last year.

New equipment sales were down 19% compared to the first six months of 2014, reflecting challenging market conditions in South America and Canada. Product support revenue was comparable to the prior year.

The increase in used equipment revenue of 41%, primarily from an effort to reduce used equipment inventory in the Company's Canadian operations, was largely offset by a decrease in rental revenue of 20% compared to the first six months of 2014. A weaker short-term rental market and increased competition in the Company's Canadian operations relative to a year ago were the primary factors in lower rental revenue. Rental revenue in South America and the UK & Ireland was largely unchanged compared to the first six months of 2014.

Earnings Before Finance Costs and Income Taxes

On a consolidated basis, EBIT of \$181 million in the first half of 2015 was lower than the \$248 million earned in the same period of 2014, reflecting higher global severance and facility closure costs, and lower earnings primarily from the Company's Canadian operations as a result of reduced market activity.

Gross profit of \$941 million in the first six months of 2015 was down 8% compared to the same period of 2014, primarily due to lower new equipment and rental volumes, described above. Gross profit margin was 29.6%, comparable to the 29.7% in the same period in 2014, with lower margins earned in most lines of business largely offset by a favourable revenue mix shift to higher margin product support revenue in the Company's South American operations. The pressure on gross profit margin reflects customers' focus on reducing operating costs in a challenging market environment and increased competitive pressures in the Company's Canadian operations.

SG&A costs were \$763 million, 2% lower than the first six months of 2014. Actions have been taken across all operations to reduce the Company's cost structure in response to lower market activity. As a result, SG&A in the first half of 2015 included severance costs in all operations of \$23 million and facility closure costs in the Company's Canadian operations of \$2 million, an increase from severance costs of \$7 million incurred in the first two quarters of 2014. Global cost savings from operational improvements and volume-related decreases were partially offset by inflationary and statutory salary increases in South America.

The Company's EBIT margin was 5.7% in the first half of 2015, down from 7.2% in the same period of 2014, driven mainly by the actions taken in the first half of 2015 to reduce the Company's cost structure, as discussed above. Excluding severance and facility closure costs, EBIT margin would have been 6.5% for the first six months of 2015.

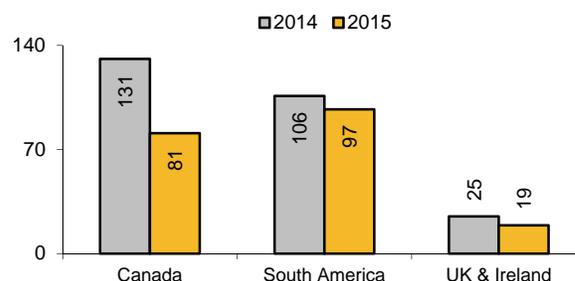
Finance Costs

Finance costs in the six months ended June 30, 2015 were \$40 million, lower than the \$44 million reported in the first half of 2014.

Provision for Income Taxes

The effective income tax rate for the first half of 2015 was 18.4%, down from 24.4% in the prior year. The Company's provision for income taxes included a \$10 million benefit from previously unrecognized tax losses to offset taxable amounts recorded during the first three months of 2015. This benefit was partially offset by an additional one-time expense of \$2 million recognized in the second quarter of 2015 due to a 2% increase in the provincial corporate income tax rate in Alberta effective July 1, 2015. Adjusting for these items, the effective tax rate in the first six months of 2015 would have been 24.0%.

EBIT by Operation ⁽¹⁾
Six months ended June 30
(\$ millions)



⁽¹⁾ Excluding other operations – corporate head office

Net Income

Net income was \$115 million in the first six months of 2015, down from the \$154 million of net income earned in the same period last year.

Basic EPS was \$0.66 per share compared with \$0.90 per share in the comparative period last year. The decrease in net income and basic EPS compared to 2014 was primarily the result of lower EBIT, reflecting the challenging economic conditions in Canada and South America. The first six months of 2015 results included severance and facility closure costs (\$0.11 per share), which were partially offset by a lower provision for income taxes (\$0.05 per share).

Invested Capital

(\$ millions, unless otherwise stated)	June 30, 2015	March 31, 2015	Increase (Decrease) from March 31, 2015	December 31, 2014	Increase (Decrease) from December 31, 2014
Consolidated	\$ 3,536	\$ 3,541	\$ (5)	\$ 3,106	\$ 430
Canada	\$ 1,745	\$ 1,794	\$ (49)	\$ 1,475	\$ 270
South America	\$ 1,402	\$ 1,417	\$ (15)	\$ 1,348	\$ 54
UK & Ireland	\$ 381	\$ 330	\$ 51	\$ 284	\$ 97
South America (U.S. dollar)	\$ 1,124	\$ 1,117	\$ 7	\$ 1,162	\$ (38)
UK & Ireland (U.K. pound sterling)	£ 194	£ 175	£ 19	£ 157	£ 37

Consolidated invested capital was comparable to the first quarter of 2015. Invested capital in the Company's Canadian operations decreased from Q1 2015 to Q2 2015, largely due to lower accounts receivable and inventory balances, partially offset by lower accounts payable, consistent with weaker market conditions. In functional currency, invested capital in the Company's South American operations was comparable to Q1 2015 (a decline in Canadian dollars), with higher accounts receivable, reflecting higher sales volume from Q1 2015, and higher parts inventory, as a result of customers' postponing maintenance, offset by higher accounts payable. Invested capital was up 11% (up 16% in Canadian dollars) in the UK & Ireland operations from the first quarter of 2015, driven by higher accounts receivable due to the timing of receipts, and higher new equipment inventory to meet customer demand in the second half of 2015.

The increase in consolidated invested capital of \$430 million from Q4 2014 to Q2 2015 included the impact of approximately \$130 million of foreign exchange, primarily from an 8% weakening of the Canadian dollar relative to the U.S. dollar in translating the Company's South American operations' invested capital balances. Excluding the impact of foreign exchange, consolidated invested capital increased by approximately \$300 million primarily the result of higher inventory and lower accounts payable in line with lower sales volumes in the Company's Canadian and South American operations. The increase in inventory in the Company's Canadian operations reflects the arrival of equipment ordered in 2014 before the unexpected drop in demand, which resulted in lower than expected sales in the first half of 2015.

In functional currency, invested capital in the Company's South American operations decreased 3% from Q4 2014 (increased 4% in Canadian dollars), primarily the result of lower accounts receivable in line with reduced volumes, partially offset by higher parts inventory in anticipation of increasing parts sales and lower accounts payable. Invested capital was up 24% from Q4 2014 (up 34% in Canadian dollars) in the UK & Ireland operations from December 2014, driven by higher new equipment inventory, which was supported by strong order intake in the first half of 2015.

Revenue levels declined more than anticipated due to weaker market conditions, while average invested capital levels increased slightly over the last four quarters. As a result, invested capital turnover in the second quarter of 2015 declined to 1.97 times from 2.03 times in Q1 2015 and 2.10 times in Q4 2014. The decline in invested capital turnover, together with lower EBIT margin, resulted in ROIC of 12.9% in Q2 2015, down from 14.1% in Q1 2015 and 15.3% in Q4 2014.

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, Yukon, Northwest Territories, and a portion of Nunavut.
- *South American operations:* Chile, Argentina, Uruguay, and Bolivia.
- *UK & Ireland operations:* England, Scotland, Wales, Northern Ireland, and the Republic of Ireland.

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

Three months ended June 30, 2015 (\$ millions)	Canada	South America	UK & Ireland	Consolidated	Revenue percentage
New equipment	\$ 342	\$ 132	\$ 165	\$ 639	39%
Used equipment	75	13	18	106	6%
Equipment rental	42	18	8	68	4%
Product support	389	373	77	839	51%
Other	—	2	2	4	0%
Total	\$ 848	\$ 538	\$ 270	\$ 1,656	100%
Revenue percentage by operations	51%	33%	16%	100%	

Three months ended June 30, 2014 (\$ millions)	Canada	South America	UK & Ireland	Consolidated	Revenue percentage
New equipment	\$ 407	\$ 202	\$ 172	\$ 781	44%
Used equipment	43	9	12	64	4%
Equipment rental	62	18	6	86	5%
Product support	417	338	76	831	47%
Other	1	1	4	6	0%
Total	\$ 930	\$ 568	\$ 270	\$ 1,768	100%
Revenue percentage by operations	53%	32%	15%	100%	

Six months ended June 30, 2015 (\$ millions)	Canada	South America	UK & Ireland	Consolidated	Revenue percentage
New equipment	\$ 647	\$ 235	\$ 308	\$ 1,190	38%
Used equipment	119	21	33	173	6%
Equipment rental	89	35	15	139	4%
Product support	773	733	159	1,665	52%
Other	—	3	5	8	0%
Total	\$ 1,628	\$ 1,027	\$ 520	\$ 3,175	100%
Revenue percentage by operations	51%	32%	17%	100%	

Six months ended June 30, 2014 (\$ millions)	Canada	South America	UK & Ireland	Consolidated	Revenue percentage
New equipment	\$ 746	\$ 418	\$ 309	\$ 1,473	43%
Used equipment	85	14	24	123	4%
Equipment rental	125	36	13	174	5%
Product support	862	649	150	1,661	48%
Other	3	1	9	13	0%
Total	\$ 1,821	\$ 1,118	\$ 505	\$ 3,444	100%
Revenue percentage by operations	53%	32%	15%	100%	

