FINNING

Q3 2016 EARNINGS RELEASE **November 3, 2016**

Finning reports Q3 2016 results

Vancouver, B.C. – Finning International Inc. (TSX: FTT) ("Finning" or the "Company") reported third quarter 2016 results today. All monetary amounts are in Canadian dollars unless otherwise stated.

HIGHLIGHTS

- Significant progress in the UK & Ireland to lower the cost structure and improve capital efficiency resulted in an EBIT(1) margin of 3.8%.
- Operational improvements and cost reductions enabled Canada to maintain profitability in a difficult economic environment.
- South America achieved significant improvement in Adjusted ROIC(1)(2)(3) driven by sustained profitability and reduced invested capital.
- Strong free cash flow(3) of $163 million in Q3 and $257 million year-to-date reflected improved management of working capital.

"The sustainable improvements and cost reductions we have made across our organization contributed to a solid third quarter. I am particularly pleased with our increased profitability in these times of competitive and challenging market conditions. Our ongoing commitment to managing the factors we control is also reflected in our continued focus on safety, optimizing our supply chain, improving service delivery and earning customer loyalty, which is at an all-time high since we began the journey to transform our business and deliver greater customer value," said Scott Thomson, president and CEO of Finning International. "Going forward, we will continue to position Finning to deliver significantly improved results when demand normalizes. We remain focused on managing working capital more effectively and continuously optimizing our supply chain to generate positive free cash flow through the cycle. The substantial free cash flow we are generating this year will further strengthen our balance sheet and provide capital allocation flexibility."

Q3 2016 FINANCIAL SUMMARY

$ millions, except per share amounts	**Q3 2016**	Q3 2015 (restated)(4)	% change
Revenue	**1,333**	1,517	(12)
EBIT	**73**	63	14
EBIT margin	***5.4%***	*4.2%*	
EBITDA(1)(3)	**119**	125	(5)
EBITDA margin	***8.9%***	*8.2%*	
Net income	**36**	33	11
Basic EPS	**0.22**	0.19	13
Free cash flow	**163**	140	16

Q3 2016 EBIT and EBITDA by Operation *$ millions, except per share amounts*	Canada	South America	UK & Ireland	Finning Total*
EBIT	37	40	10	73
EBIT margin	*5.9%*	*8.7%*	*3.8%*	*5.4%*
EBITDA	61	55	17	119
EBITDA margin	*9.8%*	*11.9%*	*6.5%*	*8.9%*

* Consolidated results include corporate and other operations, mostly corporate head office

Included in Q3 2015 results are the following significant items that management does not consider indicative of operational and financial trends either by nature or amount. These significant items are summarized below and described in more detail on page 3 of the Company's Q3 2016 Management's Discussion and Analysis ("MD&A").

Q3 2015 EBIT and EBITDA by Operation *$ millions, except per share amounts*	Canada	South America	UK & Ireland	Finning Total*	EPS
EBIT / EPS	34	32	7	63	0.19
Severance costs	11	10	4	25	0.11
Restructuring costs – lease impairment	6	-	-	6	0.03
Saskatchewan dealership acquisition costs	-	-	-	3	0.01
Adjusted EBIT(2)(3) / Adjusted EPS(2)(3)	51	42	11	97	0.34
Adjusted EBITDA(2)(3)	85	62	19	159	
EBIT margin	*4.5%*	*6.4%*	*2.7%*	*4.2%*	
Adjusted EBIT margin(2)(3)	*6.9%*	*8.3%*	*4.1%*	*6.4%*	
Adjusted EBITDA margin(2)(3)	*11.5%*	*12.1%*	*7.2%*	*10.5%*	

* Consolidated results include corporate and other operations, mostly corporate head office

- In Q3 2016, revenues were down 12% primarily due to lower product support revenues in Canada and South America, as well as lower new equipment sales in Canada. Product support declined by 13%, driven mostly by lower parts sales in the non-mining sectors in Canada and lower parts and service revenues in South America's mining industry. New equipment sales decreased by 9% due to timing of equipment deliveries in the oil sands, as well as weaker market activity in Alberta and Saskatchewan. This was partly offset by higher new equipment sales in the UK & Ireland and South America. Order backlog(3) of about $0.5 billion at the end of Q3 2016 remained unchanged from Q2 2016.

- Gross profit declined by 13%, reflecting lower revenues. Gross profit margin of about 28% was relatively unchanged from Q3 2015. The Company continued to face pricing pressures in all markets as customers remained focused on cost reductions in a lower commodity environment.

- EBIT of $73 million was below Adjusted EBIT in Q3 2015, primarily due to lower EBIT in Canada. In addition, strong share price appreciation in the quarter increased the Company's long-term incentive plan costs by about $7 million compared to Q3 2015.

- EBITDA and EBIT margins of 8.9% and 5.4%, respectively, were below the Adjusted margins in Q3 2015, but improved from the Adjusted margins sequentially throughout 2016 as the Company began to realize cost savings from operational improvements and restructuring actions taken across all three regions.

- EPS of $0.22 per share was below Adjusted EPS of $0.34 per share in Q3 2015 due to lower revenues and earnings from Canada and South America, higher long-term incentive plan costs of $0.03 per share driven by strong share price appreciation, and higher effective income tax rate (29% in Q3 2016 vs 19% in Q3 2015). However, Q3 2016 EPS has improved sequentially from Q1 2016 EPS of $0.09 (Adjusted EPS of $0.19) and Q2 2016 EPS of $0.03 (Adjusted EPS of $0.20).

- Free cash flow was $163 million, with strong cash generated by all operations. Year-to-date free cash flow of $257 million was up significantly from ($22) million use of cash in the same period of 2015, driven mostly by improved management of working capital, including lower equipment inventory purchases.

- The Company's balance sheet is strong with net debt to Adjusted EBITDA ratio(2)(3) of 2.1 and net debt to invested capital ratio(3) of 35.0% at the end of Q3 2016.

Q3 2016 INVESTED CAPITAL

	Q3 2016	Q2 2016	Q4 2015
Invested capital(3) *($ millions)*			
Consolidated	**2,917**	3,041	3,240
Canada	**1,650**	1,695	1,760
South America (U.S. dollars)	**778**	824	811
UK & Ireland (U.K. pound sterling)	**148**	153	157
Invested capital turnover(3)(4) *(times)*	**1.85**	1.78	1.78
Adjusted ROIC *(%)*			
Consolidated	**9.2**	9.4	10.9
Canada	**8.7**	9.3	10.6
South America	**15.6**	14.2	14.0
UK & Ireland	**3.4**	3.3	9.0

- Excluding the impact of foreign currency translation, invested capital decreased by about $215 million from Q4 2015. This was driven by continued efforts to reduce surplus inventory and rental assets in Canada to align with market demand, as well as improved management of working capital, including inventory purchases, across the organization.

- Consolidated Adjusted ROIC of 9.2% declined slightly from Q2 2016 due to lower earnings in Canada. Adjusted ROIC in South America improved significantly driven by steady profitability and lower invested capital.

Q3 2016 HIGHLIGHTS BY OPERATION

Canada

- Revenues declined by 17%, reflecting difficult market conditions and lower customer activity across all sectors in Western Canada. New equipment sales were down 25% due to timing of equipment deliveries in the oil sands and reduced activity in the power systems and construction markets in Alberta and Saskatchewan. Product support revenues were down 11% driven primarily by lower parts sales in the non-mining sectors. In addition, the component rebuild activity in the oil sands slowed significantly following the wildfires as producers were focused on recovering lost production output and reducing equipment downtime. Excluding the estimated negative impact on revenues from the wildfires, Q3 product support was down by about 8% from Q2 mostly due to lower activity in the oil sands in July and August. In September, mining product support activity returned to normal levels and is expected to remain steady for the balance of the year.

- EBIT of $37 million was $14 million below Adjusted EBIT in Q3 2015 mostly due to a decrease in gross profit from lower revenues and continued pressure on margins in a very competitive pricing environment. Excluding severance, SG&A costs were down 11% from Q3 2015 reflecting cost savings from improved operating efficiencies and restructuring actions.

- EBIT margin of 5.9% was below Adjusted EBIT margin of 6.9% in Q3 2015 and 6.3% in Q2 2016. However, excluding the benefit of higher equity earnings from the Pipeline Machinery International in Q2 2016, Q3 2016 profitability was up slightly from Q2 despite a slowdown in product support revenues.

South America

- Revenues declined by 9% (also down 9% in functional currency – U.S. dollars), mostly due to reduced product support revenues in mining, reflecting a continued low copper price environment. While product support revenues were down 12% in functional currency compared to Q3 2015, they were relatively similar to Q2 and Q1 2016 as product support activity in mining appears to have stabilized at lower levels. New equipment sales were up 3% in functional currency, driven by improved construction activity in Argentina.

- South American operations maintained solid profitability levels despite a shift in revenue mix from product support to lower margin new equipment sales and continued competitive pricing pressures. EBIT margin was 8.7%, up from Adjusted EBIT margin of 8.3% in Q3 2015, driven by improved operating efficiencies in the service business and tight control of SG&A costs.

- Q3 Adjusted ROIC improved to 15.6% from 14.0% at the end of 2015 reflecting sustained profitability and reduced invested capital in a weak market environment.

United Kingdom & Ireland

- Revenues decreased by 5%, but were up 13% in functional currency - U.K. Pound Sterling. Strong new equipment sales (up 26% in functional currency) were driven by higher activity in the general construction sectors as well as improved demand from data centre and capacity markets in power systems. Product support revenues declined by 9% in functional currency, due to lower activity in mining, steel, marine, and oil & gas sectors.

- EBIT of $10 million and EBIT margin of 3.8% were slightly below Adjusted EBIT and Adjusted EBIT margin in Q3 2015, reflecting a shift in revenue mix from product support to new equipment sales and lower product support margins. UK & Ireland began to realize cost savings from restructuring initiatives, resulting in reduced fixed SG&A costs, and is returning to historic profitability levels. Q3 EBIT margin showed significant improvement from the last three quarters, reflecting successful execution of the turnaround plan. Management remains on track to transform the UK's business model and deliver a sustainable improvement in operating performance.

CORPORATE AND BUSINESS DEVELOPMENTS

Dividend

The Board of Directors has approved a quarterly dividend of $0.1825 per share, payable on December 1, 2016 to shareholders of record on November 17, 2016. This dividend will be considered an eligible dividend for Canadian income tax purposes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

$ millions, except per share amounts	Three months ended Sep 30			Nine months ended Sep 30		
	2016	2015 (restated)(4)	% change	**2016**	2015 (restated)(4)	% change
New equipment	**427**	468	(9)	**1,319**	1,659	(21)
Used equipment	**72**	77	(6)	**271**	250	9
Equipment rental	**61**	85	(29)	**170**	224	(24)
Product support	**770**	883	(13)	**2,366**	2,593	(9)
Other	**3**	4	nm	**11**	12	nm
Total revenue	**1,333**	1,517	(12)	**4,137**	4,738	(13)
Gross profit	**369**	422	(13)	**1,093**	1,271	(14)
Gross profit margin	***27.7%***	*27.9%*		***26.4%***	*26.8%*	
SG&A	**(295)**	(351)	16	**(947)**	(1,022)	7
SG&A as a percentage of revenue	***(22.2)%***	*(23.2)%*		***(22.9)%***	*(21.6)%*	
Equity earnings (loss) of joint venture and associate	**(1)**	1		**6**	4	
Other expenses	**0**	(9)		**(5)**	(9)	
EBIT	**73**	63	14	**147**	244	(40)
EBIT margin	***5.4%***	*4.2%*		***3.5%***	*5.2%*	
Adjusted EBIT	**73**	97	(26)	**203**	303	(33)
Adjusted EBIT margin	***5.4%***	*6.4%*		***4.9%***	*6.4%*	
Net income	**36**	33	11	**56**	148	(62)
Basic EPS	**0.22**	0.19	13	**0.33**	0.86	(61)
Adjusted basic EPS	**0.22**	0.34	(36)	**0.60**	1.07	(44)
EBITDA	**119**	125	(5)	**292**	408	(28)
EBITDA margin	***8.9%***	*8.2%*		***7.1%***	*8.6%*	
Adjusted EBITDA	**119**	159	(26)	**348**	467	(26)
Adjusted EBITDA margin	***8.9%***	*10.5%*		***8.4%***	*9.9%*	
Free cash flow	**163**	140	16	**257**	(22)	nm

	Sep 30, 2016	Dec 31, 2015
Invested capital	**2,917**	3,240
Invested capital turnover (times)	**1.85**	1.78
Net debt to invested capital	**35.0%**	36.7%
ROIC	**(6.6)%**	(3.0)%
Adjusted ROIC	**9.2%**	10.9%

nm - % change not meaningful

Q3 2016 INVESTOR CALL
The Company will hold an investor call on November 3 at 11:00 am Eastern Time. Dial-in numbers: 1-800-319-4610 (Canada and US), 1-416-915-3239 (Toronto area), 1-604-638-5340 (international). The call will be webcast live and subsequently archived at www.finning.com. Playback recording will be available at 1-855-669-9658 (access code 0826) until November 10, 2016.

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, the United Kingdom and Ireland.

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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) Certain 2016 and 2015 financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are summarized on page 2 of this news release and described on page 3 of the Company's Q3 2016 MD&A, and the financial metrics that have been adjusted to take these items into account are referred to as "adjusted" metrics.

(3) These financial metrics, referred to as "non-GAAP financial measures" do not have a standardized meaning under International Financial Reporting Standards (IFRS), which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most directly comparable measure under GAAP, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" in the Company's Q3 2016 MD&A. Management believes that providing certain non-GAAP financial measures provides users of the Company's consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out in this MD&A, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

(4) As previously disclosed, management has voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition and as previously disclosed, management has concluded that certain cost recoveries are better reflected as revenues. Certain line items have been restated in the comparative 2015 periods but the impact of restatement is not significant. For more information on the impact to financial statements, please refer to note 1 of the Company's interim condensed consolidated financial statements.

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: delivery of improved results when demand normalizes; free cash flow; order backlog; results of operational improvements and restructuring actions; product support activity for the balance of the year; product support activity in mining in South America; cost savings from restructuring initiatives in the UK and Ireland operations; and transformation of the business model in the UK and Ireland operations to deliver a sustainable improvement in operating performance. 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 November 2, 2016. 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 its products and timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenue occurs; Finning's ability to reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology. 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. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in Section 4 of the Company's current AIF and in the annual MD&A for the financial risks.

Finning cautions readers that the risks described in the MD&A and the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations.

Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this report. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 2, 2016

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

As previously disclosed, management has voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition and as previously disclosed, management has concluded that certain cost recoveries are better reflected as revenues. Certain line items and key performance metrics have therefore been restated in the comparative 2015 period but the impact of the restatement is not significant. Further disclosure relating to these changes can be found in note 1 of the Company's interim condensed consolidated financial statements.

Third Quarter Overview

($ millions, except for share data)	Q3 2016	Q3 2015 (Restated)	% change
Revenue	**$ 1,333**	$ 1,517	(12)%
Gross profit	**369**	422	(13)%
Selling, general & administrative expenses (SG&A)	**(295)**	(351)	16%
Other expenses	**—**	(9)	nm
Earnings before finance costs and income taxes (EBIT)	**73**	63	14%
Net income	**$ 36**	$ 33	11%
Basic earnings per share (EPS)	**$ 0.22**	$ 0.19	13%
Earnings before finance costs, income taxes, depreciation and amortization (EBITDA) [1]	**$ 119**	$ 125	(5)%
Free cash flow [1]	**$ 163**	$ 140	16%
Adjusted EBIT [1] [2]	**$ 73**	$ 97	(26)%
Adjusted net income [1] [2]	**$ 36**	$ 59	(37)%
Adjusted EPS [1] [2]	**$ 0.22**	$ 0.34	(36)%
Adjusted EBITDA [1] [2]	**$ 119**	$ 159	(26)%
Gross profit margin	***27.7%***	*27.9%*	
SG&A as a percentage of revenue	***22.2%***	*23.2%*	
EBIT margin	***5.4%***	*4.2%*	
EBITDA margin [1]	***8.9%***	*8.2%*	
Adjusted EBIT margin [1] [2]	***5.4%***	*6.4%*	
Adjusted EBITDA margin [1] [2]	***8.9%***	*10.5%*	

nm = % change not meaningful

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

(2) Certain 2015 financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on page 3 in this MD&A and the financial metrics which have been adjusted to take into account these items are referred to as "Adjusted" metrics. There were no significant items adjusted in Q3 2016, therefore the adjusted metrics above for Q3 2016 are the same as the reported metrics.

2016 Third Quarter Highlights

- Free cash flow in Q3 2016 of $163 million, higher compared to free cash flow of $140 million in Q3 2015, reflected strong cash generation from all operations. Free cash flow for the first nine months of 2016 of $257 million was significantly higher than the $22 million use of cash in the same period last year due to a strong focus on working capital management.
- Revenue of $1.3 billion was down 12% from Q3 2015, and lower in all lines of business, primarily driven by continued lower demand from the mining and power system sectors in the Company's Canadian and South American operations. The Company's UK & Ireland operations reported higher new equipment revenues compared to the prior year period.
- EBIT of $73 million and EBIT margin of 5.4% reported in Q3 2016 were higher than the $63 million and 4.2% earned in the same period last year. Q3 2015 results included $34 million of costs resulting from restructuring actions taken by the Company to align its cost structure to lower market activity as well as acquisition costs related to the purchase of the operating assets of the Saskatchewan dealership.
- Excluding severance, restructuring and acquisition costs incurred in the prior year, EBIT of $73 million and EBIT margin of 5.4% in Q3 2016 were down from the Adjusted EBIT of $97 million and Adjusted EBIT margin of 6.4% in the prior year mainly due to reduced sales volumes from lower market activity.
- Basic EPS earned in Q3 2016 was $0.22, compared to $0.19 in the prior period; adjusting the prior period for the impact of severance, restructuring and acquisition costs noted above, Q3 2015 Adjusted EPS was $0.34.
- EBITDA was down 26% from Adjusted EBITDA in Q3 2015.
- EBIT and EBITDA margin improved sequentially from Adjusted margins in Q2 2016 and Q1 2016, reflecting the benefits of the Company's transformation initiatives.

Non-GAAP Financial Measures

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

During the years ended December 31, 2014 and 2015, and Q1 and Q2 of 2016, there were a number of significant items that management does not consider to be indicative of future financial trends of the Company either by nature or amount. As a result, management excludes these items when evaluating its consolidated operating financial performance and the performance of each of its operations. These items may not be non-recurring, but management believes that excluding these significant items from financial results reported solely in accordance with GAAP provides a better understanding of the Company's consolidated financial performance for the current year when considered along with the GAAP results. Adjusted financial metrics are intended to provide additional information to users of the MD&A. This information should not be considered in isolation or as a substitute for financial measures prepared in accordance to GAAP. In addition, because non-GAAP financial measures do not have a standardized meaning under GAAP, they may not be comparable to similar measures presented by other issuers.

Significant items that affected the results of the Company for the three months ended September 2015 which are not considered by management to be indicative of operational and financial trends were:

- Severance costs related to the global workforce reduction during the quarter, primarily in the Company's Canadian and South American operations as the Company transformed its business model and aligned its cost structure to lower market activity.
- The Company centralized its Canadian head office operations from two buildings into one building and entered into a sublease agreement for the vacant building for the remaining lease term. Given the economic conditions at the time of entering into the sublease, the Company was not able to fully recover its lease commitments, resulting in a loss.
- Acquisition costs related to the purchase of the operating assets of the Saskatchewan dealership.

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

3 months ended September 30, 2015 ($ millions except per share amounts)	**EBIT**				**Net Income**	**EPS**
	Canada	**South America**	**UK & Ireland**	**Consol [1]**	**Consol**	**Consol**
EBIT, net income, and EPS	$ 34	$ 32	$ 7	$ 63	$ 33	$ 0.19
Significant items:						
Severance costs	11	10	4	25	19	0.11
Restructuring costs - lease impairment	6	—	—	6	5	0.03
Saskatchewan dealership acquisition costs	—	—	—	3	2	0.01
Adjusted EBIT, Adjusted net income, and Adjusted EPS	$ 51	$ 42	$ 11	$ 97	$ 59	$ 0.34

[1] Consolidated results include other operations – corporate head office

Quarterly Key Performance Measures

The Company's operational improvement priorities include: customer & market leadership; supply chain optimization; service excellence; and asset utilization. The Company's employee incentive plans are aligned with the following Key Performance Indicators (KPIs) to consistently measure performance across the organization and monitor progress in improving Return on Invested Capital (ROIC) [(1)].

	2016			2015				2014	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
ROIC [(2)]									
Consolidated	**(6.6)%**	(6.4)%	(4.0)%	(3.0)%	11.0%	12.9%	14.1%	15.3%	15.4%
Canada	**4.3%**	4.0%	5.4%	5.5%	10.9%	13.9%	15.3%	17.1%	16.8%
South America	**(18.1)%**	(17.0)%	(14.9)%	(12.8)%	13.2%	13.6%	14.4%	14.6%	15.8%
UK & Ireland	**(17.4)%**	(15.7)%	(4.5)%	(1.4)%	10.5%	13.2%	14.7%	16.3%	15.6%
EBIT ($ millions) [(2)]									
Consolidated	**73**	29	45	(349)	63	106	75	142	114
Canada	**37**	28	25	(17)	34	52	29	73	80
South America	**40**	38	32	(303)	32	52	45	59	31
UK & Ireland	**10**	(26)	(4)	(31)	7	12	7	11	14
EBIT Margin [(2)(3)]									
Consolidated	**5.4%**	2.3%	3.0%	(22.7)%	4.2%	6.3%	4.9%	7.9%	6.8%
Canada	**5.9%**	4.4%	3.0%	(2.4)%	4.5%	6.1%	3.6%	7.7%	9.2%
South America	**8.7%**	8.8%	7.3%	(57.3)%	6.4%	9.4%	9.2%	9.8%	6.2%
UK & Ireland	**3.8%**	(10.5)%	(1.9)%	(10.6)%	2.7%	4.2%	3.1%	4.3%	4.8%
Invested Capital [(1)] ($ millions)									
Consolidated	**2,917**	3,041	3,085	3,240	3,802	3,536	3,541	3,106	3,340
Canada	**1,650**	1,695	1,685	1,760	1,871	1,745	1,794	1,475	1,714
South America	**1,021**	1,072	1,033	1,122	1,485	1,402	1,417	1,348	1,298
UK & Ireland	**253**	263	340	321	442	381	330	284	344
Invested Capital Turnover [(1)(3)] (times)									
Consolidated	**1.85x**	1.78x	1.82x	1.78x	1.88x	1.99x	2.06x	2.10x	2.09x
Canada	**1.66x**	1.68x	1.80x	1.74x	1.96x	2.09x	2.14x	2.19x	2.15x
South America	**1.74x**	1.61x	1.59x	1.52x	1.51x	1.57x	1.63x	1.66x	1.71x
UK & Ireland	**3.41x**	2.98x	2.81x	2.93x	2.93x	3.21x	3.40x	3.43x	3.43x
Inventory ($ millions)	**1,726**	1,688	1,740	1,800	1,995	1,919	1,973	1,661	1,806
Inventory Turns [(1)(3)] (times)	**2.26x**	2.43x	2.58x	2.38x	2.39x	2.44x	2.72x	2.81x	2.64x
Working Capital to Sales Ratio [(1)(3)]	**31.5%**	32.4%	31.4%	32.2%	30.1%	28.2%	26.9%	26.1%	26.0%
Free Cash Flow ($ millions)	**163**	64	30	347	140	70	(232)	385	109
Net Debt to Invested Capital Ratio [(1)]	**35.0%**	37.9%	37.0%	36.7%	38.7%	35.4%	36.0%	31.4%	39.4%
EBITDA [(2)]	**119**	77	96	(282)	125	157	126	194	170
Net Debt to EBITDA Ratio [(1)(2)]	**109.4**	71.5	12.0	9.5	2.4	1.9	1.9	1.4	1.8

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

(2) 2016 and 2015 reported financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 3, 29, and 30 in this MD&A and the financial metrics which have been adjusted to take into account these items are referred to as "Adjusted" metrics.

(3) As previously disclosed, management has voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, and as previously disclosed, management has concluded that certain cost recoveries are better reflected as revenues. Certain line items and key performance metrics have been restated in the 2015 quarterly periods but the impact of restatement is not significant. Further disclosure relating to these changes can be found in note 1 of the Company's interim condensed consolidated financial statements.

Quarterly Key Performance Measures – Adjusted

2016 and 2015 reported financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 3, 29, and 30 in this MD&A and the financial metrics which have been adjusted to take into account these items are referred to as "Adjusted" metrics. The impact of these items on certain key performance measures is shown below:

	2016			2015			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Adjusted ROIC [1]							
Consolidated	**9.2%**	9.4%	10.4%	10.9%	12.8%	14.3%	15.5%
Canada	**8.7%**	9.3%	10.1%	10.6%	13.1%	15.3%	16.7%
South America	**15.6%**	14.2%	14.5%	14.0%	14.3%	15.2%	16.0%
UK & Ireland	**3.4%**	3.3%	7.4%	9.0%	11.9%	13.9%	15.3%
Adjusted EBIT [1][4] ($ millions)							
Consolidated	**73**	63	67	82	97	112	94
Canada	**37**	40	33	39	51	55	46
South America	**40**	39	39	46	42	55	46
UK & Ireland	**10**	(5)	3	3	11	12	8
Adjusted EBIT Margin [1][3][4]							
Consolidated	**5.4%**	4.9%	4.5%	5.3%	6.4%	6.6%	6.1%
Canada	**5.9%**	6.3%	4.0%	5.5%	6.9%	6.3%	5.7%
South America	**8.7%**	9.1%	8.9%	9.0%	8.3%	10.0%	9.4%
UK & Ireland	**3.8%**	(1.9)%	1.5%	0.8%	4.1%	4.3%	3.4%
Adjusted EBITDA [1][2][4]	**119**	111	118	139	159	163	145
Net Debt to Adjusted EBITDA Ratio [1][2]	**2.1**	2.2	2.0	2.0	2.2	1.8	1.8

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

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

(3) Management has voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, management has concluded that certain cost recoveries are better reflected as revenues. Certain line items and key performance metrics have been restated in the 2015 quarterly periods but the impact of restatement is not significant. Further disclosure relating to these changes can be found in note 1 of the Company's interim condensed consolidated financial statements.

(4) There were no significant items adjusted in Q3 2016, therefore the adjusted metrics above for Q3 2016 are the same as the reported metrics.

Revenue

The Company generated revenue of $1.3 billion during the third quarter of 2016, a decrease of 12% from Q3 2015. Revenue was down in the Company's Canadian and South American operations, particularly in product support. Revenue in the Company's UK & Ireland operations was up in functional currency (U.K. pound sterling) reflecting higher new equipment sales.

Product support revenue was down 13% compared to the third quarter of 2015, and down in all operations. The Company's South American operations reported lower parts and service revenue from the Chilean and Argentine mining sector as customers continue to delay maintenance work. Product support revenue was also down year over year in the Company's Canadian operations, mostly due to lower parts sales in mining, construction and power systems sectors. Product support revenue in the Company's UK & Ireland operations was down primarily due to a decrease in parts revenue in the power sector. On a consolidated basis, product support revenue as a portion of the overall sales mix was 58%, comparable to the prior year period.

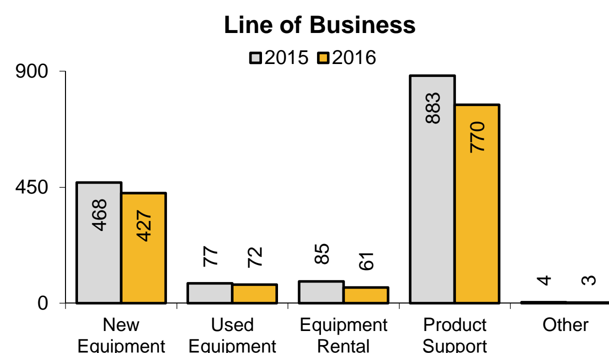
New equipment sales declined 9% compared to the third quarter of 2015, primarily due to the Company's Canadian operations, reflecting timing of deliveries in the mining sector and slowdowns in demand in the oil and gas industry. Higher new equipment revenues in the Company's UK & Ireland operations reflected improved market demand, particularly in the general construction, quarry and data center sectors.

Reflecting weak market conditions in most markets, equipment order backlog [1] was $0.5 billion at the end of September 2016, comparable to backlog at June 30, 2016 and December 31, 2015.

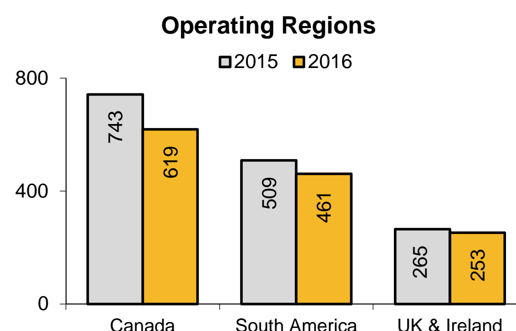
A 29% decrease in rental revenue was a result of further weakness in the rental market and increased competition in the Company's Canadian operations relative to a year ago. Rental revenue in the third quarter of 2016 in the Company's operations in South America and the UK & Ireland was comparable to Q3 2015.

The stronger Canadian dollar relative to the U.K. pound sterling had a negative foreign currency translation impact on revenue of approximately $45 million in the third quarter of 2016 compared to last year, and was not significant at the EBIT level.

Revenue by Line of Business
3 months ended September 30
(Restated) ($ millions)



Revenue by Operation



Earnings Before Finance Costs and Income Taxes

Q3 2016 gross profit of $369 million was down 13% compared to the prior year period reflecting lower volumes, with increased competitive pressures and customers continuing to focus on reducing operating costs in challenging economic conditions. Gross profit margin was comparable to Q3 2015. Lower margins on new equipment from the Company's South American operations largely due to pricing pressures in a competitive market, as well as lower margins on rental revenues in the Company's Canadian operations were partly offset by improved service margins in the Company's Canadian and South American operations reflecting the implementation of operational improvements.