Canadian Operations

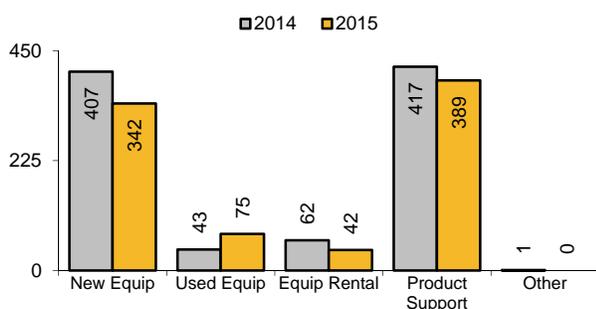
The Canadian reportable segment includes Finning (Canada), OEM Remanufacturing Company Inc. (OEM), and a 25% interest in Pipeline Machinery International (PLM). Finning (Canada) sells, services, and rents mainly Caterpillar equipment and engines in British Columbia, Alberta, Yukon, Northwest Territories, 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)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenue from external sources	\$ 848	\$ 930	\$ 1,628	\$ 1,821
Operating costs	(770)	(828)	(1,497)	(1,639)
Depreciation and amortization	(26)	(28)	(51)	(56)
Equity earnings of joint venture	1	3	1	5
Earnings before finance costs and income taxes	\$ 53	\$ 77	\$ 81	\$ 131
EBIT				
- as a percentage of revenue	6.2%	8.3%	5.0%	7.2%
- as a percentage of consolidated EBIT	50%	56%	45%	53%

Canada – Revenue by Line of Business

Three months ended June 30
(\$ millions)



Second quarter 2015 revenue of \$848 million was 9% lower than the second quarter of 2014. Softening market conditions across most lines of business, combined with the rapid and significant weakening of the Canadian dollar relative to the U.S. dollar, have led to challenging pricing dynamics. The slowdown in the oil and gas sector from late 2014, driven by lower commodity prices, continued into the second quarter, driving a decrease in new equipment demand and lower deliveries. This slowdown was evident in the construction sector as well as the oil sands and associated contractor business, with producers reducing capital spending, insourcing some service-related activities, and postponing maintenance.

New equipment revenue was down 16% in the second quarter of 2015 compared with the same period in 2014, largely as a result of reduced construction and mining activity this year, which offset increased power systems revenue. Deliveries exceeded order intake for the third consecutive quarter, which resulted in lower order backlog levels at June 30, 2015, down 28% from March 2015 and 43% from December 2014.

Product support revenue was down 7% from the second quarter of 2014, driven by decreased demand in most markets, primarily construction.

Used equipment sales were \$32 million higher than the same quarter of 2014, as the Company's Canadian operations focused on reducing inventory levels.

Difficult economic and market conditions, including the weakening Canadian dollar and lower commodity prices, have led to increased competition and challenging pricing dynamics. The weaker Canadian dollar had a positive impact on total revenue in the second quarter of 2015 compared to the same period in 2014 of approximately \$65 million, which was largely offset by the negative foreign exchange impact on the cost of equipment and parts.

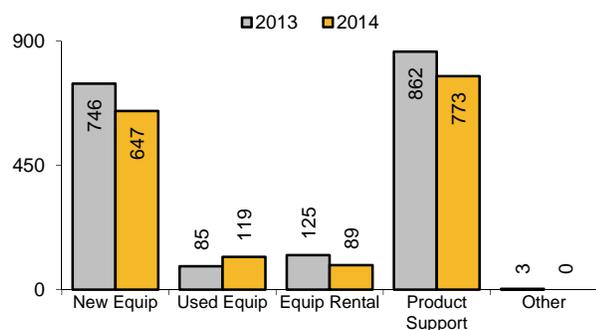
Gross profit decreased compared to the second quarter of 2014, reflecting lower sales volumes across most lines of business and lower margins earned on new and used equipment and rental revenue. Gross profit margin decreased from the same period of 2014, largely due to a higher proportion of lower-margin power systems equipment in the sales mix, pricing pressures in the mining and construction sectors as well as a weaker rental market. Lower margins earned on used equipment sales also negatively impacted gross profit, primarily the result of pricing competition due to surplus used equipment being available in the market.

SG&A costs decreased 13% compared to the same period of 2014, primarily due to cost savings from the execution of the operational excellence agenda. Actions have been taken by the Company's Canadian operations to reduce costs in response to lower market activity. As a result, SG&A in Q2 2015 included severance costs of \$2 million, consistent with severance costs incurred in Q2 2014. Since Q2 2014, the Company has reduced its Canadian workforce by approximately 850 people.

The Canadian operations contributed EBIT of \$53 million in the second quarter of 2015, lower than the \$77 million earned in the same period of 2014, with the decrease in sales activity and margins, and lower equity earnings from PLM, partially offset by lower SG&A costs. EBIT margin in the second quarter of 2015 was 6.2%, down from 8.3% earned in the same period in 2014.

Canada – Revenue by Line of Business

Six months ended June 30
(\$ millions)



Revenue for the six months ended June 30, 2015 decreased 11% to \$1.6 billion compared to the same period last year. Increased competition and challenging pricing dynamics, as well as lower commodity prices in the oil and gas sector, described above, were factors in the first half of 2015.

New equipment revenue in the first six months of 2015 was down 13% compared with the same period in 2014. Demand in the construction and mining sectors decreased, primarily driven by the oil sands and associated contractor business.

Product support revenue was 10% lower than the first half of 2014, driven by lower demand in all markets, primarily mining and construction.

The weaker Canadian dollar relative to the U.S. dollar had a positive impact on total revenue for the first six months of 2015 of approximately \$120 million, which was largely offset by the negative foreign exchange impact on the cost of equipment and parts.

Gross profit and gross profit margin decreased in the first half of 2015 compared to the first half of 2014, for the same reasons as noted above for the second quarter.

SG&A costs for the first half of 2015 were 10% lower compared to the first half of 2014, reflecting cost savings from the execution of the operational excellence agenda and lower variable costs due to reduced sales activity. These were partially offset by severance and branch closure costs in response to reduced activity levels. In the first half of 2015, the Company reduced its Canadian workforce by approximately 750 people, or about 13%, resulting in severance costs of \$17 million compared to severance of \$2 million in the first half of 2014. In addition, the Company's Canadian operations recorded restructuring charges of \$2 million related to the closure of 15 facilities in the first half of 2015.

The Canadian operations contributed EBIT of \$81 million for the six months ended June 30, 2015, a decrease from \$131 million earned in the prior year, with the decrease in sales activity and margins and lower equity earnings from PLM partially offset by lower SG&A costs. EBIT margin in the first half of 2015 was 5.0%, down from 7.2% in the same period in 2014. Excluding severance costs (\$17 million) and branch closure costs (\$2 million), EBIT margin would have been 6.2%.

South American Operations

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

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

(\$ millions)	Three months ended June 30		Six months ended June 40	
	2015	2014	2015	2014
Revenue from external sources	\$ 538	\$ 568	\$ 1,027	\$ 1,118
Operating costs	(468)	(493)	(892)	(975)
Depreciation and amortization	(19)	(18)	(38)	(36)
Other income (expenses)	—	(1)	—	(1)
Earnings before finance costs and income taxes	\$ 51	\$ 56	\$ 97	\$ 106
EBIT				
- as a percentage of revenue	9.5%	10.0%	9.4%	9.5%
- as a percentage of consolidated EBIT	48%	41%	53%	43%

Second quarter 2015 revenue decreased 5% to \$538 million compared to the second quarter of 2014 (down 16% in functional currency), primarily driven by lower new equipment revenue.

New equipment revenue was down 35% (42% in functional currency) compared to the second quarter of 2014, reflecting continued weakness in the Chilean mining sector. New equipment order intake improved significantly from the first quarter of 2015, but backlog remained low at June 30, 2015.

Product support revenue was up 10% over the same period last year. In functional currency, product support revenue was down marginally, reflecting lower service revenue, primarily driven by the weakening Chilean peso against the US dollar.

The positive impact on total revenue in the second quarter of 2015 from the weaker Canadian dollar relative to the U.S. dollar was partially offset by the negative impact from the weaker Chilean and Argentine pesos against the U.S. dollar compared to 2014. The net positive impact on total revenue was approximately \$50 million.

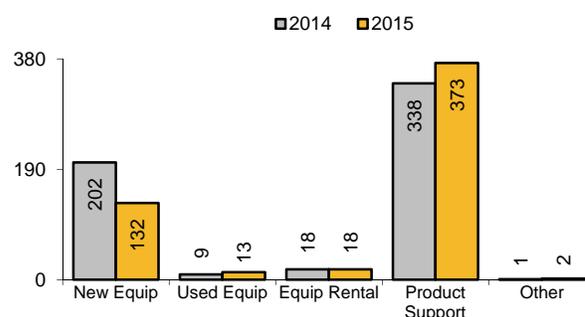
Gross profit increased from the second quarter of 2014, but was down in functional currency, primarily a reflection of lower new equipment sales volumes. Gross profit margin increased over the prior year, largely driven by a shift in revenue mix to higher margin product support sales. Product support revenue comprised 69% of total revenue in the second quarter of 2015 compared to 60% in second quarter of 2014, while new equipment revenue made up 25% of total revenue compared to 36% in the same period last year.

SG&A costs were up 12%, but comparable in functional currency, compared to the second quarter of 2014. Lower operating costs from the weaker Argentine and Chilean pesos relative to the U.S. dollar as well as savings from headcount reductions combined with lower variable costs due to reduced sales volumes were offset by inflationary and statutory salary increases. Actions have been taken by the Company's South American operations to reduce costs in response to lower market activity. As a result, SG&A in Q2 2015 included severance costs of \$3 million, consistent with severance costs incurred in Q2 2014.

Second quarter EBIT for the Company's South American operations decreased 10% (20% in functional currency) from the prior year, reflecting the decrease in revenue and gross profit from lower new equipment volumes. In translating results, the weaker Argentine and Chilean pesos relative to the U.S. dollar combined with the weaker Canadian dollar against the U.S. dollar, had a positive impact on EBIT of approximately \$10 million.

EBIT margin of 9.5% in the second quarter of 2015 was down from 10.0% in the comparative period of 2014.

South America – Revenue by Line of Business
Three months ended June 30
(\$ millions)



For the six months ended June 30, 2015, revenue decreased 8% to \$1.0 billion compared to the same period in 2014 (down 18% in functional currency). This decrease was primarily driven by a decrease in new equipment revenue, reflecting reduced market activity in mining. Product support revenue was up 13%, but was comparable in functional currency.

The positive impact due to the translation of total revenue with a weaker Canadian dollar relative to the U.S. dollar was partially offset by the negative impact of the weaker Chilean peso against the U.S. dollar. The net positive impact on total revenue was approximately \$90 million.

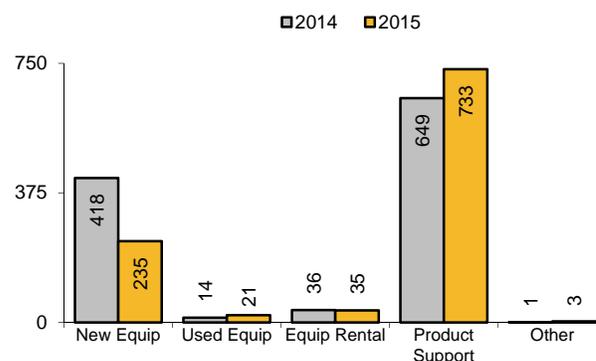
Gross profit increased compared to the first six months of 2014, but was down in functional currency reflecting lower sales volumes. Gross profit margin increased in the first half of 2015 compared to the first half of 2014, reflecting a mix shift to higher margin product support revenues.

SG&A costs were up 7% in the first half of 2015 (down 5% in functional currency). The decrease in functional currency SG&A was the result of lower operating costs from the weaker Argentine and Chilean pesos relative to the U.S. dollar combined with lower variable costs from reduced sales volumes and savings due to reducing headcount, were partially offset by inflationary and statutory salary increases. As a result of actions taken to reduce costs in response to lower market activity, SG&A in Q2 2015 included severance costs of \$4 million, compared to \$5 million in severance costs incurred in Q2 2014.

For the first half of 2015, EBIT of \$97 million was 9% lower compared to the same period last year (down 20% in functional currency). The functional currency decrease was due to lower revenue and gross profit, partially offset by lower SG&A costs. The weaker Argentine and Chilean pesos relative to the U.S. dollar, combined with the positive impact from the weaker Canadian dollar against the U.S. dollar had a positive impact on EBIT of approximately \$20 million. EBIT margin of 9.4% for the first half of 2015 was down slightly from the 9.5% achieved in the same period in 2014.

South America – Revenue by Line of Business

Six months ended June 30
(\$ millions)



UK & Ireland Operations

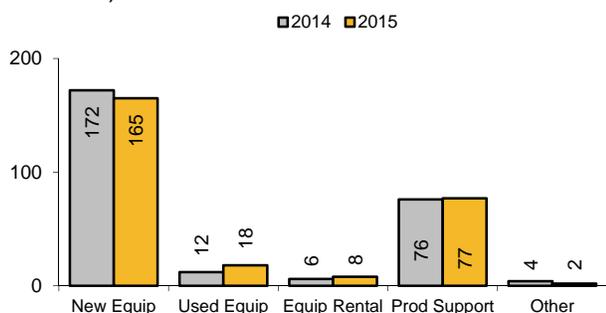
The Company's UK & Ireland operations sell, service, and rent mainly Caterpillar equipment and engines in England, Scotland, Wales, Northern Ireland, and the Republic of Ireland. The UK & Ireland operations' markets include mining, quarrying, construction, and power systems.

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

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenue from external sources	\$ 270	\$ 270	\$ 520	\$ 505
Operating costs	(253)	(249)	(488)	(464)
Depreciation and amortization	(6)	(7)	(13)	(16)
Earnings before finance costs and income taxes	\$ 11	\$ 14	\$ 19	\$ 25
EBIT				
- as a percentage of revenue	4.2%	5.1%	3.7%	5.0%
- as a percentage of consolidated EBIT	11%	10%	11%	10%

UK & Ireland – Revenue by Line of Business

Three months ended June 30
(\$ millions)



Revenue in the second quarter of 2015 of \$270 million was comparable to the same period in 2014 (down marginally in functional currency). The decrease in functional currency revenue was primarily due to lower new equipment sales in power systems, partially offset by an increase in used equipment revenue.

Product support revenue was up marginally (comparable in functional currency) compared to the second quarter last year.

The weaker Canadian dollar relative to the U.K. pound sterling had a positive impact on revenue of approximately \$5 million.

Gross profit was comparable to the second quarter of 2014, and down slightly in functional currency from lower sales volume. Gross profit margin was comparable to the same period last year.

SG&A costs increased slightly in functional currency compared to the same period in 2014, driven primarily by inflationary salary increases, as well as foreign exchange losses on the translation of Euro receivables.

2015 second quarter EBIT was \$11 million, lower than the \$14 million earned in Q2 2014. EBIT margin of 4.2% was down compared to the 5.1% earned in the same period last year, driven by higher SG&A costs discussed above.

For the six months ended June 30, 2015, revenue of \$520 million was 3% higher than the same period in the prior year. In functional currency, total revenue was comparable to the first six months of 2014. A decrease in new equipment revenue from the power systems sector was offset by higher used equipment sales.

The weaker Canadian dollar relative to the U.K. pound sterling had a positive impact on revenue of approximately \$10 million.

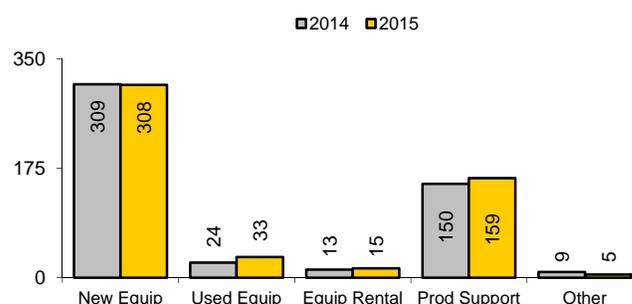
Gross profit was up slightly in the first half of 2015 compared to the same period of 2014, and comparable in functional currency. Gross profit margin was also comparable to the same period last year, with lower margins on new and used equipment sales offset by a greater proportion of higher margin product support revenue in the sales mix.

SG&A was 10% higher in the first half of 2015 compared to 2014 (up 7% in functional currency), driven primarily by higher employee-related costs, including inflationary increases and severance, and foreign exchange losses on the translation of Euro receivables. The Company is in the process of optimizing its workforce and branch network to reduce its cost structure. Since the beginning of 2015 to date, the UK & Ireland operations reduced its workforce by approximately 30 people and closed two branches.

For the first half of 2015, EBIT of \$19 million was 24% lower compared to the same period last year (down 26% in functional currency), driven by higher SG&A. EBIT margin of 3.7% was down compared to the 5.0% earned in the same period last year.

UK & Ireland – Revenue by Line of Business

Six months ended June 30
(\$ millions)



Corporate and Other Operations

Net operating costs before finance costs and income taxes from the Company's Corporate and Other Operations was \$9 million in the second quarter of 2015 (year-to-date 2015: \$16 million) compared to \$10 million in the comparative period (year-to-date 2014: \$14 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.

Outlook

Canada

The mining outlook in Western Canada remains uncertain. The low and volatile price of oil has forced the oil sands producers to minimize capital and operating expenditures. While customers are expected to maintain current production levels, and a number of significant long-term projects have been confirmed, demand for new equipment and product support has slowed considerably. The oil sands producers continue to postpone overburden removal and other non-production related mining activities. Mining customers have parked portions of their fleets, have insourced some service-related activities, and are postponing maintenance. The Company believes that the reduced spend on product support is not sustainable given the expected mining production levels.

Demand for construction equipment and product support has slowed, most notably in Alberta, as customer activity has been reduced as a result of the broad economic consequences of low and volatile oil and other commodity prices. In British Columbia, the construction of the Site C dam is expected to generate product support activity and may commence during the second half of 2015. The forestry business is growing in response to strong demand for lumber.