SG&A costs in the third quarter of 2016 were 16% lower than the prior year period. The Company incurred severance costs of $25 million in the third quarter of 2015 in its South American and Canadian operations. Excluding these severance costs in the prior year period, SG&A was down 9% compared to Q3 2015.

[1] This non-GAAP financial measure does not have a standardized meaning under IFRS, and therefore may not be comparable to similar measures presented by other issuers. For additional information, including definition, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" later in this MD&A.

SG&A savings were reported from all operations as a result of the execution of operational excellence initiatives and cost reduction measures. Lower SG&A costs reflected workforce reductions, reduced facility and distribution costs, and volume-related decreases, partially offset by inflationary and statutory salary increases, primarily in the Company's South American operations, as well as higher long term incentive plan (LTIP) costs. LTIP costs were $7 million higher in Q3 2016 due to the appreciation of the Company's share price in Q3 2016 versus a decline in the prior year period.

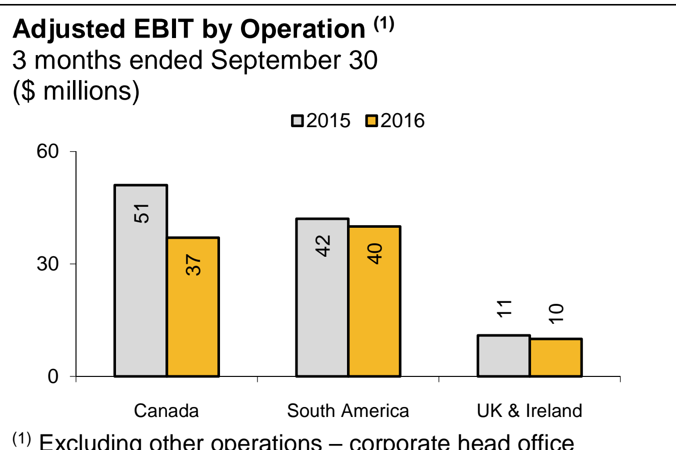
Recorded in other expenses in Q3 2015 was $6 million related to a loss on a building sublease, as well as costs of $3 million related to the acquisition of the Saskatchewan dealership.

The Company reported EBIT of $73 million in the third quarter of 2016, compared to $63 million earned in Q3 2015. EBIT margin was 5.4% in the third quarter of 2016, compared to 4.2% in the comparable period last year. Severance costs, as well as the loss on a building sublease and acquisition costs were incurred in Q3 2015. Excluding these significant costs in the prior period, Q3 2015 Adjusted EBIT was $97 million with an Adjusted EBIT margin of 6.4%. Although lower than the prior year, EBIT and EBIT margin for Q3 2016 improved over Q2 2016 Adjusted EBIT of $63 million by 13% and Adjusted EBIT margin of 4.9% by 50 basis points.

The Company's lower EBIT in the third quarter of 2016 compared to the Adjusted EBIT in the prior year comparable period was primarily due to reduced volumes in its Canadian operations, reflecting timing of deliveries in the mining sector and slowdowns in demand in the oil and gas industry. In addition, EBIT was lower due to higher long term incentive plan costs in Q3 2016 compared to the prior year comparable period. The Canadian operations' EBIT margin for Q3 2016 of 5.9% was lower than the Adjusted EBIT margin in the same period in the prior year. The Company's South American operations reported a strong EBIT margin of 8.7% in the third quarter, higher than the prior year. The Company's UK operations reported slightly higher EBIT in functional currency in the third quarter of 2016 and an EBIT margin of 3.8%, lower than the Adjusted EBIT margin in the prior year, but a substantial improvement over the prior sequential three quarters.

EBITDA

EBITDA for Q3 2016 was $119 million and EBITDA margin was 8.9% compared to Q3 2015 EBITDA of $125 million and EBITDA margin of 8.2%. Excluding significant items noted on page 3 of this MD&A, Q3 2015 Adjusted EBITDA was $159 million and Adjusted EBITDA margin was 10.5%. EBITDA was down from the prior year period mainly due to lower earnings from



the Company's Canadian and South American operations.

The net debt to EBITDA ratio at Q3 2016 was 109.4. Excluding significant items not indicative of operational results, as noted in the table on page 29 of this MD&A, net debt to Adjusted EBITDA ratio at Q3 2016 was 2.1, which is comparable to the same period in the prior year.

Finance Costs

Finance costs in the three months ended September 30, 2016 were $21 million, comparable with the third quarter of 2015.

Provision for Income Taxes

The effective income tax rate for Q3 2016 was 28.7%, higher than the 18.9% in the prior year. The higher effective tax rate in 2016 was primarily the result of a higher proportion of earnings in higher tax jurisdictions.

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

Net Income

Net income was $36 million in Q3 2016, compared to $33 million earned in the same period last year. Basic EPS was $0.22 compared with $0.19 in the third quarter of 2015. Excluding significant items not indicative of operational results in Q3 2015 as noted on page 3, Adjusted EPS in Q3 2015 was $0.34. The decrease in Q3 2016 EPS compared to the prior year period was primarily due to lower sales volumes in the Company's South American and Canadian operations, reflecting the challenging economic conditions in these regions. Q3 2016 EPS has improved sequentially compared to $0.09 EPS in Q1 2016 (Adjusted Q1 2016 EPS was $0.19) and $0.03 EPS in Q2 2016 (Adjusted Q2 2016 EPS was $0.20).

Year-to-Date Overview

($ millions, except for share data)	YTD 2016	YTD 2015 (Restated)	% change
Revenue	**$ 4,137**	$ 4,738	(13)%
Gross profit	**1,093**	1,271	(14)%
SG&A	**(947)**	(1,022)	7%
Other expenses	**(5)**	(9)	49%
EBIT	**147**	244	(40)%
Net income	**$ 56**	$ 148	(62)%
Basic EPS	**$ 0.33**	$ 0.86	(61)%
EBITDA	**$ 292**	$ 408	(28)%
Free cash flow	**$ 257**	$ (22)	nm
Adjusted EBIT [(1)]	**$ 203**	$ 303	(33)%
Adjusted net income [(1)]	**$ 100**	$ 184	(45)%
Adjusted EPS [(1)]	**$ 0.60**	$ 1.07	(44)%
Adjusted EBITDA [(1)]	**$ 348**	$ 467	(26)%
Gross profit margin	***26.4%***	*26.8%*	
SG&A as a percentage of revenue	***22.9%***	*21.6%*	
EBIT margin	***3.5%***	*5.2%*	
EBITDA margin	***7.1%***	*8.6%*	
Adjusted EBIT margin [(1)]	***4.9%***	*6.4%*	
Adjusted EBITDA margin [(1)]	***8.4%***	*9.9%*	

nm = % change not meaningful

(1) Significant items that affect the results for the nine months ended September 2016 and 2015 which are not considered indicative of operational and financial trends included:

Year-to-date 2016 significant items:

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

Year-to-date 2015 significant items

- Severance costs related to the global workforce reduction, primarily in Canada, as the Company aligned its cost structure to lower market activity.
- The Company centralized its Canadian head office operations from two buildings into one building and entered into a sublease agreement for the vacant building for the remaining lease term. Given the economic conditions at the time of entering into the sublease, the Company was not able to fully recover its lease commitments, resulting in a loss. The Canadian operations also incurred restructuring costs related to facility closures and consolidations.
- Acquisition costs related to the purchase of the operating assets of the Saskatchewan dealership.

- Benefit from capital losses not previously recognized and higher tax expense from a change in the statutory tax rate in the Company's Canadian operations.

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

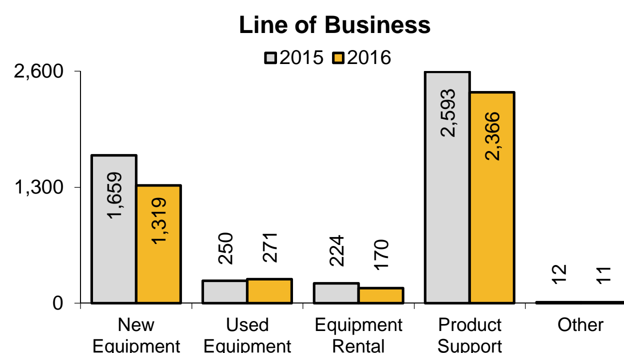
	EBIT				Net Income	EPS
9 months ended September 30, 2016 ($ millions except per share amounts)	**Canada**	**South America**	**UK & Ireland**	**Consol [1]**	**Consol**	**Consol**
EBIT, net income, and EPS	**$ 90**	**$ 110**	**$ (20)**	**$ 147**	**$ 56**	**$ 0.33**
Significant items:						
Severance costs	**9**	**8**	**9**	**26**	**20**	**0.12**
Impact from Alberta wildfires – unavoidable costs	**11**	**—**	**—**	**11**	**8**	**0.05**
Power system project provisions and estimated loss on disputes	**—**	**—**	**10**	**10**	**8**	**0.05**
Write-down of net assets – expected sale of non-core business	**—**	**—**	**5**	**5**	**5**	**0.03**
Facility closures and restructuring costs	**—**	**—**	**4**	**4**	**3**	**0.02**
Adjusted EBIT, Adjusted net income, and Adjusted EPS	**$ 110**	**$ 118**	**$ 8**	**$ 203**	**$ 100**	**$ 0.60**

	EBIT				Net Income	EPS
9 months ended September 30, 2015 ($ millions except per share amounts)	**Canada**	**South America**	**UK & Ireland**	**Consol [1]**	**Consol**	**Consol**
EBIT, net income, and EPS	$ 115	$ 129	$ 26	$ 244	$ 148	$ 0.86
Significant items:						
Severance costs	29	14	5	48	36	0.21
Facility closures and restructuring costs	8	—	—	8	6	0.04
Saskatchewan dealership acquisition costs	—	—	—	3	2	0.01
Benefit of previous capital loss utilized and tax rate change	—	—	—	—	(8)	(0.05)
Adjusted EBIT, Adjusted net income, and Adjusted EPS	$ 152	$ 143	$ 31	$ 303	$ 184	$ 1.07

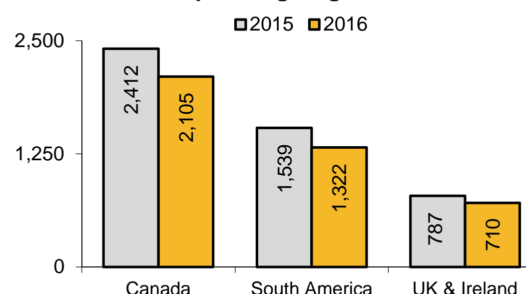
[1] Consolidated results include other operations – corporate head office

Revenue

Revenue by Line of Business
9 months ended September 30
(Restated) ($ millions)



Revenue by Operation



The Company generated revenue of $4.1 billion during the nine months ended September 30, 2016, a decrease of 13% over the same period last year. Revenue was down in all operations, and reflected lower new equipment sales compared to the prior year period, as well as lower product support revenue. Rental revenue in the Company's Canadian and South American operations was also down.

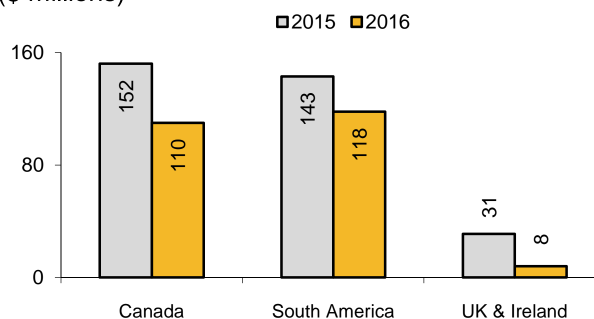
New equipment sales declined 21% compared to the same period in 2015, reflecting lower demand in the power systems and mining sectors in all regions. The Company's Canadian Operations were impacted by slowdowns in demand in the oil and gas and mining sectors. The decline in copper prices has resulted in a reduction in mining and construction activities and a delay of investments in infrastructure projects in the Company's South American operations. In the UK & Ireland, demand for equipment in the Company's key markets has weakened, most notably in coal, steel, and oil and gas.

Product support sales declined 9% compared to the same period in 2015, and were down in all operations as customers focus on reducing costs and deferring maintenance. Revenues were also negatively impacted by the Alberta wildfires in the second quarter of this year. On a consolidated basis, product support revenue as a portion of the overall sales mix was 57%, higher than the 55% reported in the prior year period.

Foreign currency translation of the results of the Company's South American and UK & Ireland operations had a net positive impact on revenue of approximately $20 million, primarily due to the 5% weaker Canadian dollar relative to the U.S. dollar, partly offset by the 5% stronger Canadian dollar relative to the UK pound sterling in 2016 compared to last year, and was not significant at the EBIT level.

Earnings Before Finance Costs and Income Taxes

Adjusted EBIT by Operation[(1)]
9 months ended September 30
($ millions)



(1) Excluding other operations – corporate head office

Gross profit in the first nine months of 2016 of $1.1 billion was down 14% compared to the same period in 2015 due primarily to lower volumes reflecting lower industry activity with increased competitive pressures and customers continuing to focus on reducing operating costs in challenging economic conditions. Gross profit margin of 26.4% in the first nine months of 2016 was comparable to that of the first nine months of 2015.

Lower margins on new and rental equipment revenues were largely due to a competitive market as well as lower margins earned on large equipment sales in Canada. Also contributing to lower gross profit margins were provisions and losses on certain power system projects in the UK. These lower margins were partly offset by improved service margins from the Company's Canadian and South American operations due to the successful implementation of operational excellence initiatives as well as a revenue mix shift to higher margin product support revenues.

SG&A costs in the first nine months of 2016 were 7% lower than the prior year and included severance and restructuring costs of $30 million related to a reduction in the global workforce in all operations to adjust to lower market activity, a reduction of facilities in the UK, and operational excellence initiatives (prior year to date included $50 million in severance and restructuring costs).

Excluding the severance and restructuring costs noted above, and the unavoidable operating costs incurred during the Alberta wildfires in the second quarter of 2016, as well as the SG&A costs for the Saskatchewan dealership acquired in July 2015, SG&A was down 9% in the first nine months of 2016 compared to the prior year period.

Cost savings were realized by all operations as a result of the execution of operational excellence initiatives, cost reduction measures, as well as volume related decreases. These were partially offset by inflationary and statutory salary increases, primarily in the Company's South American operations, as well as $12 million higher LTIP costs in 2016 compared to 2015 due to share price movements.

The Company reported EBIT of $147 million in the first nine months of 2016, which was lower than the $244 million earned in the first nine months of 2015. EBIT was down in all operations. Excluding severance and restructuring charges, UK power system projects loss provisions, the write-down of certain net assets in the UK, lease impairment, acquisition costs, as well as the unavoidable costs relating to the Alberta wildfires (all detailed on pages 8 and 9), 2016 year-to-date Adjusted EBIT was $203 million, compared to year-to-date 2015 Adjusted EBIT of $303 million. The decrease in Adjusted EBIT compared to the prior year period was primarily due to lower sales volumes from challenging economic conditions in all regions.

The Company's EBIT margin was 3.5% in the first nine months of 2016, compared to 5.2% in the same period of 2015. Excluding significant items as noted above, 2016 year-to-date Adjusted EBIT margin was 4.9%, compared to 2015 year-to-date Adjusted EBIT margin of 6.4% mainly due to SG&A costs which are not decreasing as quickly as the revenue decline. In addition, benefits from the cost and restructuring initiatives implemented in the first half of the year have not yet been fully realized.

EBITDA

EBITDA for the first nine months of 2016 was $292 million and EBITDA margin was 7.1% (2015 year-to-date EBITDA was $408 million and EBITDA margin was 8.6%). Excluding the significant items noted on pages 8 and 9, 2016 year-to-date Adjusted EBITDA was $348 million and Adjusted EBITDA margin was 8.4%. Comparatively, Adjusted EBITDA in the first nine months of 2015 was $467 million and Adjusted EBITDA margin was 9.9%. Adjusted EBITDA was down from the prior year period mainly due to lower earnings from all operations.

Finance Costs

Finance costs in the nine months ended September 30, 2016 were $65 million and slightly above the $63 million in the same period in 2015.

Provision for Income Taxes

The effective income tax rate for the first nine months of 2016 was 31.6%, compared to 18.5% in the same period in the prior year. The higher effective tax rate in 2016 was primarily the result of a higher proportion of earnings in higher tax jurisdictions as well as not recognizing a tax benefit for certain capital losses recorded in the second quarter. During the first nine months of 2015, the Company's provision for income taxes included a $10 million previously unrecognized benefit from tax losses to offset taxable amounts. This benefit was partially offset by an additional $2 million expense 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 rate.

Net Income

Net income was $56 million in the first nine months of 2016, down from $148 million earned in the same period last year. Basic EPS was $0.33 compared with $0.86 in 2015. Excluding significant items noted on pages 8 and 9, Adjusted EPS earned in the first nine months of 2016 was $0.60, compared to Adjusted EPS of $1.07 in the first nine months of 2015. The decrease in Adjusted EPS compared to the prior year period was primarily due to lower sales volumes from challenging economic conditions in all regions.

Invested Capital

($ millions, unless otherwise stated)		Sep 30, 2016		Jun 30, 2016		Decrease from Jun 30, 2016		Dec 31, 2015		Decrease from Dec 31, 2015
Consolidated	**$**	**2,917**	**$**	**3,041**	$	(124)	$	3,240	$	(323)
Canada	**$**	**1,650**	**$**	**1,695**	$	(45)	$	1,760	$	(110)
South America	**$**	**1,021**	**$**	**1,072**	$	(51)	$	1,122	$	(101)
UK & Ireland	**$**	**253**	**$**	**263**	$	(10)	$	321	$	(68)
South America (U.S. dollar)	***$***	***778***	***$***	***824***	*$*	*(46)*	*$*	*811*	*$*	*(33)*
UK & Ireland (U.K. pound sterling)	***£***	***148***	***£***	***153***	*£*	*(5)*	*£*	*157*	*£*	*(9)*

Compared to December 31, 2015:

The $323 million decrease in consolidated invested capital from December 31, 2015 to September 30, 2016 reflects the impact of approximately $106 million of foreign exchange as a result of the 5% stronger Canadian dollar (CAD) relative to the U.S. dollar (USD) and the 16% stronger CAD relative to the U.K. pound sterling (GBP) in translating the Company's South American and UK & Ireland operations' invested capital balances.

Excluding the impact of foreign exchange, consolidated invested capital decreased by $217 million from December 31, 2015 to September 30, 2016 primarily driven by:

- a decrease in rental equipment as a result of disposal of underutilized fleet from the Company's Canadian operations;
- a decrease in equipment inventory in the Company's Canadian operations, reflecting ongoing efforts to reduce surplus inventories, and management of purchases in all operations; and
- an increase in accounts payable balances, partly offset by increase in equipment inventory in the Company's South American operations due to improving market conditions in Argentina.

Compared to June 30, 2016:

The $124 million decrease in consolidated invested capital from June 30, 2016 to September 30, 2016 largely reflects a decrease in the Company's South American and Canadian operations' invested capital balances. This was driven by:

- a decrease in the accounts receivable balance in the Company's South American operations from collection efforts;
- an increase in the accounts payable balances in both operations; and
- partly offset by an increase in new equipment inventory in the Company's South American operations.

Return on Invested Capital and Invested Capital Turnover

	September 30, 2016	June 30, 2016	December 31, 2015	September 30, 2015
Return on Invested Capital (ROIC)				
Consolidated	**(6.6)%**	(6.4)%	(3.0)%	11.0%
Canada	**4.3%**	4.0%	5.5%	10.9%
South America	**(18.1)%**	(17.0)%	(12.8)%	13.2%
UK & Ireland	**(17.4)%**	(15.7)%	(1.4)%	10.5%
Adjusted Return on Invested Capital [(1)]				
Consolidated	**9.2%**	9.4%	10.9%	12.8%
Canada	**8.7%**	9.3%	10.6%	13.1%
South America	**15.6%**	14.2%	14.0%	14.3%
UK & Ireland	**3.4%**	3.3%	9.0%	11.9%
Invested Capital Turnover (times) [(2)]				
Consolidated	**1.85x**	1.78x	1.78x	1.88x
Canada	**1.66x**	1.68x	1.74x	1.96x
South America	**1.74x**	1.61x	1.52x	1.51x
UK & Ireland	**3.41x**	2.98x	2.93x	2.93x

(1) 2016 and 2015 ROIC were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 29 and 30 in this MD&A and the financial metrics which have been adjusted to take into account these items are referred to as “Adjusted” metrics.

(2) Management has voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, management concluded that certain cost recoveries are better reflected as revenues. Certain line items and key performance metrics have been restated in the 2015 quarterly periods but the impact of restatement is not significant. Further disclosure reflecting these changes can be found in note 1 of the Company’s interim condensed consolidated financial statements.

Return on Invested Capital

On a consolidated basis, ROIC in Q3 2016 was (6.6)%, a decrease from (3.0)% in Q4 2015 and 11.0% in Q3 2015. Adjusting for significant items that management does not consider indicative of operational and financial trends, particularly the impairment losses on the shovels and drills distribution network and goodwill in Q4 2015, Adjusted ROIC in Q3 2016 was 9.2%. The decline in Adjusted ROIC compared to prior periods reflects the negative impact the downturn in the resources and construction sectors has had on the Company’s earnings. The Company has taken action to transform and restructure its business and will continue to monitor business conditions closely in all its operations and further align its invested capital with expected activity levels as necessary.

Canadian operations

- Reported ROIC of 4.3% (Q3 2015: 10.9%) and Adjusted ROIC of 8.7% (Q3 2015: 13.1%)
- Decrease in ROIC and Adjusted ROIC was driven primarily by lower earnings, reflecting challenging market conditions, partly offset by lower average invested capital. Average invested capital levels were lower compared to the prior year period mainly due to lower accounts receivables and new equipment inventory levels, as well as lower rental and fixed assets, partly offset by lower accounts payables.

South American operations

- Reported ROIC of (18.1)% (Q3 2015: 13.2%) and Adjusted ROIC of 15.6% (Q3 2015: 14.3%)
- $324 million impairment loss on the shovels and drills distribution network and goodwill recorded in Q4-15 has negatively impacted the reported ROIC.
- Increase in Adjusted ROIC was due to lower average invested capital, partly offset by lower EBIT in the last twelve months reflecting lower industry activity. In functional currency, average invested capital decreased by over US$325 million compared to the prior year period due to the impairment loss on the shovels and drills distribution network and goodwill, and lower inventory levels, as well as lower accounts receivables, partly offset by lower accounts payables.

UK & Ireland operations

- Reported ROIC of (17.4)% (Q3 2015: 10.5%) and Adjusted ROIC of 3.4% (Q3 2015: 11.9%).
- $14 million goodwill impairment recorded in Q4-15 has negatively impacted reported ROIC.
- Decrease in Adjusted ROIC was primarily driven by a significant decline in EBIT for the last twelve months, partly offset by lower average invested capital from lower equipment inventories as well as lower accounts receivable from collection efforts.

Invested capital turnover

- Consolidated invested capital turnover at September 30, 2016 was 1.85x, up from June 30, 2016, reflecting an increase in the invested capital turnover rate of the Company's South American and UK & Ireland operations as a result of lower average invested capital.
- Consolidated invested capital turnover at September 30, 2016 was down slightly from September 30, 2015, driven by a decrease in the invested capital turnover rate of the Company's Canadian operations from lower revenues in the last twelve months. The invested capital turnover rate in the Company's South American and UK operations have improved in all quarterly periods over the last twelve months due to focused efforts on lowering invested capital.

Results by Reportable Segment

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

- *Canadian operations:* British Columbia, Alberta, Saskatchewan (beginning July 1, 2015), Yukon, the Northwest Territories, and a portion of Nunavut.
- *South American operations:* Chile, Argentina, Bolivia, and Uruguay (up to December 1, 2015).
- *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.

3 months ended September 30, 2016 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Revenue percentage**
New equipment	**$ 160**	**$ 107**	**$ 160**	**$ 427**	**32%**
Used equipment	**41**	**14**	**17**	**72**	**5%**
Equipment rental	**40**	**12**	**9**	**61**	**5%**
Product support	**378**	**327**	**65**	**770**	**58%**
Other	**—**	**1**	**2**	**3**	**0%**
Total	**$ 619**	**$ 461**	**$ 253**	**$ 1,333**	**100%**
Revenue percentage by operations	**46%**	**35%**	**19%**	**100%**	

3 months ended September 30, 2015 (Restated - $ millions)	Canada	South America	UK & Ireland	Consol	Revenue percentage
New equipment	$ 214	$ 104	$ 150	$ 468	31%
Used equipment	45	15	17	77	5%
Equipment rental	58	17	10	85	6%
Product support	425	373	85	883	58%
Other	1	—	3	4	0%
Total	$ 743	$ 509	$ 265	$ 1,517	100%
Revenue percentage by operations	49%	34%	17%	100%	

9 months ended September 30, 2016 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consol**	**Revenue percentage**
New equipment	**$ 656**	**$ 245**	**$ 418**	**$ 1,319**	**32%**
Used equipment	**179**	**41**	**51**	**271**	**7%**
Equipment rental	**106**	**40**	**24**	**170**	**4%**
Product support	**1,163**	**994**	**209**	**2,366**	**57%**
Other	**1**	**2**	**8**	**11**	**0%**
Total	**$ 2,105**	**$ 1,322**	**$ 710**	**$ 4,137**	**100%**
Revenue percentage by operations	**51%**	**32%**	**17%**	**100%**	

9 months ended September 30, 2015 (Restated - $ millions)	Canada	South America	UK & Ireland	Consol	Revenue percentage
New equipment	$ 861	$ 339	$ 459	$ 1,659	35%
Used equipment	163	36	51	250	5%
Equipment rental	148	52	24	224	5%
Product support	1,239	1,109	245	2,593	55%
Other	1	3	8	12	0%
Total	$ 2,412	$ 1,539	$ 787	$ 4,738	100%
Revenue percentage by operations	51%	32%	17%	100%	

Canadian Operations

The Canadian reporting segment includes Finning (Canada), OEM Remanufacturing Company Inc. (OEM), and a 25% interest in Pipeline Machinery International (PLM). The Canadian operations sell, service, and rent mainly Caterpillar equipment and engines in British Columbia, Alberta, Saskatchewan (beginning July 1, 2015), Yukon, the Northwest Territories, and a portion of Nunavut. The Canadian operations' markets include mining (including the oil sands), construction, conventional oil and gas, forestry, and power systems.

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

($ millions)	3 months ended Sep 30		9 months ended Sep 30	
	2016	2015 (Restated)	**2016**	2015 (Restated)
Revenue from external sources	**$ 619**	$ 743	**$ 2,105**	$ 2,412
Operating costs	**(558)**	(670)	**(1,946)**	(2,208)
Depreciation and amortization	**(24)**	(34)	**(76)**	(85)
Equity earnings of joint venture	**—**	1	**7**	2
Other expenses	**—**	(6)	**—**	(6)
EBIT	**$ 37**	$ 34	**$ 90**	$ 115
EBIT margin	**5.9%**	4.5%	**4.3%**	4.8%
EBITDA (1)	**$ 61**	$ 68	**$ 166**	$ 200
EBITDA margin	**9.8%**	9.1%	**7.9%**	8.3%
Adjusted EBIT (2)	**$ 37**	$ 51	**$ 110**	$ 152
Adjusted EBIT margin (2)	**5.9%**	6.9%	**5.2%**	6.3%
Adjusted EBITDA (2)	**$ 61**	$ 85	**$ 186**	$ 237
Adjusted EBITDA margin (2)	**9.8%**	11.5%	**8.8%**	9.8%

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

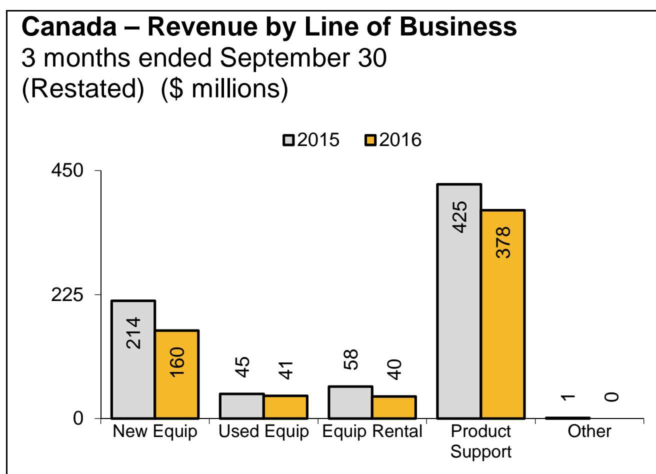
(2) There were no significant items adjusted in Q3 2016, therefore the adjusted metrics above for Q3 2016 are the same as the reported metrics

Third Quarter Overview

Third quarter 2016 revenues of $619 million were 17% lower than the third quarter of 2015, reflecting lower revenues in all lines of business but particularly driven by lower new equipment and product support revenues.

New equipment revenue was down 25% in the third quarter of 2016 compared to the same period in 2015, driven by timing of deliveries in the mining sector and slowdowns in demand in the oil and gas industry, partly offset by higher delivery of equipment related to construction projects.

Product support revenues were down 11% in the third quarter of 2016 compared to the third quarter of 2015 primarily due to lower parts sales in mining, construction, and power systems. Although product support revenues were comparable to the second quarter of 2016, the wildfires in Northern Alberta in May negatively impacted parts and service revenue in the oil sands sector in the second quarter, and revenues continued to be impacted in July and August as producers were focused on recovering lost production output and reducing equipment downtime and maintenance. Product support revenues in September were comparable to pre-fire levels.



Rental revenues were also down from 2015 as a result of weaker demand and more competition.

Gross profit margin in Q3 2016 was slightly higher than the prior year primarily due to a revenue shift to higher product support revenues. Product support revenues comprised 61% of total revenue in the third quarter of 2016 compared to 57% in the same period last year. In addition, service margins were higher than the third quarter of 2015, reflecting the implementation of operational improvements. New equipment margins were slightly lower than last year's third quarter, reflecting a higher proportion of lower margin large

equipment sales and rental margins were also lower due to greater competition in a reduced market environment.

SG&A costs in Q3 2016 were lower when compared to the prior year period, primarily due to lower volumes as well as a reduced workforce, cost savings initiatives, and the benefit from the execution of the operational excellence agenda. Adjusting SG&A in the third quarter of 2015 for $11 million of severance costs, SG&A was down 11% in Q3 2016.