In power systems, demand has slowed across most sectors, impacting new equipment and product support sales. The Company continues to quote for electric power generation to a diverse range of projects, including hospitals, mining, and gas plants.

The Company implemented cost reduction measures, including workforce reductions and facility closures, during the first half of 2015 to align Canada's cost structure to reduced business volumes. Finning Canada will continue to drive cost discipline and optimize its branch network with the aim of maintaining profitability.

South America

In South America, concerns regarding the price of copper and higher production costs in copper mining continue to delay investments in new projects. As copper production levels are being maintained, mining customers continue to focus on reducing operating costs and are deferring decisions on component purchases and major repairs. The Company has recently won some new machine deals in the mining sector; however, it expects the overall demand for new mining equipment to remain weak.

While the Company is encouraged by a modest increase in order intake for construction equipment in the second quarter, it has not seen any evidence of the Chilean government's infrastructure spending, which was expected to improve demand for equipment in the second half of 2015.

The Company remains focused on capturing product support and controlling costs, and expects to continue operating at historical profitability levels.

UK & Ireland

In the UK & Ireland, the equipment solutions division is operating in the competitive general construction segment. The construction market is mostly driven by residential and commercial construction, quarrying and aggregates, infrastructure, energy, rail, and plant hire sectors. In the wake of the general elections, construction activity has slowed, and some major infrastructure projects have been delayed. The coal mining industry remains weak, impacting new equipment sales in this segment. The decline in product support in mining is expected to be offset by successful growth of machine rebuilds in other sectors.

The outlook for power systems in the U.K. is uncertain. The electric power generation, industrial and pleasure craft sectors have slowed, and the decline in the price of oil has impacted power systems activity in the North Sea.

Operational Focus

As the Company manages through uncertain economic conditions, it continues to advance on its operational excellence agenda, particularly in Canada. While the Company is committed to improving ROIC longer-term, difficult and uncertain market conditions negatively impacted ROIC performance over the last 18 months. Initiatives to increase EBIT are primarily focused on growing market share across all product lines and increasing the profitability of service operations. The expected improvement in capital efficiency will be driven through optimization of the supply chain to reduce working capital and improve asset utilization.

The Company expects on-going volatility in foreign exchange markets to continue impacting its results. While the devaluation of the Canadian dollar increases earnings translated from the Company's foreign subsidiaries, transactional gains or losses will be dependent on hedging activities and general market conditions.

Liquidity and Capital Resources

Operating Activities

Cash provided by operations was \$74 million in the second quarter of 2015 (year-to-date 2015: use of cash \$150 million) compared to cash provided by operations of \$135 million in the comparative period in 2014 (year-to-date 2014: \$7 million) reflecting lower earnings and reduced collections, consistent with weaker market conditions, along with greater cash generation through the higher reduction in inventory in the second quarter of 2014, largely in the Company's South American operations.

Investing Activities

Net cash used in investing activities in the second quarter of 2015 totalled \$4 million (year-to-date 2015: \$16 million) compared with \$16 million cash used in investing activities in the comparative period in 2014 (year-to-date 2014: \$22 million), primarily driven by lower investment in property, plant and equipment in Q2 2015.

Financing Activities

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 are committed bank facilities totalling \$1.1 billion with various Canadian, U.S., and South American financial institutions. At June 30, 2015, \$1.0 billion was available under these committed facilities.

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.

The Company is rated by both Dominion Bond Rating Service (DBRS) and Standard & Poor's (S&P). During the first quarter of 2015, DBRS re-confirmed the Company's short-term and long-term debt ratings at R-1 (low) and A (low), respectively, and S&P re-confirmed the Company's long-term debt rating at BBB+. The Company continues to utilize the Canadian commercial paper market, as well as borrowings under its credit facilities as its principal sources of short-term funding.

Cash flow used in financing activities in the second quarter of 2015 was \$36 million compared to \$134 million cash flow used in financing activities, primarily due to a decrease in short-term debt in the prior year period, partially offset by a share repurchase in the second quarter of 2015. Cash flow used in financing activities in the first half of 2015 was \$65 million compared to a generation of cash in the same period of 2014 of \$28 million due to lower utilization of short-term debt, combined with a share repurchase and increase in dividends paid in the first half of 2015. To date, the Company has repurchased 964,634 common shares at an average price of \$23.85 through a Normal Course Issuer Bid (NCIB) established during Q2 2015. The NCIB was implemented to take advantage of Finning's strong balance sheet and cash balance in periods of broader market volatility and the resulting negative impact on the Company's share price. Execution of the NCIB is governed by rules established by the Toronto Stock Exchange.

Dividends paid to shareholders in the second quarter of 2015 were \$31 million, up 3% compared to the second quarter of 2014, reflecting the 2.8% increase in the quarterly dividend to \$0.1825 per common share announced in May 2015. Dividends paid to shareholders for the first half of 2015 increased 9% to \$62 million compared to the first half of 2014.

Free Cash Flow

The Company's free cash flow was a generation of \$69 million (year-to-date 2015: \$162 million use of cash) compared to free cash flow generation of \$123 million in the second quarter of 2014 (year-to-date 2014: \$11 million use of cash). The main drivers resulting in lower free cash flow in 2015 were lower earnings and reduced collections, consistent with weaker market conditions, along with greater cash generation through the higher reduction in inventory in the second quarter of 2014, largely in the Company's South American operations.

Net Debt to Invested Capital

Net Debt to Invested Capital at June 30, 2015 was 35.4%, compared with 36.0% at March 31, 2015, and up from 31.4% at December 31, 2014, an all-time low. The Company's current target range for Net Debt to Invested Capital is 35% to 45%.

The Company is subject to a maximum Net Debt to Invested Capital level of 62.5% pursuant to a covenant within its syndicated bank credit facility. The Company was in compliance with this covenant at the end of Q2 2015.

Description of Non-GAAP and Additional GAAP Measures

Additional GAAP Measures

IFRS mandates certain minimum line items for financial statements and also requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the Company's financial position or performance. IFRS also requires the notes to the financial statements to provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such measures outside of the minimum mandated line items are considered additional GAAP measures. The Company's consolidated financial statements and notes thereto include certain additional GAAP measures where management considers such information to be useful to understanding the Company's results.

EBIT

EBIT is defined herein as earnings before finance costs and income taxes and is utilized by management to assess and evaluate the financial performance of its operating segments. This measure is provided to improve comparability between periods by eliminating the impact of finance costs and income taxes.

A reconciliation between EBIT and net income is as follows:

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
EBIT	\$ 106	\$ 137	\$ 181	\$ 248
Finance costs	(22)	(23)	(40)	(44)
Provision for income taxes	(23)	(28)	(26)	(50)
Net income	\$ 61	\$ 86	\$ 115	\$ 154

Net Debt to Invested Capital

Net Debt to Invested Capital 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, 2015	December 31, 2014
Cash and cash equivalents	\$ (244)	\$ (450)
Short-term debt	14	7
Current portion of long-term debt	—	—
Long-term debt	1,482	1,418
Net debt	1,252	975
Shareholders' equity	2,284	2,131
Invested capital	\$ 3,536	\$ 3,106
Net debt to invested capital	35.4%	31.4%

Non-GAAP Measures

Management believes that providing certain non-GAAP 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 below, 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.

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

EBITDA

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.

A reconciliation between EBITDA and net income is as follows:

(\$ millions)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
EBITDA	\$ 157	\$ 190	\$ 283	\$ 356
Depreciation and amortization	(51)	(53)	(102)	(108)
Finance costs	(22)	(23)	(40)	(44)
Provision for income taxes	(23)	(28)	(26)	(50)
Net income	\$ 61	\$ 86	\$ 115	\$ 154

ROIC

Return on Invested Capital, or ROIC, is defined as EBIT (adjusted for significant non-recurring items) for the last twelve months divided by invested capital, based on an average of the last four quarters.

Management views ROIC (at a consolidated and 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.

(\$ millions, except as noted)	June 30, 2015	December 31, 2014
EBIT – last twelve months	\$ 437	\$ 504
Invested capital – four quarter average	\$ 3,381	\$ 3,298
ROIC	12.9%	15.3%

Working Capital

Working capital is defined as total current assets (excluding cash) 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.

(\$ millions)	June 30, 2015	December 31, 2014
Total current assets	\$ 3,506	\$ 3,477
Cash and cash equivalents	(244)	(450)
<hr/> Total current assets ⁽¹⁾	<hr/> \$ 3,262	<hr/> \$ 3,027
Total current liabilities	\$ 1,221	\$ 1,372
Short-term debt	(14)	(7)
Current portion of long-term debt	—	—
<hr/> Total current liabilities ⁽²⁾	<hr/> \$ 1,207	<hr/> \$ 1,365
 Working capital	 \$ 2,055	 \$ 1,662

(1) Excluding cash and cash equivalents

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

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 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)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Cash flow (used in) provided by operating activities	\$ 74	\$ 135	\$ (150)	\$ 7
Additions to property, plant, and equipment and intangible assets	(10)	(16)	(19)	(32)
Proceeds on disposal of property, plant, and equipment	5	4	7	14
<hr/> Free cash flow	<hr/> \$ 69	<hr/> \$ 123	<hr/> \$ (162)	<hr/> \$ (11)

Key Performance Indicators

Management uses key performance indicators to consistently measure performance against the Company's priorities across the organization. The Company's KPIs include gross profit margin, EBIT margin, inventory turns, invested capital turnover, working capital to sales ratio, order backlog, and net debt to EBITDA ratio. Although some of these KPIs are expressed as ratios, they 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.