Recorded in other expenses in Q3 2015 was $6 million related to a loss on a building sublease.

The Canadian operations contributed EBIT of $37 million in Q3 2016, higher than the $34 million earned in the prior year period. EBIT margin was 5.9%, up from 4.5% earned in the same period in 2015. Excluding severance costs and the loss on a building sublease noted above, Q3 2015 Adjusted EBIT margin was 6.9%, higher than the 5.9% earned in Q3 2016, as revenues have declined faster than the reduction in SG&A costs.

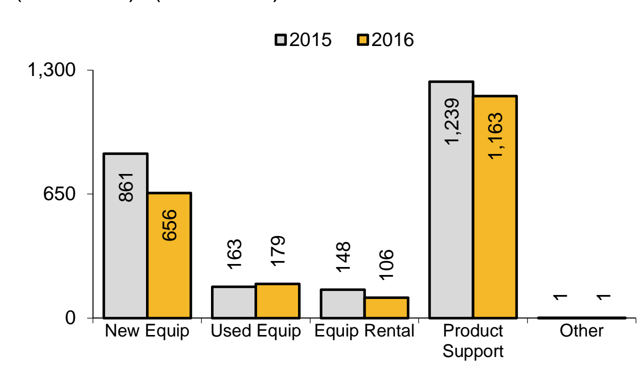
Other Developments

Finning Canada and the International Association of Machinists and Aerospace Workers - Local Lodge 99 (IAMAW), representing approximately 1,650 hourly employees in Alberta and the Northwest Territories, have ratified a new collective agreement effective August 25, 2016 to April 30, 2019. The new agreement reflects the current economic environment and supports the Company's efforts to align its cost structure with expected activity levels and provide greater stability for its employees.

Year-to-Date Overview

Revenue for the nine months ended September 30, 2016 decreased 13% to $2.1 billion compared to the same period last year, largely driven by 24% lower new equipment revenues. Increased competition and challenging pricing dynamics with lower industry activity, largely caused by lower commodity prices in the oil and gas sector were factors contributing to the decrease in the first nine months of 2016. This was partly offset by the contribution from the July 2015 acquisition of the Saskatchewan dealership.

Product support revenue was down 6% from the first nine months of 2015, due to lower parts sales in non-mining sectors as well as lower service across all sectors from reduced activity levels. Additionally, the impact of the Alberta wildfires in the second quarter, with production shutdowns and slowdowns amongst oil sand customers, as well as the shutdown of two of our Canadian facilities during the evacuation of the Fort McMurray area further impacted product support revenues. This was partially offset by the contribution from the Saskatchewan dealership. Management anticipates that the negative impact on profits from the business interruption due to the Alberta wildfires may be partially offset through insurance recoveries.



Used equipment revenue was up 10% in the first nine months of 2016 compared to the prior year period reflecting increased market demand as customers looked for more cost effective equipment purchasing options, as well as the contribution from the Saskatchewan dealership.

Rental revenues were down from last year as a result of weaker demand across all sectors, and increased competition.

Gross profit decreased in the first nine months of 2016 compared to the same period in 2015, primarily due to lower volumes reflecting lower industry activity. Gross profit margin was comparable to the first nine months of 2015. The revenue shift to higher product support revenues was offset by lower equipment and rental margins.

SG&A costs for the first nine months of 2016 were 10% lower compared to the same period in 2015, reflecting cost savings from the execution of the operational excellence agenda and lower variable costs due to the reduced sales activity. Year to date, in order to align its cost structure to lower market activity, the Company reduced its Canadian workforce resulting in severance and restructuring costs of $9 million, compared to $31 million in the first nine months of 2015. Excluding severance and restructuring costs, and the unavoidable costs of the wildfires reported in the second quarter, as well as the SG&A costs for the Saskatchewan dealership acquired in July 2015, SG&A was down 12% compared to the first nine months of 2015.

The Canadian operations contributed EBIT of $90 million for the nine months ended September 30, 2016, lower than the $115 million earned in the prior year period. EBIT margin was 4.3%, down from 4.8% earned in the same period in 2015. Excluding severance and restructuring costs, as well as the unavoidable costs of the Alberta wildfires, Adjusted EBIT margin for the first nine months of 2016 was 5.2%, and lower than the 6.3% in the comparative period in 2015 as SG&A costs are reducing at a slower rate than the decline in revenues.

South American Operations

Finning's South American operations sell, service, and rent mainly Caterpillar equipment and engines in Chile, Argentina, and Bolivia. Comparative figures include results of the Uruguay dealership up until December 1, 2015, the date of sale. The South American operations' markets include mining, construction, forestry, and power systems.

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

($ millions)	3 months ended Sep 30		9 months ended Sep 30	
	2016	2015 (Restated)	**2016**	2015 (Restated)
Revenue from external sources	**$ 461**	$ 509	**$ 1,322**	$ 1,539
Operating costs	**(406)**	(457)	**(1,166)**	(1,352)
Depreciation and amortization	**(15)**	(20)	**(46)**	(58)
EBIT	**$ 40**	$ 32	**$ 110**	$ 129
EBIT margin	**8.7%**	6.4%	**8.3%**	8.4%
EBITDA [(1)]	**$ 55**	$ 52	**$ 156**	$ 187
EBITDA margin	**11.9%**	10.2%	**11.8%**	12.2%
Adjusted EBIT [(2)]	**$ 40**	$ 42	**$ 118**	$ 143
Adjusted EBIT margin [(2)]	**8.7%**	8.3%	**8.9%**	9.3%
Adjusted EBITDA [(2)]	**$ 55**	$ 62	**$ 164**	$ 201
Adjusted EBITDA margin [(2)]	**11.9%**	12.1%	**12.4%**	13.0%

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

(2) There were no significant items adjusted in Q3 2016, therefore the adjusted metrics above for Q3 2016 are the same as the reported metrics

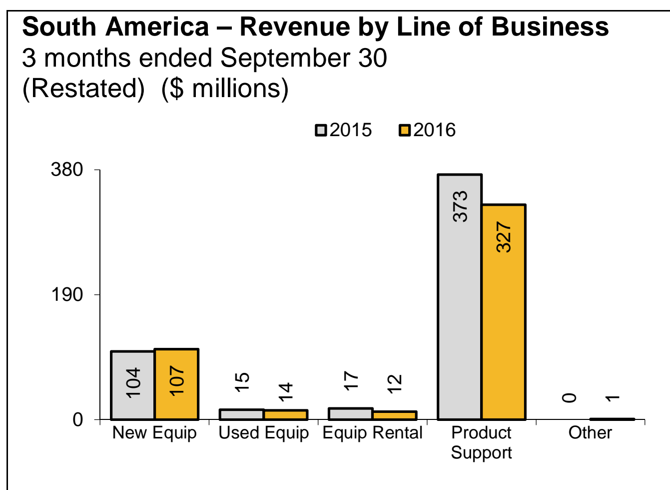
Third Quarter Overview

Third quarter 2016 revenues decreased 9% to $461 million compared to Q3 2015. This decrease was primarily driven by lower product support revenues. Product support revenue was down 12% reflecting reduced mining activity as producers continue to focus on increasing productivity and implementing cost reductions by delaying maintenance.

Gross profit decreased compared to the third quarter of 2015, reflecting lower sales volumes. Despite the downturn in market conditions, gross profit margin increased in Q3 2016 compared to last year, reflecting improved service, used and rental equipment margins. Higher service margins in the current quarter were driven by operational efficiencies. This was partly offset by an overall revenue mix shift to new equipment revenues (which are typically at a lower margin), as well as higher pricing pressures in a competitive market for new equipment. Product support revenue comprised 71% of total revenue in the third quarter of 2016 compared to 73% in Q3 2015.

SG&A costs in Q3 2016 were lower compared to the prior year period due to lower operating costs from the weaker Argentine and Chilean pesos relative to the U.S. dollar, lower variable costs from reduced sales volumes, and cost savings from a reduced workforce.

These reductions were partially offset by inflationary and statutory salary increases. Q3 2015 included $10 million severance costs.



Excluding severance costs in the prior year, SG&A costs as a percentage of sales were comparable over the two periods, and decreased by 10% in Q3 2016 compared to the prior year period.

For the three months ended September 30, 2016, the Company's South American operations reported an EBIT of $40 million and an EBIT margin of 8.7%, above the Q3 2015 EBIT of $32 million and EBIT margin of 6.4%, and above the Q3 2015 Adjusted EBIT margin of 8.3% (excluding severance costs), reflecting the stronger gross profit margin noted above.

Year-to-Date Overview

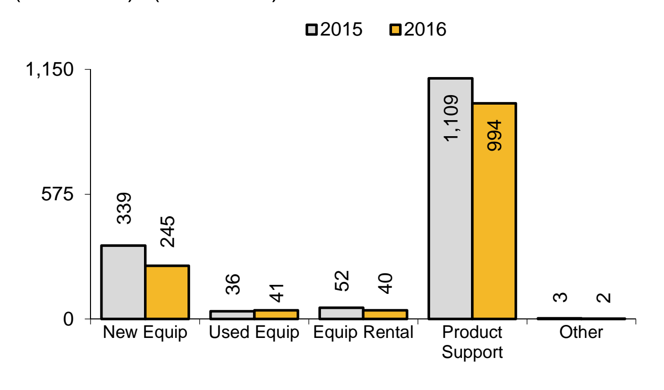
For the nine months ended September 30, 2016, revenues decreased 14% to $1.3 billion compared to 2015 (down 18% in functional currency). This decrease was primarily driven by lower product support and new equipment revenues. Product support revenues were down 10% (down 15% in functional currency) for similar reasons as for the third quarter described above. New equipment revenues were down 28% (down 31% in functional currency) reflecting reduced construction, energy, and mining activity.

The weaker Canadian dollar relative to the U.S. dollar compared to last year had a positive foreign currency translation impact on revenue in the first nine months of 2016 of approximately $60 million and was not significant at the EBIT level.

Gross profit was lower than the first nine months of 2015, reflecting lower sales volumes. Gross profit margin increased in the first nine months of 2016 compared to the same period in 2015, reflecting improved used equipment and service margins as well as a revenue mix shift to higher margin product support revenues. Higher service margins achieved in 2016 compared to the same period last year were primarily due to improved operational performance in mining contracts, reflecting cost efficiency and operational excellence initiatives implemented.

SG&A costs for the first nine months of 2016 were 8% lower compared to the same period in 2015 (down 13% in functional currency), due in large part to lower operating costs from the weaker Argentine and Chilean pesos relative to the U.S. dollar, as well as cost savings from a reduced workforce. These reductions were partially offset by inflationary and statutory salary increases.

South America – Revenue by Line of Business
9 months ended September 30
(Restated) ($ millions)



Year to date, in order to further align its cost structure to lower market activity, the Company reduced its South American workforce resulting in severance costs of $8 million compared to $14 million in the first nine months of 2015. Excluding severance costs, SG&A was down 7% compared to the first nine months of 2015 (down 11% in functional currency).

For the nine months ended September 30, 2016, the Company's South American operations reported an EBIT of $110 million and an EBIT margin of 8.3%. Excluding severance costs in both periods, Adjusted EBIT margin for the first nine months of 2016 was 8.9%, compared to the Adjusted EBIT margin for the first nine months of 2015 of 9.3%. Higher gross profit margins achieved in the current year were more than offset by the higher percentage of SG&A costs to sales as a result of the significant decline in revenue, and not yet fully realising benefits of restructuring activities.

UK & Ireland Operations

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

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

($ millions)	3 months ended Sep 30 2016	3 months ended Sep 30 2015 (Restated)	9 months ended Sep 30 2016	9 months ended Sep 30 2015 (Restated)
Revenue from external sources	**$ 253**	$ 265	**$ 710**	$ 787
Operating costs	**(236)**	(250)	**(702)**	(740)
Depreciation and amortization	**(7)**	(8)	**(23)**	(21)
Other expenses – related to sale of business	**—**	—	**(5)**	—
EBIT	**$ 10**	$ 7	**$ (20)**	$ 26
EBIT margin	**3.8%**	2.7%	**(2.7)%**	3.3%
EBITDA [(1)]	**$ 17**	$ 15	**$ 3**	$ 47
EBITDA margin	**6.5%**	5.8%	**0.5%**	6.0%
Adjusted EBIT [(2)]	**$ 10**	$ 11	**$ 8**	$ 31
Adjusted EBIT margin [(2)]	**3.8%**	4.1%	**1.2%**	3.9%
Adjusted EBITDA [(2)]	**$ 17**	$ 19	**$ 31**	$ 52
Adjusted EBITDA margin [(2)]	**6.5%**	7.2%	**4.4%**	6.6%

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

(2) There were no significant items adjusted in Q3 2016, therefore the adjusted metrics above for Q3 2016 are the same as the reported metrics

Third Quarter Overview

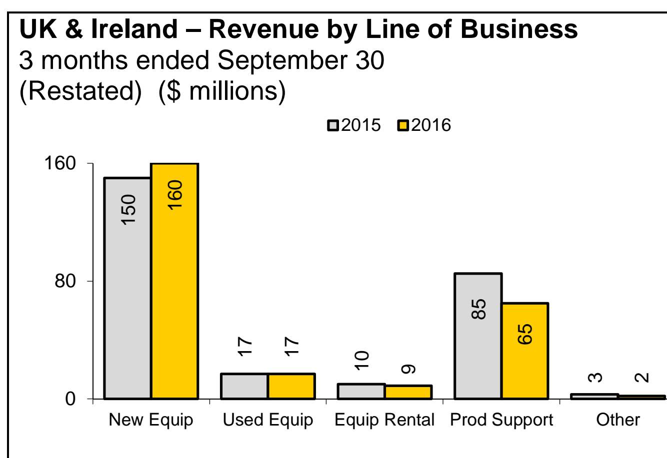
Revenues in the third quarter of 2016 of $253 million were 5% lower than the same period in 2015 (up 13% in functional currency). Increased revenue in functional currency was driven by higher new equipment sales in both the equipment and power systems businesses reflecting improved market demand, particularly in the general construction, quarry and data center sectors.

The stronger Canadian dollar relative to the U.K. pound sterling compared to last year had a negative foreign currency translation impact on revenue in the third quarter of 2016 of approximately $45 million and was not significant at the EBIT level.

Q3 2016 gross profit, in functional currency, was comparable to the prior year period, with the benefit of higher volumes offset by lower gross profit margin. The decrease in gross profit margin compared to the third quarter of 2015 reflected lower product support margins as well as a revenue mix shift to lower margin new equipment revenues.

SG&A costs in the third quarter of 2015 included severance and restructuring costs of $4 million. Excluding these costs, SG&A costs in functional currency in Q3 2016 were comparable to 2015 on higher revenues. The Company's operations in the UK & Ireland are starting to realise the benefit of restructuring actions taken in prior quarters to reduce costs.

For the three months ended September 30, 2016, the Company's UK & Ireland operations reported EBIT of



$10 million and an EBIT margin of 3.8%, above the Q3 2015 EBIT of $7 million and EBIT margin of 2.7%, but slightly below the Q3 2015 Adjusted EBIT margin of 4.1% (excluding severance costs), reflecting the lower gross profit margin noted above. The adjusted EBIT margin for Q3 2016 of 3.8% is the highest compared to the last three quarters and is returning to historic levels.

Year-to-Date Overview

For the nine months ended September 30, 2016, revenue of $710 million was 10% lower than the same period in 2015 (down 5% in functional currency), driven primarily by decreases in product support and new equipment revenues, reflecting weaker market conditions in the coal, steel and oil & gas sectors, particularly in the first six months of the year. Market

conditions continue to be highly competitive for equipment in the general construction sector.

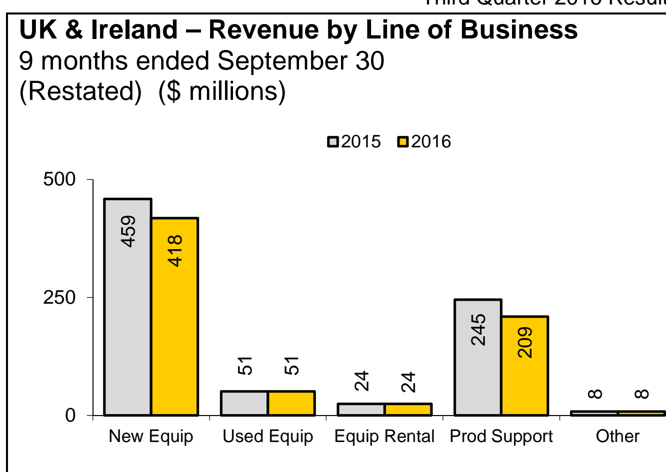
The stronger Canadian dollar relative to the U.K. pound sterling compared to last year had a negative foreign currency translation impact on revenue in the first nine months of 2016 of approximately $40 million and was not significant at the EBIT level.

Gross profit in absolute dollars and as a percentage of revenue was down in the first nine months of 2016 compared with the same period of 2015, reflecting reduced volumes and lower margins in most lines of business. As part of the restructuring and repositioning of the UK's power systems business, management in the UK & Ireland completed a detailed review of power systems contracts and projects in 2016. As a result of this review, management recorded a provision of $5 million in the first quarter relating to certain power systems contracts and a $5 million estimated loss on two disputed power systems projects in the second quarter.

SG&A costs in the first nine months of 2016 were higher than 2015 in functional currency, and included $13 million of severance and restructuring costs, primarily recorded in the second quarter. In the prior year, SG&A costs included $5 million of severance costs. Excluding these costs, SG&A in the first nine months of 2016 was 4% lower than the prior year in functional currency.

Following a strategic review of the Company's operations in the U.K., it was determined that engineering and construction services for the water utility industry no longer represented a core sector for Finning's power systems division in the U.K. As a result, the Company recorded a charge of approximately $5 million in the second quarter of 2016, representing the write-down of net assets and other costs related to the sale of this business.

The UK & Ireland operations reported an EBIT loss of $20 million in the first nine months of 2016 compared to EBIT of $26 million in the same period of 2015.



Excluding severance and restructuring charges as well as the provisions and estimated losses on certain power systems contracts and projects, together totalling $23 million, as well as the $5 million of costs related to the write-down of net assets in the second quarter noted above, Adjusted EBIT was $8 million for the first nine months of 2016 compared to Adjusted EBIT of $31 million for the prior year comparable period. Adjusted EBIT was lower than the prior year due to lower gross profit, reflecting decreased sales volumes and competitive pressures on margins, a result of weak business activity in the Company's key markets in the UK & Ireland region, as well as provisions and adjustments to address uncertainty in the market.

The UK & Ireland operations reported year-to-date EBIT margin of (2.7)% compared to 3.3% EBIT margin in the first nine months of 2015. Excluding the significant items noted above, Adjusted EBIT margin was 1.2% for the nine months ended September 30, 2016 versus 3.9% for the same period last year. Current period Adjusted EBIT margin was lower than the prior year primarily due to lower margins and declining sales due to difficult market conditions, as well as provisions and adjustments to address uncertainty in the market as previously discussed.

Corporate and Other Operations

Net operating costs before finance costs and income taxes from the Company's Corporate and Other Operations were $14 million in the third quarter of 2016 (year-to-date 2016: $33 million), compared to $10 million reported in Q3 2015 (year-to-date 2015: $26 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. Acquisition costs of $3 million related to the acquisition of the Saskatchewan dealership were included in the results for the three and nine months ended September 30, 2015.

For the three months ended September 30, 2016, the Company's share price increased by 16% compared with a decrease of 17% in the comparative period, which resulted in $5 million higher long term incentive plan costs included in corporate operating costs. Results from Energyst in the third quarter of 2016 were slightly lower than the same period in 2015, due primarily to reduced demand in a key geography in its international power projects business.

For the nine months ended September 30, 2016, the Company's share price increased by 31% compared with a decrease of 22% in the comparative period, which resulted in $8 million higher costs related to the long term incentive plan costs included in corporate operating costs. Results from Energyst in the first nine months of 2016 were $3 million lower than the same period in 2015, for the same reasons as described above for the quarter.

Outlook

Canada

The mining outlook in Western Canada remains uncertain. While commodity prices for oil and metallurgical coal have recently strengthened and market conditions appear to have stabilized, demand for mining equipment is expected to remain soft in the near term. Mining customers continue to minimize capital and operating expenditures and have insourced some service-related work. Portions of mining fleets remain parked. Following the Alberta wildfires, product support activity in the oil sands slowed down during July and August as customers reduced equipment downtime to recover lost production. In September, mining product support activity returned to normal levels and is expected to remain steady for the balance of the year.

In construction, demand for core equipment and product support in Alberta and, to a lesser extent, Saskatchewan is very soft due to reduced customer activity resulting from the broad economic consequences of lower commodity prices. Construction activity in British Columbia is expected to remain robust. While the market size for construction equipment in Western Canada has shrunk significantly, the Company has been growing market share and customer loyalty.

Demand for power systems products and rental equipment continues to decrease across most sectors, notably in the oil field drilling and servicing industries.

Competitive pricing pressure remains intense and is impacting all segments of the Canadian business. The Company believes the recovery will be slow and dependent on the commodity markets.

Since the end of 2014, the Company has implemented significant workforce reductions and facility closures to align its cost structure to reduced business volumes and position the organization for sustainable improvement in profitability. For 2016, annual fixed costs savings from these reductions and business transformation initiatives are expected to meaningfully exceed $150 million and reduce the Canadian operations' annual fixed SG&A costs by over 20% from 2014. The Canadian operations remain on track to exit the year with an EBIT margin in the 6-7% range. The Company will continue its strategy to transform its Canadian operations by simplifying the network, improving process and optimizing efficiencies to deliver sustainable improvement in customer and financial results.

South America

In South America, concerns regarding lower demand and price for copper continue to delay investments in new projects. As a result, order intake across the mining and construction sectors is very low, and the overall demand for new equipment in Chile is expected to remain weak. Demand for parts and service in the mining industry has been negatively impacted by reduced copper production levels and lower fleet utilization. Mining customers continue to defer component purchases and major repairs. The Company remains focused on capturing product support business by providing innovative solutions to customers, improving operating efficiencies in the service business, and managing costs to maintain profitability during difficult market conditions.

In Argentina, as a result of the recent change in government, the main obstacles to economic growth, such as restrictions on imports, foreign exchange, and access to external financing, have been lifted. Inflation and the interest rate, while still high, are starting to decline. The Company is encouraged by improved construction activity in Argentina and is focused on capturing a larger share of the construction equipment market.

UK & Ireland

In the UK & Ireland, the equipment market is undergoing a structural shift away from the coal mining and oil & gas sectors towards general construction. While activity levels in the quarry, general construction, and plant hire sectors are robust, the competitive pricing pressure is very intense and product support opportunities have changed. The Company is implementing a strategy to lower the cost structure and increase supply chain velocity by optimizing its facility footprint and restructuring its operating model.

In the power systems sector, the outlook for electric power generation in the capacity and data centre markets continues to be healthy, driving strong order intake. The Company is focused on improving project execution and capitalizing on its core power systems competencies.

While Brexit has not had any noticeable impact on activity levels, the outcome of the referendum creates uncertainty, which impacts customer confidence and future investment decisions. It has also had an impact on the currency markets with a sharp devaluation of the U.K. pound sterling. This environment further underscores the importance of the transformation of the UK's business model currently underway.

The UK & Ireland operations are expected to exit 2016 within historical profitability levels.

Operational Focus

As the Company manages through the downturn, it continues to advance on its operational excellence agenda in all regions. Initiatives to increase EBIT are primarily focused on growing market share across all product lines, permanently reducing fixed SG&A

costs, and increasing the profitability of service operations. The expected improvement in capital efficiency will be driven through optimization of the supply chain and facility network to reduce working capital and improve asset utilization. The cost reductions and transformation initiatives completed in all three regions are expected to reduce the Company's SG&A costs by about 20% between 2014 and 2016 on a currency-neutral basis, excluding significant items and the Saskatchewan operation which the Company acquired July 1, 2015.

The Company remains committed to improving ROIC over time; however, difficult and uncertain market conditions across all operations continue to negatively impact current ROIC performance.

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

Liquidity and Capital Resources

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

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

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

	3 months ended September 30			9 months ended September 30		
($ millions)	**2016**	2015	Increase (Decrease) in cash	**2016**	2015	Increase (Decrease) in cash
Cash provided by (used in) operating activities	**$ 177**	$ 159	$ 18	**$ 309**	$ 9	$ 300
Cash used in investing activities	**$ (14)**	$ (268)	$ 254	**$ (75)**	$ (284)	$ 209
Cash used in financing activities	**$ (89)**	$ 101	$ (190)	**$ (218)**	$ 36	$ (254)
Free Cash Flow	**$ 163**	$ 140	$ 23	**$ 257**	$ (22)	$ 279

The most significant contributors to the changes in cash flows for 2016 over 2015 were as follows:

	Quarter over Quarter	Year over Year
Cash provided by operating activities	• lower supplier payments, reflecting lower inventory purchases due to market conditions and improved supply chain management • partly offset by lower collections from all operations due to lower revenues, and • lower cash generation from equipment inventory from the Company's Canadian operations due to lower sales, and parts and supplies inventory from the Company's South American operations, partly due to timing of deliveries	• lower equipment inventory spend • lower supplier payments, reflecting lower inventory purchases due to market conditions and improved supply chain management • reduced investment in rental equipment • partly offset by lower earnings from all operations reflecting difficult market conditions
Cash used in investing activities	• purchase of the Saskatchewan dealership in the Company's Canadian operations used $241 million of cash in the prior year period	• used $241 million of cash in the prior year period to purchase the Saskatchewan dealership in the Company's Canadian operations • higher use of cash due to an increase in short-term investments and higher capital expenditures • offset by $8 million cash collected in the first nine months of 2016 related to the $22 million sale of the Uruguay dealership in December 2015
Cash used in financing activities	• $58 million of cash used for repayment of short-term and long-term debt in the quarter compared to $176 million of cash generated by increasing borrowing in the prior year period • $31 million of dividends paid in 2016 was comparable to 2015 • $44 million use of cash in the prior year quarter related to repurchase of common shares	• $122 million of cash used for repayment of short-term and long-term debt in the first nine months of 2016 compared to $190 million of cash generated by increasing borrowing in the comparative period of 2015 • $92 million of dividends paid in 2016 was comparable to 2015 • $61 million use of cash in the prior year related to repurchase of common shares
Free cash flow	• lower supplier payments, reflecting lower inventory purchases due to market conditions and improved supply chain management • partly offset by lower collections from all operations due to lower revenues, and • lower cash generation from equipment inventory from the Company's Canadian operations, and parts and supplies inventory from the Company's South American operations	• lower equipment inventory spend • lower supplier payments, reflecting lower inventory purchases due to market conditions and improved supply chain management • reduced investment in rental equipment • partly offset by lower earnings from all operations and higher capital expenditures

Capital resources and management

To complement the internally generated funds from operating and investing activities, the Company has $1.9 billion in unsecured credit facilities. Included in this amount is a committed global credit bank facility totaling $1.0 billion with various Canadian and other global financial institutions, all of which was available at September 30, 2016.

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):

	Long-term debt		Short-term debt	
	Sep 30, 2016	Dec 31, 2015	Sep 30, 2016	Dec 31, 2015
S&P	BBB+	BBB+	N/A	N/A
DBRS	BBB (high)	A (low)	R-2 (high)	R-1 (low)

In March 2016, DBRS downgraded the Company's long term rating to BBB (high) from A (low) and changed the trends on all ratings to Stable. The change was primarily due to the difficult operating environment in key mining and energy sectors and weakness in commodity markets in the Company's territories.

In March 2016, S&P reaffirmed the Company's rating but revised its Outlook from Stable to Negative, noting the Company's exposure to cyclical end markets as a significant factor driving the change.

In the second quarter of 2016, the Company renewed its normal course issuer bid (NCIB) to purchase its common shares for cancellation. During the nine month period ended September 30, 2016, the Company did not repurchase any Finning common shares (nine months ended September 30, 2015: repurchased 3.1 million Finning common shares for cancellation at an average price of $21.76).

The NCIB was implemented to take advantage of Finning's strong balance sheet and cash balances 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.

Net Debt to Invested Capital

	Sep 30, 2016	Jun 30, 2016	Dec 31, 2015	Sep 30, 2015
Net Debt to Invested Capital %	35.0%	37.9%	36.7%	38.7%
Company's target range 35-45%				

The Company is subject to a maximum Total Debt to Total Capitalization 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 Q3 2016.

Accounting Policies and Pronouncements

Changes in Accounting Policies

As previously disclosed, management has voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, and as previously disclosed, management has concluded that certain cost recoveries are better reflected as revenues. Certain line items have been restated in the comparative 2015 periods but the impact of restatement is not significant. For more information on the impact to financial statements, please refer to note 1 of the Company's interim condensed consolidated financial statements.

The adoption of an amendment to IFRS had no impact on the Company's financial results. For more details on recent changes in accounting policy, please refer to note 1 of the Company's interim condensed consolidated financial statements.

Future accounting pronouncements and effective dates are also contained in note 1 of the interim condensed consolidated financial statements.

Risk Factors and Management

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

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

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

Exchange rate	September 30			December 31		3 months ended September 30 – average			9 months ended September 30 – average		
	2016	2015	Change	2015	Change	**2016**	2015	Change	**2016**	2015	Change
CAD/USD	**1.3117**	1.3394	2%	1.3840	5%	**1.3050**	1.3089	0%	**1.3218**	1.2600	(5)%
CAD/GBP	**1.7069**	2.0244	16%	2.0407	16%	**1.7124**	2.0273	16%	**1.8412**	1.9304	5%
CLP/USD	**659.08**	704.68	6%	710.16	7%	**661.31**	675.86	2%	**680.05**	639.14	(6)%
ARS/USD	**15.31**	9.42	(62)%	13.04	(17)%	**14.94**	9.25	(61)%	**14.52**	8.97	(62)%

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

Controls and Procedures Certification

Disclosure Controls and Procedures

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

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

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 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 September 30, 2016, 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.