Gross Profit Margin

This measure is defined as gross profit divided by total revenue.

EBIT Margin

This measure is defined as earnings before finance costs and income taxes divided by total revenue.

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 goods sold for the last six months divided by average inventory, based on an average of the last two quarters.

(\$ millions, except as noted)	June 30, 2015	December 31, 2014
Cost of sales – annualized	\$ 4,468	\$ 4,868
Inventory – two quarter average	\$ 1,946	\$ 1,734
Inventory turns (number of times)	2.30	2.81

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, based on an average of the last four quarters.

(\$ millions, except as noted)	June 30, 2015	December 31, 2014
Revenue – last twelve months	\$ 6,648	\$ 6,918
Invested capital – four quarter average	\$ 3,381	\$ 3,298
Invested capital turnover	1.97	2.10

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.

(\$ millions, except as noted)	June 30, 2015	December 31, 2014
Working capital – four quarter average	\$ 1,902	\$ 1,807
Revenue – last twelve months	\$ 6,648	\$ 6,918
Working capital to sales	28.6%	26.1%

Order Backlog

The Company's global order book, or order backlog, is defined as the retail value of new equipment units ordered by customers for future deliveries. Management uses order backlog as a measure of projecting future new equipment deliveries. There is no directly comparable IFRS measure for order backlog.

Net Debt to EBITDA Ratio

This ratio is calculated as net debt, defined and calculated above, divided by EBITDA for the last twelve months. This ratio is used by management in assessing the Company's operating leverage and ability to repay its debt. This ratio approximates the length of time, in years, that it would take the Company to repay its debt, with net debt and EBITDA held constant.

(\$ millions, except as noted)	June 30, 2015	December 31, 2014
Net debt	\$ 1,252	\$ 975
EBITDA – last twelve months	\$ 647	\$ 720
Net Debt to EBITDA	1.9	1.4

Risk 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. Changes to the key risks are reviewed quarterly by the Audit Committee with annual oversight by the Board of Directors. The Audit Committee also reviews the adequacy of disclosures of key risks in the Company's AIF, MD&A, and consolidated financial statements. All key business risks, including financial risks and uncertainties, are included in the Company's AIF.

The exchange rates of the Canadian dollar against the following foreign currencies were as follows:

Exchange rate	June 30		December 31	Three months ended June 30 – average		Six months ended June 30 – average	
	2015	2014	2014	2015	2014	2015	2014
U.S. dollar	1.2474	1.0676	1.1601	1.2297	1.0905	1.2354	1.0968
U.K. pound sterling	1.9614	1.8261	1.8071	1.8850	1.8355	1.8816	1.8306
Chilean peso	0.0020	0.0019	0.0019	0.0020	0.0020	0.0020	0.0020
Argentine peso	0.1373	0.1313	0.1357	0.1374	0.1354	0.1400	0.1404

The Canadian dollar has historically been positively correlated to commodity prices. In a scenario of declining commodity prices, the Company's resource industry customers may curtail capital expenditures and decrease production which can result in reduced demand for equipment, parts, and services. At the same time, the weaker Canadian dollar relative to the U.S. dollar positively impacts the Company's financial results when U.S. dollar based revenues and earnings are translated into Canadian dollar reported revenues and earnings, although lags may occur.

The impact of foreign exchange due to fluctuation in the value of the Canadian dollar relative to the U.S. dollar, U.K. pound sterling, Chilean peso, and Argentine peso 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 would have been known to them, and by others, within those entities.

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.
- A Disclosure Committee, consisting of senior management and external legal counsel review all financial information prepared for communication to the public to ensure it meets all regulatory requirements. The Disclosure Committee is responsible for raising all outstanding issues it believes require the attention of the Audit Committee prior to recommending disclosure for that Committee's approval.

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, 2015, 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, 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.

Selected Quarterly Information

\$ millions (except for share and option data)	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from operations ⁽¹⁾								
Canada	\$ 848	\$ 781	\$ 946	\$ 866	\$ 930	\$ 891	\$ 874	\$ 960
South America	538	489	593	517	568	550	675	598
UK & Ireland	270	249	264	287	270	235	247	222
Total revenue	\$ 1,656	\$ 1,519	\$ 1,803	\$ 1,670	\$ 1,768	\$ 1,676	\$ 1,796	\$ 1,780
Net income ^{(1) (3)}	\$ 61	\$ 53	\$ 107	\$ 57	\$ 86	\$ 68	\$ 93	\$ 86
Earnings Per Share ^{(1) (2)}								
Basic EPS	\$ 0.36	\$ 0.31	\$ 0.62	\$ 0.33	\$ 0.50	\$ 0.39	\$ 0.54	\$ 0.50
Diluted EPS	\$ 0.36	\$ 0.31	\$ 0.62	\$ 0.33	\$ 0.50	\$ 0.39	\$ 0.54	\$ 0.50
Total assets ⁽¹⁾	\$ 5,324	\$ 5,354	\$ 5,273	\$ 5,237	\$ 5,196	\$ 5,353	\$ 5,058	\$ 5,139
Long-term debt								
Current	\$ —	\$ —	\$ —	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
Non-current	1,482	1,477	1,418	1,408	1,373	1,393	1,366	1,351
Total long-term debt ⁽³⁾	\$ 1,482	\$ 1,477	\$ 1,418	\$ 1,409	\$ 1,374	\$ 1,394	\$ 1,367	\$ 1,352
Cash dividends paid per common share	18.25¢	17.75¢	17.75¢	17.75¢	17.75¢	15.25¢	15.25¢	15.25¢
Common shares outstanding (000's)	171,692	172,374	172,370	172,369	172,182	172,126	172,014	172,000
Options outstanding (000's)	5,390	4,145	4,226	4,237	5,437	5,381	5,685	5,596

- 1) In July 2014, the Company's UK & Ireland operations acquired SITECH. The results of operations and financial position of this acquired business have been included in the figures above since the date of acquisition.
- 2) Results in the fourth quarter of 2014 were positively impacted by an inflationary adjustment to reduce income tax expense in Argentina by \$0.05 per share.

Results in the third quarter of 2014 were negatively impacted by the write-off of previously capitalized ERP costs in the Company's South American operations by \$0.06 per share and a one-time revaluation adjustment of the Company's deferred income tax balances of \$0.04 per share.

- 3) In September 2013, the Company negotiated a two-year extension to its \$1.0 billion global unsecured syndicated committed operating credit facility, under which \$938 million was extended to September 2017 from the original maturity of September 2015.

New Accounting Pronouncements

(a) Changes in Accounting Policy

The Company has adopted the following amendments to standards:

- Amendments to IFRS 8, *Operating Segments* (effective January 1, 2015) require disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. Management does not expect this amendment will have a material impact on its annual financial statement disclosures.

(b) Future Accounting Pronouncements

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2016) clarify that the high quality corporate bonds used in estimating the discount rate for post-employment employee benefits should be denominated in the same currency as the benefits to be paid. Management does not expect this amendment will have an impact on its financial statements.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2016) are designed to encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Management is currently assessing the impact of the amendment on its annual financial statement disclosures.
- IFRS 15, *Revenue from Contracts with Customers* (effective date January 1, 2018) outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers. Management is currently assessing the impact of the new standard.
- IFRS 9, *Financial Instruments* (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. Management is currently assessing the impact of the new requirements on its financial statements.

Outstanding Share Data

As at July 30, 2015

Common shares outstanding	171,433,597
Options outstanding	5,370,874

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 words such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy and associated impact on the Company's financial results; expected revenue; expected free cash flow; EBIT margin; ROIC; market share growth; expected results from service excellence action plans; anticipated asset utilization; inventory turns and parts service levels; the expected target range of the Company's net debt to invested capital ratio; and the expected financial impact from the acquisition of the operating assets of the Caterpillar dealer in Saskatchewan. 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 August 5, 2015. 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 dependence on the continued market acceptance of Caterpillar's products and Caterpillar's 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 to meet growing product support demand; 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, availability and benefits from information technology and the data processed by that technology. 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 of this MD&A. 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.

Finning cautions readers that the risks described in 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 hereof. 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.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian \$ thousands)	June 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 244,469	\$ 450,667
Accounts receivable	968,143	972,374
Service work in progress	111,008	105,645
Inventories	1,918,420	1,661,277
Income tax recoverable	14,103	13,034
Other assets	250,481	274,730
Total current assets	3,506,624	3,477,727
Property, plant, and equipment	673,637	675,480
Rental equipment	386,348	378,663
Distribution network	359,205	340,635
Goodwill	138,641	132,144
Intangible assets	46,678	55,783
Investment in and advances to joint venture and associate	93,898	88,636
Deferred tax assets	37,754	42,634
Other assets	81,084	80,976
Total assets	\$ 5,323,869	\$ 5,272,678
LIABILITIES		
Current liabilities		
Short-term debt	\$ 13,754	\$ 7,166
Accounts payable and accruals	859,368	1,019,084
Income tax payable	16,243	12,960
Provisions	59,988	63,354
Deferred revenue	266,977	264,685
Derivative liabilities	4,204	4,796
Current portion of long-term debt	301	269
Total current liabilities	1,220,835	1,372,314
Long-term debt	1,482,386	1,418,061
Net employee benefit obligations	125,880	156,640
Long-term obligations	84,092	73,953
Provisions	4,819	5,421
Deferred revenue	45,546	42,052
Deferred tax liabilities	76,405	73,541
Total liabilities	3,039,963	3,141,982
SHAREHOLDERS' EQUITY		
Share capital	581,512	583,480
Contributed surplus	21,606	38,728
Accumulated other comprehensive income	191,823	100,383
Retained earnings	1,488,965	1,408,105
Total shareholders' equity	2,283,906	2,130,696
Total liabilities and shareholders' equity	\$ 5,323,869	\$ 5,272,678

The accompanying Notes to the Interim Condensed Consolidated Financial Statements are an integral part of these statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Canadian \$ thousands, except share and per share amounts)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenue				
New equipment	\$ 638,659	\$ 780,382	\$ 1,190,024	\$ 1,473,200
Used equipment	106,183	63,910	173,233	122,780
Equipment rental	67,782	86,293	138,873	173,864
Product support	839,262	830,997	1,664,831	1,661,191
Other	3,874	6,345	7,781	13,115
Total revenue	1,655,760	1,767,927	3,174,742	3,444,150
Cost of sales	(1,174,728)	(1,244,971)	(2,233,818)	(2,422,109)
Gross profit	481,032	522,956	940,924	1,022,041
Selling, general, and administrative expenses	(377,593)	(388,356)	(763,484)	(776,537)
Equity earnings of joint venture and associate	2,175	3,065	3,428	3,790
Other income	—	—	—	42
Other expenses	—	(496)	—	(1,379)
Earnings before finance costs and income taxes	105,614	137,169	180,868	247,957
Finance costs (Note 2)	(21,247)	(23,364)	(40,492)	(43,866)
Income before provision for income taxes	84,367	113,805	140,376	204,091
Provision for income taxes (Note 4)	(22,983)	(27,385)	(25,857)	(49,764)
Net income	\$ 61,384	\$ 86,420	\$ 114,519	\$ 154,327

Earnings per share (Note 6)

Basic	\$ 0.36	\$ 0.50	\$ 0.66	\$ 0.90
Diluted	\$ 0.36	\$ 0.50	\$ 0.66	\$ 0.89

Weighted average number of shares outstanding

Basic	172,313,624	172,141,352	172,343,369	172,106,171
Diluted	172,607,841	172,966,169	172,601,244	172,935,134

The accompanying Notes to the Interim Condensed Consolidated Financial Statements are an integral part of these statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Canadian \$ thousands)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Net income	\$ 61,384	\$ 86,420	\$ 114,519	\$ 154,327
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	(10,798)	(61,189)	154,861	14,572
Unrealized gain (loss) on net investment hedges	4,990	20,281	(54,451)	(7,215)
Income tax (expense) recovery on foreign currency translation adjustments and net investment hedges	—	(63)	(9,795)	197
Foreign currency translation and gain (loss) on net investment hedges, net of income tax	(5,808)	(40,971)	90,615	7,554
Unrealized (loss) gain on cash flow hedges	(437)	445	(2,273)	(2,176)
Realized loss on cash flow hedges, reclassified to earnings	1,978	2,383	3,355	3,581
Income tax expense on cash flow hedges	(352)	(580)	(257)	(309)
Gain on cash flow hedges, net of income tax	1,189	2,248	825	1,096
Items that will not be subsequently reclassified to net income:				
Actuarial gain (loss) (Note 7)	16,267	(934)	34,968	1,742
Income tax (expense) recovery on actuarial gain (loss)	(2,834)	144	(6,569)	(329)
Actuarial gain (loss), net of income tax	13,433	(790)	28,399	1,413
Total comprehensive income	\$ 70,198	\$ 46,907	\$ 234,358	\$ 164,390

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian \$ thousands, except share amounts)	Share Capital			Accumulated Other Comprehensive Income (Loss)				Total
	Shares	Amount	Contributed Surplus	Foreign Currency Translation and Loss on Net Investment Hedges	Gain (Loss) on Cash Flow Hedges	Retained Earnings		
Balance, January 1, 2014	172,014,230	\$ 573,165	\$ 40,296	\$ 28,103	\$ (14,300)	\$ 1,230,500	\$ 1,857,764	
Net income	—	—	—	—	—	154,327	154,327	
Other comprehensive income	—	—	—	7,554	1,096	1,413	10,063	
Total comprehensive income	—	—	—	7,554	1,096	155,740	164,390	
Issued on exercise of share options	167,521	2,385	(2,266)	—	—	—	119	
Share option expense	—	—	4,231	—	—	—	4,231	
Dividends on common shares	—	—	—	—	—	(56,805)	(56,805)	
Balance, June 30, 2014	172,181,751	\$ 575,550	\$ 42,261	\$ 35,657	\$ (13,204)	\$ 1,329,435	\$ 1,969,699	
Balance, January 1, 2015	172,370,255	\$ 583,480	\$ 38,728	\$ 114,279	\$ (13,896)	\$ 1,408,105	\$ 2,130,696	
Net income	—	—	—	—	—	114,519	114,519	
Other comprehensive income	—	—	—	90,615	825	28,399	119,839	
Total comprehensive income	—	—	—	90,615	825	142,918	234,358	
Issued on exercise of share options	27,945	330	(330)	—	—	—	—	
Share option expense	—	—	3,926	—	—	—	3,926	
Repurchase of common shares (Note 3)	(706,534)	(2,298)	(20,718)	—	—	—	(23,016)	
Dividends on common shares	—	—	—	—	—	(62,058)	(62,058)	
Balance, June 30, 2015	171,691,666	\$ 581,512	\$ 21,606	\$ 204,894	\$ (13,071)	\$ 1,488,965	\$ 2,283,906	

The accompanying Notes to the Interim Condensed Consolidated Financial Statements are an integral part of these statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Canadian \$ thousands)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
OPERATING ACTIVITIES				
Net income	\$ 61,384	\$ 86,420	\$ 114,519	\$ 154,327
Adjusting for:				
Depreciation and amortization	51,473	52,912	102,497	107,808
Gain on sale of rental equipment and property, plant, and equipment	(10,133)	(9,748)	(17,097)	(11,827)
Equity earnings of joint venture and associate	(2,175)	(3,065)	(3,428)	(3,790)
Share-based payment expense	4,737	4,867	4,366	7,278
Provision for income taxes	22,983	27,385	25,857	49,764
Finance costs	21,247	23,364	40,492	43,866
Defined benefit and other post-employment benefit expense (Note 7)	4,132	3,263	8,657	6,918
Changes in operating assets and liabilities (Note 8)	(14,362)	30,604	(325,400)	(249,146)
Additions to rental equipment	(72,395)	(97,648)	(109,588)	(146,757)
Proceeds on disposal of rental equipment	50,619	49,604	80,677	98,116
Interest paid	(27,006)	(29,482)	(34,649)	(36,197)
Income tax paid	(16,635)	(3,878)	(36,597)	(13,636)
Cash flow provided by (used in) operating activities	73,869	134,598	(149,694)	6,724
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	(10,256)	(15,767)	(19,560)	(31,622)
Proceeds on disposal of property, plant, and equipment	5,773	3,900	7,017	13,465
Investment in and advances to associate	—	(3,771)	—	(3,771)
Decrease (increase) in short-term investments	214	—	(3,675)	—
Cash flow used in investing activities	(4,269)	(15,638)	(16,218)	(21,928)
FINANCING ACTIVITIES				
Increase (decrease) in short-term debt	3,418	(102,968)	6,140	85,071
Increase (decrease) in long-term debt	9,084	(594)	7,838	(844)
Issue of common shares on exercise of share options	—	18	—	119
Repurchase of common shares	(16,961)	—	(16,961)	—
Dividends paid	(31,462)	(30,557)	(62,058)	(56,805)
Cash flow (used in) provided by financing activities	(35,921)	(134,101)	(65,041)	27,541
Effect of currency translation on cash balances	(637)	(10,244)	24,755	(3,551)
Increase (decrease) in cash and cash equivalents	33,042	(25,385)	(206,198)	8,786
Cash and cash equivalents, beginning of period	211,427	210,439	450,667	176,268
Cash and cash equivalents, end of period (Note 8)	\$ 244,469	\$ 185,054	\$ 244,469	\$ 185,054

The accompanying Notes to the Interim Condensed Consolidated Financial Statements are an integral part of these statements

1. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements (Interim Statements) of Finning International Inc. ("Finning" or "Company") and its subsidiaries were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed, and therefore these Interim Statements should be read in conjunction with the December 31, 2014 audited annual consolidated financial statements and the notes.

These Interim Statements are based on the IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective as of August 5, 2015, the date these Interim Statements were authorized for issuance by the Company's Board of Directors, and follow the same accounting policies and methods of computation as the most recent annual consolidated financial statements, except for the impact of the changes in accounting policy disclosed below:

(a) Changes in Accounting Policy

The Company has adopted the following amendments to standards:

- Amendments to IFRS 8, *Operating Segments* (effective January 1, 2015) require disclosure of the judgments made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. Management does not expect this amendment will have a material impact on its annual financial statement disclosures.