Outstanding Share Data

As at October 28, 2016	
Common shares outstanding	168,138,317
Options outstanding	4,773,808

Description of Non-GAAP Financial Measures and Reconciliations

Non-GAAP Financial Measures

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

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

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

Net Debt to Invested Capital

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

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

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

($ millions, except as noted)	**September 30, 2016**	December 31, 2015
Cash and cash equivalents	**$ (460)**	$ (475)
Short-term debt	**8**	117
Long-term debt	**1,474**	1,548
Net debt	**1,022**	1,190
Shareholders' equity	**1,895**	2,050
Invested capital	**$ 2,917**	$ 3,240
Net debt to invested capital	**35.0%**	36.7%

EBITDA, Adjusted EBITDA, and Adjusted EBIT

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

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

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

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

($ millions)	3 months ended September 30		9 months ended September 30	
	2016	2015	**2016**	2015
EBIT	**$ 73**	$ 63	**$ 147**	$ 244
Depreciation and amortization	**46**	62	**145**	164
EBITDA	**$ 119**	$ 125	**$ 292**	$ 408

A reconciliation between EBIT, Adjusted EBIT, and Adjusted EBITDA is as follows:

($ millions)	3 months ended September 30		9 months ended September 30	
	2016	2015	**2016**	2015
EBIT	**$ 73**	$ 63	**$ 147**	$ 244
Significant items [(1)]	**—**	34	**56**	59
Adjusted EBIT	**$ 73**	$ 97	**$ 203**	$ 303
Depreciation and amortization	**46**	62	**145**	164
Adjusted EBITDA	**$ 119**	$ 159	**$ 348**	$ 467

(1) 2016 and 2015 results were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 3, 8 and 9 in this MD&A.

A reconciliation between EBIT, Adjusted EBIT, and Adjusted EBITDA for the consolidated operations for the last 10 quarters is as follows:

3 months ended ($ millions)	2016 Sep 30	2016 Jun 30	2016 Mar 31	2015 Dec 31	2015 Sep 30	2015 Jun 30	2015 Mar 31	2014 Dec 31	2014 Sep 30	2014 Jun 30
EBIT	**$ 73**	$ 29	$ 45	$(349)	$ 63	$ 106	$ 75	$ 142	$ 114	$ 137
Significant items:										
Severance costs and labour disruption costs [(1)]	**—**	9	17	2	25	6	17	—	9	6
Facility closures and restructuring costs	**—**	4	—	45	6	—	2	—	—	—
Impairment loss on distribution network and goodwill	**—**	—	—	338	—	—	—	—	—	—
Inventory and other asset impairments	**—**	—	—	42	—	—	—	—	—	—
Impact from Alberta wildfires – unavoidable costs	**—**	11	—	—	—	—	—	—	—	—
Power systems project provisions and estimated loss on disputes	**—**	5	5	—	—	—	—	—	—	—
Write-down of net assets – expected sale of non-core business	**—**	5	—	—	—	—	—	—	—	—
Acquisitions and disposal of business, net	**—**	—	—	(8)	3	—	—	—	—	—
ARS devaluation	**—**	—	—	12	—	—	—	—	—	—
Enterprise Resource Planning (ERP) write-off in South American operations	**—**	—	—	—	—	—	—	—	12	—
Adjusted EBIT	**$ 73**	$ 63	$ 67	$ 82	$ 97	$ 112	$ 94	$ 142	$ 135	$ 143
Depreciation and amortization [(2)]	**46**	48	51	57	62	51	51	52	56	53
Adjusted EBITDA	**$ 119**	$ 111	$ 118	$ 139	$ 159	$ 163	$ 145	$ 194	$ 191	$ 196
Adjusted EBIT – 12 months [(3)]	**$ 285**	$ 309	$ 358	$ 383	$ 445	$ 483	$ 514			
Adjusted EBITDA – 12 months[(3)]	**$ 487**	$ 527	$ 579	$ 604	$ 661	$ 693	$ 726			

(1) Labour disruption costs of $2 million were incurred in Company's South American operations in Q3 2014
(2) Of the significant items described above, $10 million was recorded in depreciation and amortization expense in Q4 2015
(3) Due to rounding differences, quarterly amounts may not add to the 12 month total

A reconciliation between EBIT, Adjusted EBIT, and Adjusted EBITDA for the Company's reportable segments is as follows:

Canada	**2016**			2015				2014		
3 months ended ($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**$ 37**	$ 28	$ 25	$ (17)	$ 34	$ 52	$ 29	$ 73	$ 80	$ 77
Significant items:										
Severance costs	**—**	1	8	—	11	3	15	—	3	2
Facility closures and restructuring costs	**—**	—	—	40	6	—	2	—	—	—
Inventory and other asset impairments	**—**	—	—	16	—	—	—	—	—	—
Impact from Alberta wildfires – unavoidable costs	**—**	11	—	—	—	—	—	—	—	—
Adjusted EBIT	**$ 37**	$ 40	$ 33	$ 39	$ 51	$ 55	$ 46	$ 73	$ 83	$ 79
Depreciation and amortization	**24**	25	27	31	34	26	25	26	30	28
Adjusted EBITDA	**$ 61**	$ 65	$ 60	$ 70	$ 85	$ 81	$ 71	$ 99	$ 113	$ 107
Adjusted EBIT – 12 months (1)	**$ 149**	$ 163	$ 178	$ 189	$ 225	$ 257	$ 281			

South America	**2016**			2015				2014		
3 months ended ($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**$ 40**	$ 38	$ 32	$(303)	$ 32	$ 52	$ 45	$ 59	$ 31	$ 56
Significant items:										
Severance costs and labour disruption	**—**	1	7	—	10	3	1	—	6	4
Facility closures and restructuring costs	**—**	—	—	3	—	—	—	—	—	—
Impairment loss on distribution network and goodwill	**—**	—	—	324	—	—	—	—	—	—
Inventory and other asset impairments	**—**	—	—	10	—	—	—	—	—	—
ARS devaluation	**—**	—	—	12	—	—	—	—	—	—
ERP write-off	**—**	—	—	—	—	—	—	—	12	—
Adjusted EBIT	**$ 40**	$ 39	$ 39	$ 46	$ 42	$ 55	$ 46	$ 59	$ 49	$ 60
Depreciation and amortization	**15**	15	16	19	20	19	19	18	18	18
Adjusted EBITDA	**$ 55**	$ 54	$ 55	$ 65	$ 62	$ 74	$ 65	$ 77	$ 67	$ 78
Adjusted EBIT – 12 months (1)	**$ 164**	$ 166	$ 182	$ 190	$ 202	$ 209	$ 214			

UK & Ireland	**2016**			2015				2014		
3 months ended ($ millions)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
EBIT	**$ 10**	$ (26)	$ (4)	$ (31)	$ 7	$ 12	$ 7	$ 11	$ 14	$ 14
Significant items:										
Severance costs	**—**	7	2	2	4	—	1	—	—	—
Facility closures and restructuring costs	**—**	4	—	2	—	—	—	—	—	—
Impairment loss on distribution network and goodwill	**—**	—	—	14	—	—	—	—	—	—
Inventory and other asset impairments	**—**	—	—	16	—	—	—	—	—	—
Power system project provisions and estimated loss on disputes	**—**	5	5	—	—	—	—	—	—	—
Write-down of net assets – expected sale of non-core business	**—**	5	—	—	—	—	—	—	—	—
Adjusted EBIT	**$ 10**	$ (5)	$ 3	$ 3	$ 11	$ 12	$ 8	$ 11	$ 14	$ 14
Depreciation and amortization	**7**	8	8	7	8	6	7	8	8	7
Adjusted EBITDA	**$ 17**	$ 3	$ 11	$ 10	$ 19	$ 18	$ 15	$ 19	$ 22	$ 21
Adjusted EBIT – 12 months (1)	**$ 11**	$ 12	$ 29	$ 33	$ 42	$ 45	$ 47			

(1) Due to rounding differences, quarterly amounts may not add to the 12 month total

Adjusted net income and Adjusted EPS

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

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

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

ROIC and Adjusted ROIC

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

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

ROIC for the consolidated operations is calculated as follows:

($ millions, except as noted)	**September 30, 2016**	December 31, 2015
EBIT – 12 months ended	**$ (202)**	$ (105)
Invested capital – four quarter average	**$ 3,071**	$ 3,530
ROIC	**(6.6)%**	(3.0)%

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

	2016			2015			
($ millions, except as noted)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Consolidated							
Adjusted EBIT – 12 months ended [1]	**$ 285**	**$ 309**	$ 358	$ 383	$ 445	$ 483	$ 514
Invested capital – four quarter average	**$ 3,071**	**$ 3,292**	$ 3,416	$ 3,530	$ 3,496	$ 3,381	$ 3,330
Adjusted ROIC	**9.2%**	**9.4%**	10.4%	10.9%	12.8%	14.3%	15.5%
Canada							
Adjusted EBIT – 12 months ended [1]	**$ 149**	**$ 163**	$ 178	$ 189	$ 225	$ 257	$ 281
Invested capital – four quarter average	**$ 1,697**	**$ 1,753**	$ 1,765	$ 1,792	$ 1,721	$ 1,682	$ 1,685
Adjusted ROIC	**8.7%**	**9.3%**	10.1%	10.6%	13.1%	15.3%	16.7%
South America							
Adjusted EBIT – 12 months ended [1]	**$ 164**	**$ 166**	$ 182	$ 190	$ 202	$ 209	$ 214
Invested capital – four quarter average	**$ 1,062**	**$ 1,178**	$ 1,261	$ 1,357	$ 1,413	$ 1,366	$ 1,334
Adjusted ROIC	**15.6%**	**14.2%**	14.5%	14.0%	14.3%	15.2%	16.0%
UK & Ireland							
Adjusted EBIT – 12 months ended [1]	**$ 11**	**$ 12**	$ 29	$ 33	$ 42	$ 45	$ 47
Invested capital – four quarter average	**$ 294**	**$ 342**	$ 371	$ 369	$ 359	$ 335	$ 316
Adjusted ROIC	**3.4%**	**3.3%**	7.4%	9.0%	11.9%	13.9%	15.3%

[1] Due to rounding differences, quarterly amounts may not add to the 12 month total

Working Capital

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

($ millions)	September 30, 2016	December 31, 2015
Total current assets	$ 3,319	$ 3,460
Cash and cash equivalents	(460)	(475)
Total current assets [(1)]	$ 2,859	$ 2,985
Total current liabilities	$ 1,194	$ 1,243
Short-term debt	(8)	(117)
Total current liabilities [(2)]	$ 1,186	$ 1,126
Working capital	$ 1,673	$ 1,859

(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:

	3 months ended September 30		9 months ended September 30	
($ millions)	2016	2015	2016	2015
Cash flow provided by (used in) operating activities [(1)]	$ 177	$ 159	$ 309	$ 9
Additions to property, plant, and equipment and intangible assets [(1)]	(17)	(23)	(72)	(42)
Proceeds on disposal of property, plant, and equipment [(1)]	3	4	20	11
Free cash flow	$ 163	$ 140	$ 257	$ (22)

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

Key Performance Indicators

Management uses key performance indicators (KPIs) to consistently measure performance against the Company's priorities across the organization. The Company's KPIs include 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. Set out below is a description of these KPIs:

Adjusted EBIT Margin, EBITDA Margin, and Adjusted EBITDA Margin

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

Inventory Turns

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

($ millions, except as noted)	September 30, 2016	December 31, 2015 (Restated)
Cost of sales – annualized	**$ 3,862**	$ 4,524
Inventory – two quarter average	**$ 1,707**	$ 1,897
Inventory turns (number of times)	**2.26**	2.38

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, as follows:

($ millions, except as noted)	September 30, 2016	December 31, 2015 (Restated)
Revenue – last twelve months	**$ 5,674**	$ 6,275
Invested capital – four quarter average	**$ 3,071**	$ 3,530
Invested capital turnover	**1.85**	1.78

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. Working Capital to Sales Ratio is calculated as follows:

($ millions, except as noted)	September 30, 2016	December 31, 2015 (Restated)
Working capital – four quarter average	**$ 1,785**	$ 2,023
Revenue – last twelve months	**$ 5,674**	$ 6,275
Working capital to sales	**31.5%**	32.2%

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 GAAP measure for order backlog.

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

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

($ millions, except as noted)	September 30, 2016	December 31, 2015
Net debt	**$ 1,022**	$ 1,190
EBITDA – 12 months ended[(1)]	**$ 10**	$ 126
Net Debt to EBITDA	**109.4**	9.5
Net debt	**$ 1,022**	$ 1,190
Adjusted EBITDA – 12 months ended[(1)]	**$ 487**	$ 604
Net Debt to Adjusted EBITDA	**2.1**	2.0

[(1)] Due to rounding differences, quarterly amounts may not add to the 12 month total

Selected Quarterly Information

$ millions (except for share and option data)	2016 Q3	2016 Q2	2016 Q1	2015 (Restated) Q4	2015 (Restated) Q3	2015 (Restated) Q2	2015 (Restated) Q1	2014 Q4
Revenue from operations [(1)]								
Canada	**$ 619**	$ 634	$ 852	$ 714	$ 743	$ 869	$ 800	$ 946
South America	**461**	431	430	528	509	539	491	593
UK & Ireland	**253**	245	212	295	265	272	250	264
Total revenue	**$ 1,333**	$ 1,310	$ 1,494	$ 1,537	$ 1,517	$ 1,680	$ 1,541	$ 1,803
Net income (loss) [(1) (2) (3)]	**$ 36**	$ 5	$ 15	$ (309)	$ 33	$ 62	$ 53	$ 107
Earnings Per Share [(1) (2) (3)]								
Basic EPS	**$ 0.22**	$ 0.03	$ 0.09	$ (1.82)	$ 0.19	$ 0.36	$ 0.31	$ 0.62
Diluted EPS	**$ 0.22**	$ 0.03	$ 0.09	$ (1.82)	$ 0.19	$ 0.36	$ 0.31	$ 0.62
Total assets [(1)]	**$ 4,886**	$ 4,754	$ 4,870	$ 5,108	$ 5,520	$ 5,324	$ 5,354	$ 5,273
Long-term debt								
Current	**$ —**	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Non-current	**1,474**	1,470	1,492	1,548	1,553	1,482	1,477	1,418
Total long-term debt [(4)]	**$ 1,474**	$ 1,470	$ 1,492	$ 1,548	$ 1,553	$ 1,482	$ 1,477	$ 1,418
Cash dividends paid per common share	**18.25¢**	18.25¢	18.25¢	18.25¢	18.25¢	18.25¢	17.75¢	17.75¢
Common shares outstanding (000's)	**168,134**	168,102	168,034	168,031	169,612	171,692	172,374	172,370
Options outstanding (000's)	**4,823**	5,026	5,102	5,171	5,315	5,390	4,145	4,226

(1) In July 2015, the Company's Canadian operations acquired the assets of the Saskatchewan dealership and became the approved Caterpillar dealer in Saskatchewan. The results of operations and financial position of this acquired business have been included in the figures above since the date of acquisition.