(b) Future Accounting Pronouncements

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

- Amendments to IAS 19, *Employee Benefits* (effective January 1, 2016) clarify that the high quality corporate bonds used in estimating the discount rate for post-employment employee benefits should be denominated in the same currency as the benefits to be paid. Management does not expect this amendment will have an impact on its financial statements.
- Amendments to IAS 1, *Presentation of Financial Statements* (effective January 1, 2016) are designed to encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Management is currently assessing the impact of the amendment on its annual financial statement disclosures.
- IFRS 15, *Revenue from Contracts with Customers* (effective date January 1, 2018) outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers. Management is currently assessing the impact of the new standard.
- IFRS 9, *Financial Instruments* (effective January 1, 2018) introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and hedge accounting. Management is currently assessing the impact of the new requirements on its financial statements.

2. FINANCE COSTS

Finance costs as shown on the consolidated statements of income comprise the following elements:

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Interest on short-term debt	\$ 807	\$ 4,197	\$ 1,525	\$ 6,305
Interest on long-term debt	16,566	15,742	33,053	31,472
Interest on debt securities	17,373	19,939	34,578	37,777
Net interest cost on post-employment benefit obligations (Note 7)	1,198	1,214	2,395	2,429
Other finance related expenses	2,676	2,400	3,527	3,854
Borrowing costs capitalized to property, plant, and equipment	—	(189)	(8)	(194)
Finance costs	\$ 21,247	\$ 23,364	\$ 40,492	\$ 43,866

3. SHARE CAPITAL

In May 2015, the Company launched a Normal Course Issuer Bid to purchase its common shares for cancellation. During the second quarter of 2015, the Company repurchased 964,634 Finning common shares for cancellation at an average cost of \$23.85 per share, of which 706,534 common shares settled for \$17 million in June 2015 and the remaining 258,100 common shares settled in early July 2015 for \$6 million.

4. INCOME TAXES

The Company recognized a \$2 million tax expense in the three months ended June 30, 2015 related to the revaluation of the Company's deferred tax balances as a result of a provincial tax rate change in Alberta.

In the six months ended June 30, 2015, the consolidated effective tax rate includes a \$10 million benefit of previously unrecognized capital tax losses. This resulted in a lower consolidated effective tax rate this period than the comparable period of 2014.

5. SHARE-BASED PAYMENTS

The Company has a number of share-based compensation plans in the form of share options and other share-based payment plans noted below.

Share Options

Details of the share option plans are as follows:

Six months ended	June 30, 2015		June 30, 2014	
	Options	Weighted Average	Options	Weighted Average
Options outstanding, beginning of period	4,225,873	\$ 24.65	5,684,770	\$ 24.93
Granted	1,588,910	\$ 25.44	989,570	\$ 29.17
Exercised ⁽¹⁾	(78,005)	\$ 15.82	(454,334)	\$ 18.69
Forfeited	(346,868)	\$ 28.78	(782,930)	\$ 31.36
Options outstanding, end of period	5,389,910	\$ 24.74	5,437,076	\$ 25.29
Options exercisable, end of period	2,628,198	\$ 23.56	3,154,470	\$ 24.88

⁽¹⁾ Share options exercised in 2015 were cashless exercises. Under the 2005 Stock Option Plan, exercises generally utilize the cashless method, whereby the actual number of shares issued is represented by the premium between the fair value at the time of exercise and the grant value, and the equivalent value of the number of options up to the grant value is withheld. 78,005 options were exercised in 2015 under the 2005 Stock Option Plan resulting in 27,945 common shares issued; 50,060 options were withheld and returned to the option pool for future issues/grants.

In the second quarter of 2015, the Company granted 1,588,910 common share options to senior executives and management of the Company (Q2 2014: 989,570 common share options). The Company's practice is to grant and price share options only when it is felt that all material information has been disclosed to the market.

The fair value of the options granted in 2015 has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Dividend yield	2.33%
Expected volatility ⁽¹⁾	29.09%
Risk-free interest rate	1.16%
Expected life	5.39 years

⁽¹⁾ Expected volatility is based on historical share price volatility of Finning shares

The weighted average grant date fair value of options granted during the six month period was \$5.42 (2014: \$7.58).

Other Share-Based Payment Plans

The Company has other share-based payment plans in the form of deferred share units and performance share units that use notional common share units. Details of the plans with significant changes subsequent to December 31, 2014 are as follows:

Directors' Deferred Share Unit Plan A

Under the Deferred Share Unit Plan for members of the Board of Directors, non-employee Directors of the Company were granted a total of 19,450 share units in Q2 2015 (Q2 2014: 15,531 share units).

Performance Share Unit Plan

Executives of the Company were granted a total of 443,280 PSUs in Q2 2015, based on 100% vesting (Q2 2014: 331,380 PSUs). All PSUs granted in 2015 were divided equally into two categories: Total Shareholder Return (TSR) PSUs and Return on Invested Capital (ROIC) PSUs. The vesting and measurement of the PSUs are consistent with the 2014 PSU Plan, except as follows:

The TSR PSUs are measured at fair value using the Monte Carlo model.

The specified levels and respective vesting percentages for the 2015 ROIC PSU grant are as follows:

Performance Level	Average Return on Invested Capital (over three-year period)	Proportion of PSUs Vesting
Below Threshold	< 15.5%	Nil
Threshold	15.5%	50%
Target	16.5%	100%
Maximum	18.5% or more	200%

6. EARNINGS PER SHARE

(\$ thousands, except share and per share amounts) 2015	Three months ended June 30			Six months ended June 30		
	Income	Shares	Per Share	Income	Shares	Per Share
Basic EPS:						
Net income	\$ 61,384	172,313,624	\$ 0.36	\$ 114,519	172,343,369	\$ 0.66
Effect of dilutive securities: share options	—	294,217	—	—	257,875	—
Diluted EPS:						
Net income and assumed conversions	\$ 61,384	172,607,841	\$ 0.36	\$ 114,519	172,601,244	\$ 0.66
2014						
Basic EPS:						
Net income	\$ 86,420	172,141,352	\$ 0.50	\$ 154,327	172,106,171	\$ 0.90
Effect of dilutive securities: share options	—	824,817	—	—	828,963	—
Diluted EPS:						
Net income and assumed conversions	\$ 86,420	172,966,169	\$ 0.50	\$ 154,327	172,935,134	\$ 0.89

7. POST-EMPLOYMENT EMPLOYEE BENEFITS

The significant actuarial assumptions used in the valuations of the Company's defined benefit pension plans are as follows:

	June 30, 2015		December 31, 2014		June 30, 2014	
	Canada	UK	Canada	UK	Canada	UK
Discount rate – obligation	3.8%	3.8%	3.8%	3.4%	4.1%	4.2%
Discount rate – expense ⁽¹⁾	3.8%	3.4%	4.6%	4.5%	4.6%	4.5%
Retail price inflation – obligation	n/a	3.3%	n/a	3.2%	n/a	3.3%
Retail price inflation – expense ⁽¹⁾	n/a	3.2%	n/a	3.5%	n/a	3.5%

⁽¹⁾ Used to determine the net interest cost and expense for the three months ended June 30, 2015 and June 30, 2014, and the year ended December 31, 2014.

The three and six month expense and actuarial (gain) loss for the Company's defined benefit pension plans are as follows:

Three months ended (\$ thousands)	June 30, 2015			June 30, 2014		
	Canada	UK & Ireland	Total	Canada	UK & Ireland	Total
Current service cost, net of employee contributions	2,341	—	2,341	1,760	—	1,760
Administration costs	100	283	383	99	275	374
Net interest cost	458	544	1,002	367	545	912
Net benefit cost	2,899	827	3,726	2,226	820	3,046
Actuarial loss (gain) on plan assets	\$ 23,121	\$ 32,053	\$ 55,174	\$(11,451)	\$ (5,646)	\$(17,097)
Actuarial (gain) loss on plan liabilities	(31,476)	(39,702)	(71,178)	10,298	7,733	18,031
Total actuarial (gain) loss recognized in other comprehensive income	\$ (8,355)	\$ (7,649)	\$ (16,004)	\$ (1,153)	\$ 2,087	\$ 934

Six months ended (\$ thousands)	June 30, 2015			June 30, 2014		
	Canada	UK & Ireland	Total	Canada	UK & Ireland	Total
Current service cost, net of employee contributions	4,683	—	4,683	3,630	—	3,630
Administration costs	198	565	763	198	549	747
Net interest cost	917	1,085	2,002	744	1,088	1,832
Net benefit cost	5,798	1,650	7,448	4,572	1,637	6,209
Actuarial (gain) loss on plan assets	\$ (8,278)	\$ 9,057	\$ 779	\$(27,808)	\$(10,487)	\$(38,295)
Actuarial (gain) loss on plan liabilities	(2,184)	(37,757)	(39,941)	28,079	18,066	46,145
Total actuarial (gain) loss recognized in other comprehensive income	\$ (10,462)	\$ (28,700)	\$ (39,162)	\$ 271	\$ 7,579	\$ 7,850

The expense and actuarial (gain) loss for the Company's other post-employment benefit obligations are as follows:

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Current service cost	\$ 1,408	\$ 1,129	\$ 3,211	\$ 2,541
Interest cost	196	302	393	597
Net benefit cost	\$ 1,604	\$ 1,431	\$ 3,604	\$ 3,138
Actuarial (gain) loss on plan liabilities	\$ (263)	\$ —	\$ 4,194	\$ (9,592)

8. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in operating assets and liabilities are as follows:

(\$ thousands)	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Accounts receivable and other assets	\$ (10,248)	\$ 2,373	\$ 75,680	\$ (34,473)
Service work in progress	6,121	(12,708)	(2,032)	(29,732)
Inventories – on-hand equipment	47,432	61,912	(198,860)	(53,903)
Inventories – parts and supplies	5,798	32,195	7,087	(3,886)
Instalment notes receivable	(10,763)	(12,896)	14,310	(11,081)
Accounts payable and accruals and other liabilities	(54,272)	(31,225)	(225,298)	(105,506)
Income tax recoverable/payable	1,570	(9,047)	3,713	(10,565)
Changes in operating assets and liabilities	\$ (14,362)	\$ 30,604	\$ (325,400)	\$ (249,146)

The components of cash and cash equivalents are as follows:

June 30 (\$ thousands)	2015	2014
Cash	\$ 175,346	\$ 183,674
Cash equivalents	69,123	1,380
Cash and cash equivalents	\$ 244,469	\$ 185,054

9. SEGMENTED INFORMATION

The Company and its subsidiaries have operated primarily in one principal business during the year, that being the selling, servicing, and renting of heavy equipment, engines, and related products. The Company's revenue, results, and other segment information is as follows:

Three months ended June 30, 2015 (\$ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 847,655	\$ 537,631	\$ 270,474	\$ —	\$ 1,655,760
Operating costs	(770,360)	(467,369)	(252,629)	(10,490)	(1,500,848)
Depreciation and amortization	(25,667)	(19,374)	(6,388)	(44)	(51,473)
Equity earnings	981	—	—	1,194	2,175
Earnings (loss) before finance costs and income taxes	\$ 52,609	\$ 50,888	\$ 11,457	\$ (9,340)	\$ 105,614
Finance costs					(21,247)
Provision for income taxes					(22,983)
Net income					\$ 61,384
Invested capital ⁽¹⁾	\$1,744,816	\$1,402,190	\$ 381,336	\$ 7,536	\$ 3,535,878
Total assets	\$2,343,106	\$2,160,475	\$ 734,682	\$ 85,606	\$ 5,323,869
Capital and rental equipment ⁽²⁾	\$ 628,070	\$ 338,620	\$ 139,457	\$ 516	\$ 1,106,663
Distribution network	\$ 94,224	\$ 261,905	\$ 3,076	\$ —	\$ 359,205
Gross capital expenditures ⁽³⁾	\$ 4,920	\$ 4,186	\$ 1,372	\$ —	\$ 10,478
Gross rental asset expenditures ⁽³⁾	\$ 48,394	\$ 9,122	\$ 14,879	\$ —	\$ 72,395
Three months ended June 30, 2014 (\$ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$ 930,082	\$ 567,901	\$ 269,944	\$ —	\$ 1,767,927
Operating costs	(828,815)	(493,053)	(248,823)	(9,724)	(1,580,415)
Depreciation and amortization	(27,801)	(17,654)	(7,435)	(22)	(52,912)
Equity earnings (loss)	3,332	—	—	(267)	3,065
Other expenses	—	(496)	—	—	(496)
Earnings (loss) before finance costs and income taxes	\$ 76,798	\$ 56,698	\$ 13,686	\$ (10,013)	\$ 137,169
Finance costs					(23,364)
Provision for income taxes					(27,385)
Net income					\$ 86,420
Invested capital ⁽¹⁾	\$1,755,588	\$1,274,250	\$ 308,722	\$ (4,986)	\$ 3,333,574
Total assets	\$2,491,575	\$2,021,042	\$ 623,718	\$ 59,848	\$ 5,196,183
Capital and rental equipment ⁽²⁾	\$ 680,760	\$ 347,265	\$ 115,326	\$ 515	\$ 1,143,866
Distribution network	\$ 94,224	\$ 224,154	\$ 2,864	\$ —	\$ 321,242
Gross capital expenditures ⁽³⁾	\$ 7,876	\$ 1,918	\$ 5,970	\$ 192	\$ 15,956
Gross rental asset expenditures ⁽³⁾	\$ 90,808	\$ 4,872	\$ 1,973	\$ —	\$ 97,653

⁽¹⁾ Invested capital is calculated as total assets less total liabilities, excluding net debt

⁽²⁾ Capital includes property, plant and equipment, and intangibles

⁽³⁾ Includes finance leases and borrowing costs capitalized and excludes additions through business acquisitions

Six months ended June 30, 2015 (\$ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$1,628,652	\$1,026,541	\$ 519,549	\$ —	\$ 3,174,742
Operating costs	(1,497,600)	(891,968)	(487,443)	(17,794)	(2,894,805)
Depreciation and amortization	(51,110)	(38,319)	(12,991)	(77)	(102,497)
Equity earnings	1,279	—	—	2,149	3,428
Earnings (loss) before finance costs and income taxes	\$ 81,221	\$ 96,254	\$ 19,115	\$ (15,722)	\$ 180,868
Finance costs					(40,492)
Provision for income taxes					(25,857)
Net income					\$ 114,519
Invested capital ⁽¹⁾	\$1,744,816	\$1,402,190	\$ 381,336	\$ 7,536	\$ 3,535,878
Total assets	\$2,343,106	\$2,160,475	\$ 734,682	\$ 85,606	\$ 5,323,869
Capital and rental equipment ⁽²⁾	\$ 628,070	\$ 338,620	\$ 139,457	\$ 516	\$ 1,106,663
Distribution network	\$ 94,224	\$ 261,905	\$ 3,076	\$ —	\$ 359,205
Gross capital expenditures ⁽³⁾	\$ 7,770	\$ 8,616	\$ 3,499	\$ 56	\$ 19,941
Gross rental asset expenditures ⁽³⁾	\$ 79,269	\$ 11,798	\$ 18,521	\$ —	\$ 109,588
Six months ended June 30, 2014 (\$ thousands)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	\$1,821,117	\$1,117,564	\$ 505,469	\$ —	\$ 3,444,150
Operating costs	(1,639,695)	(973,947)	(464,273)	(12,923)	(3,090,838)
Depreciation and amortization	(55,731)	(36,040)	(15,996)	(41)	(107,808)
Equity earnings (loss)	4,796	—	—	(1,006)	3,790
Other income	—	42	—	—	42
Other expenses	—	(1,379)	—	—	(1,379)
Earnings (loss) before finance costs and income taxes	\$ 130,487	\$ 106,240	\$ 25,200	\$ (13,970)	\$ 247,957
Finance costs					(43,866)
Provision for income taxes					(49,764)
Net income					\$ 154,327
Invested capital ⁽¹⁾	\$1,755,588	\$1,274,250	\$ 308,722	\$ (4,986)	\$ 3,333,574
Total assets	\$2,491,575	\$2,021,042	\$ 623,718	\$ 59,848	\$ 5,196,183
Capital and rental equipment ⁽²⁾	\$ 680,760	\$ 347,265	\$ 115,326	\$ 515	\$ 1,143,866
Distribution network	\$ 94,224	\$ 224,154	\$ 2,864	\$ —	\$ 321,242
Gross capital expenditures ⁽³⁾	\$ 17,775	\$ 7,186	\$ 6,492	\$ 363	\$ 31,816
Gross rental asset expenditures ⁽³⁾	\$ 137,289	\$ 6,688	\$ 2,785	\$ —	\$ 146,762

⁽¹⁾ Invested capital is calculated as total assets less total liabilities, excluding net debt

⁽²⁾ Capital includes property, plant and equipment, and intangibles

⁽³⁾ Includes finance leases and borrowing costs capitalized and excludes additions through business acquisitions

10. SUBSEQUENT EVENT

Effective July 1, 2015 the Company acquired the operating assets of Kramer Ltd. and became the approved Caterpillar dealer in Saskatchewan. The acquired dealership business in Saskatchewan will add to Finning's Western Canadian operations in British Columbia, Alberta, Yukon, Northwest Territories, and part of Nunavut. This diversifies the Company's revenue base into sectors such as potash and uranium. The acquisition expands Finning's Western Canadian operations into a contiguous territory, and provides a platform for long-term growth opportunities and diversification into new markets.

Cash consideration of approximately \$240 million was paid at the time of acquisition and is subject to post-closing working capital adjustments. The purchase price represents the fair value of assets acquired and liabilities assumed. Acquisition costs total approximately \$3 million, of which \$1 million is recognized in selling, general, and administrative expenses in the second quarter. This purchase will be accounted for as a business combination using the acquisition method of accounting. The net assets acquired primarily comprise working capital, rental equipment, and intangible assets with any residual value being attributed to goodwill. Management is currently assessing the cash-generating unit or group of cash-generating units to which goodwill will be assigned.

Due to the short time period that has elapsed since the acquisition was completed and post-closing working capital adjustments not yet completed, initial accounting for the business combination is not yet complete.