(2) 2016 and 2015 results were impacted by the following significant items:

($ millions except per share amounts)	Q3 2016	Q2 2016	Q1 2016	Annual 2015	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Distribution network and goodwill impairment	$ —	$ —	$ —	$ 338	$ 338	$ —	$ —	$ —
Impact from Alberta wildfires – unavoidable costs	—	11	—	—	—	—	—	—
Facility closures and restructuring costs	—	4	—	53	45	6	—	2
Severance costs [(a)]	—	9	17	48	2	25	6	17
Power system project provisions and estimated loss on disputes	—	5	5	—	—	—	—	—
Inventory and other asset impairments	—	—	—	42	42	—	—	—
FX and tax impact on devaluation of ARS	—	—	—	12	12	—	—	—
Acquisition and disposal of businesses, net	—	5	—	(5)	(8)	3	—	—
Impact of significant items [(a)(b)] on EBIT:	$ —	$ 34	$ 22	$ 488	$ 431	$ 34	$ 6	$ 19
Capital loss utilized / tax rate change impact on EPS:	—	—	—	$ 0.02	0.07	—	$ 0.01	$ (0.06)
Impact of significant items [(a)] on EPS:	$ —	$ 0.17	$ 0.10	$ 2.23	$ 2.05	$ 0.15	$ 0.04	$ 0.02

(a) Due to rounding differences, quarterly amounts may not add to the annual total.
(b) Of the significant items described above, $10 million was recorded in depreciation and amortization expense in Q4 2015.

(3) Q4 2014 results were positively impacted by an inflationary adjustment to reduce income tax expense in Argentina by $0.07 per share.

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

Forward-Looking Disclaimer

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include 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; expected profitability levels; expected range of the effective tax rate; ROIC; market share growth; expected results from service excellence action plans; expected results from cost reductions and transformation initiatives; anticipated asset utilization; inventory turns and parts service levels; the expected target range of the Company's net debt to invested capital ratio; estimated loss on disputes regarding power system projects in the UK; and the expected financial impact from the Alberta wildfires and possible insurance recoveries. 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 November 2, 2016. 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 its products and timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenue occurs; Finning's ability to reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability and availability of, and benefits from, information technology and the data processed by that technology. 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 for forward-looking statements. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in Section 4 of the Company's current AIF and in the annual MD&A for the financial risks.

Finning cautions readers that the risks described in the MD&A and the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations.

Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other unusual items or of any dispositions, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date of this report. The financial impact of these transactions and non-recurring and other unusual items can be complex and depends on the facts particular to each of them. Finning therefore cannot describe the expected impact in a meaningful way or in the same way Finning presents known risks affecting its business.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Canadian $ millions)	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 460	$ 475
Accounts receivable	761	837
Service work in progress	102	99
Inventories	1,726	1,800
Other assets	270	249
Total current assets	3,319	3,460
Property, plant, and equipment	629	677
Rental equipment	380	441
Distribution network	100	101
Goodwill	119	129
Intangible assets	69	49
Investments in joint venture and associate	91	103
Other assets	179	148
Total assets	$ 4,886	$ 5,108
LIABILITIES		
Current liabilities		
Short-term debt	$ 8	$ 117
Accounts payable and accruals	876	801
Deferred revenue	233	259
Provisions	63	60
Other liabilities	14	6
Total current liabilities	1,194	1,243
Long-term debt	1,474	1,548
Net employee benefit obligations	109	82
Other liabilities	214	185
Total liabilities	$ 2,991	$ 3,058
SHAREHOLDERS’ EQUITY		
Share capital	$ 572	$ 570
Contributed surplus	2	—
Accumulated other comprehensive income	233	326
Retained earnings	1,088	1,154
Total shareholders’ equity	1,895	2,050
Total liabilities and shareholder’s equity	$ 4,886	$ 5,108

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF NET INCOME

(Canadian $ millions, except share and per share amounts)	3 months ended September 30		9 months ended September 30	
	2016	2015 (Restated Note 1a)	**2016**	2015 (Restated Note 1a)
Revenue				
New equipment	**$ 427**	$ 468	**$ 1,319**	$ 1,659
Used equipment	**72**	77	**271**	250
Equipment rental	**61**	85	**170**	224
Product support	**770**	883	**2,366**	2,593
Other	**3**	4	**11**	12
Total revenue	**1,333**	1,517	**4,137**	4,738
Cost of sales	**(964)**	(1,095)	**(3,044)**	(3,467)
Gross profit	**369**	422	**1,093**	1,271
Selling, general, and administrative expenses	**(295)**	(351)	**(947)**	(1,022)
Equity (loss) earnings of joint venture and associate	**(1)**	1	**6**	4
Other expenses (Note 4)	**—**	(9)	**(5)**	(9)
Earnings before finance costs and income taxes	**73**	63	**147**	244
Finance costs (Note 5)	**(22)**	(23)	**(65)**	(63)
Income before provision for income taxes	**51**	40	**82**	181
Provision for income taxes	**(15)**	(7)	**(26)**	(33)
Net income	**$ 36**	$ 33	**$ 56**	$ 148
Earnings per share (Note 3)				
Basic	**$ 0.22**	$ 0.19	**$ 0.33**	$ 0.86
Diluted	**$ 0.22**	$ 0.19	**$ 0.33**	$ 0.86
Weighted average number of shares outstanding				
Basic	**168,110,628**	170,932,646	**168,077,130**	171,867,960
Diluted	**168,214,275**	171,058,407	**168,121,097**	172,069,618

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 $ millions)	3 months ended September 30 2016	3 months ended September 30 2015	9 months ended September 30 2016	9 months ended September 30 2015
Net income	**$ 36**	$ 33	**$ 56**	$ 148
Other comprehensive income (loss), net of income tax				
Items that may be subsequently reclassified to net income:				
Foreign currency translation adjustments	**12**	139	**(142)**	294
Share of foreign currency translation adjustments of joint venture and associate	**—**	—	**(12)**	—
Unrealized (loss) gain on net investment hedges	**(4)**	(51)	**60**	(105)
Income tax expense on foreign currency translation adjustments and net investment hedges	**—**	—	**—**	(10)
Net gain (loss) on foreign currency translation and net investment hedges, net of income tax	**8**	88	**(94)**	179
Unrealized loss on cash flow hedges	**—**	(3)	**(2)**	(6)
Realized loss on cash flow hedges, reclassified to earnings	**—**	2	**1**	5
Realized loss on cash flow hedges, reclassified to balance sheet	**—**	—	**2**	—
(Loss) gain on cash flow hedges, net of income tax	**—**	(1)	**1**	(1)
Items that will not be subsequently reclassified to net income:				
Actuarial (loss) gain (Note 7)	**(11)**	1	**(37)**	36
Income tax recovery (expense) on actuarial (loss) gain	**2**	—	**7**	(7)
Actuarial (loss) gain, net of income tax	**(9)**	1	**(30)**	29
Total comprehensive income (loss)	**$ 35**	$ 121	**$ (67)**	$ 355

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Canadian $ millions, except number of shares)	Share Capital: Number of shares	Share Capital: Amount	Contributed Surplus	Accumulated Other Comprehensive Income (Loss): Foreign Currency Translation and (Loss) Gain on Net Investment Hedges	Accumulated Other Comprehensive Income (Loss): (Loss) Gain on Cash Flow Hedges	Retained Earnings	Total
Balance, January 1, 2015	172,370,255	$ 583	$ 39	$ 114	$ (13)	$ 1,408	$ 2,131
Net income	—	—	—	—	—	148	148
Other comprehensive income (loss)	—	—	—	179	(1)	29	207
Total comprehensive income (loss)	—	—	—	179	(1)	177	355
Issued on exercise of share options	34,181	1	(1)	—	—	—	—
Share option expense	—	—	6	—	—	—	6
Repurchase of common shares	(2,792,634)	(9)	(44)	—	—	(16)	(69)
Dividends on common shares	—	—	—	—	—	(93)	(93)
Balance, September 30, 2015	169,611,802	$ 575	$ —	$ 293	$ (14)	$ 1,476	$ 2,330
Balance, January 1, 2016	**168,031,428**	**$ 570**	**$ —**	**$ 327**	**$ (1)**	**$ 1,154**	**$ 2,050**
Net income	**—**	**—**	**—**	**—**	**—**	**56**	**56**
Other comprehensive (loss) income	**—**	**—**	**—**	**(94)**	**1**	**(30)**	**(123)**
Total comprehensive (loss) income	**—**	**—**	**—**	**(94)**	**1**	**26**	**(67)**
Issued on exercise of share options	**102,907**	**2**	**(2)**	**—**	**—**	**—**	**—**
Share option expense	**—**	**—**	**4**	**—**	**—**	**—**	**4**
Dividends on common shares	**—**	**—**	**—**	**—**	**—**	**(92)**	**(92)**
Balance, September 30, 2016	**168,134,335**	**$ 572**	**$ 2**	**$ 233**	**$ —**	**$ 1,088**	**$ 1,895**

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

	3 months ended September 30		9 months ended September 30	
(Canadian $ millions)	**2016**	2015	**2016**	2015
OPERATING ACTIVITIES				
Net income	**$ 36**	$ 33	**$ 56**	$ 148
Adjusting for:				
Depreciation and amortization	**46**	62	**145**	164
Gain on sale of rental equipment and property, plant, and equipment	**(2)**	(10)	**(4)**	(27)
Impairment of long-lived assets	**—**	6	**—**	6
Equity loss (earnings) of joint venture and associate	**1**	(1)	**(6)**	(4)
Share-based payment expense (recovery)	**6**	(1)	**16**	3
Provision for income taxes	**15**	7	**26**	33
Finance costs	**22**	23	**65**	63
Defined benefit and other post-employment benefit expense (Note 7)	**3**	4	**10**	13
Other	**—**	—	**(3)**	—
Changes in operating assets and liabilities (Note 8)	**124**	81	**116**	(244)
Additions to rental equipment	**(62)**	(75)	**(135)**	(185)
Proceeds on disposal of rental equipment	**12**	50	**120**	131
Interest paid	**(10)**	(10)	**(51)**	(45)
Income tax paid	**(14)**	(10)	**(46)**	(47)
Cash flow provided by operating activities	**177**	159	**309**	9
INVESTING ACTIVITIES				
Additions to property, plant, and equipment and intangible assets	**(17)**	(23)	**(72)**	(42)
Proceeds on disposal of property, plant, and equipment	**3**	4	**20**	11
Net payment for acquisitions	**—**	(241)	**—**	(241)
Proceeds on disposal of subsidiary	**—**	—	**8**	—
Increase in short-term investments	**—**	(8)	**(31)**	(12)
Cash flow used in investing activities	**(14)**	(268)	**(75)**	(284)
FINANCING ACTIVITIES				
(Decrease) increase in short-term debt	**(58)**	158	**(109)**	164
Increase (decrease) in long-term debt	**—**	18	**(13)**	26
Decrease in finance liabilities	**—**	—	**(4)**	—
Repurchase of common shares	**—**	(44)	**—**	(61)
Dividends paid	**(31)**	(31)	**(92)**	(93)
Cash flow (used in) provided by financing activities	**(89)**	101	**(218)**	36
Effect of currency translation on cash balances	**2**	17	**(31)**	42
Increase (decrease) in cash and cash equivalents	**76**	9	**(15)**	(197)
Cash and cash equivalents, beginning of period	**384**	244	**475**	450
Cash and cash equivalents, end of period (Note 8)	**$ 460**	$ 253	**$ 460**	$ 253

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

1. Significant Accounting Policies, Key Assumptions, and Significant Judgments

These unaudited interim condensed consolidated financial statements ("Interim Statements") of Finning International Inc. and its subsidiaries (together, "Finning" or the "Company") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standard Board ("IASB"). 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, 2015 audited annual consolidated financial statements and the notes.

These Interim Statements are based on the IFRS issued and effective as of November 2, 2016, 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 Policies

Management voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, management has concluded that certain cost recoveries are better reflected as revenues. The impact of these reclassifications on each respective line item for the 2015 comparative period and for the year ended December 31, 2015 is as follows:

($ millions)	3 months ended September 30, 2015	9 months ended September 30, 2015	Year ended December 31, 2015
Increase in revenue	$ 19	$ 65	$ 85
Increase in cost of sales	$ (57)	$ (195)	$ (258)
Decrease on gross profit	$ (38)	$ (130)	$ (173)
Decrease in selling, general, and administrative expense	$ 38	$ 130	$ 173

This change in presentation does not affect the Company's consolidated statement of financial position, earnings before finance costs and income taxes, net income, cash flow, or earnings per share.

The Company has adopted the following amendment to IFRS:

- 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. The Company's Interim Statements have been prepared to include only those disclosures which are considered material.

(b) Future Accounting Pronouncements

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

- IAS 7, *Statement of Cash Flows* (effective January 1, 2017) introduces new requirements to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. Management will provide additional disclosures in their interim financial statements beginning January 1, 2017.
- 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 standard.
- 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 16, Leases (effective January 1, 2019) introduces new requirements for the classification and measurement of leases. Management is currently assessing the impact of the new standard.

2. Segmented Information

The Company's revenue, results, and other segment information is as follows:

3 months ended September 30, 2016 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
Revenue from external sources	**$ 619**	**$ 461**	**$ 253**	**$ —**	**$ 1,333**
Operating costs	**(558)**	**(406)**	**(236)**	**(13)**	**(1,213)**
Depreciation and amortization	**(24)**	**(15)**	**(7)**	**—**	**(46)**
Equity loss of joint venture and associate	**—**	**—**	**—**	**(1)**	**(1)**
Earnings (loss) before finance costs and income taxes	**$ 37**	**$ 40**	**$ 10**	**$ (14)**	**$ 73**
Finance costs					**(22)**
Provision for income taxes					**(15)**
Net income					**$ 36**
Invested capital [1]	**$ 1,650**	**$ 1,021**	**$ 253**	**$ (7)**	**$ 2,917**
Total assets	**$ 2,251**	**$ 1,961**	**$ 564**	**$ 110**	**$ 4,886**
Capital and rental equipment [2]	**$ 602**	**$ 349**	**$ 126**	**$ 1**	**$ 1,078**
Gross capital expenditures [3]	**$ 8**	**$ 8**	**$ —**	**$ 1**	**$ 17**
Gross rental asset expenditures [3]	**$ 43**	**$ 15**	**$ 5**	**$ —**	**$ 63**

3 months ended September 30, 2015 ($ millions) (Restated - Note 1a)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	$ 743	$ 509	$ 265	$ —	$ 1,517
Operating costs	(670)	(457)	(250)	$ (7)	$ (1,384)
Depreciation and amortization	(34)	(20)	(8)	—	(62)
Equity earnings of joint venture and associate	1	—	—	—	1
Other expenses	(6)	—	—	(3)	(9)
Earnings (loss) before finance costs and income taxes	$ 34	$ 32	$ 7	$ (10)	$ 63
Finance costs					(23)
Provision for income taxes					(7)
Net income					$ 33
Invested capital [1]	$ 1,871	$ 1,485	$ 442	$ 4	$ 3,802
Total assets	$ 2,444	$ 2,264	$ 749	$ 63	$ 5,520
Capital and rental equipment [2]	$ 702	$ 362	$ 151	$ —	$ 1,215
Gross capital expenditures [3]	$ 6	$ 14	$ 2	$ —	$ 22
Gross rental asset expenditures [3]	$ 58	$ 6	$ 11	$ —	$ 75

(1) Invested capital is calculated as total assets less total liabilities, excluding net debt (short-term and long-term debt net of cash)
(2) Capital includes property, plant and equipment and intangibles
(3) Includes finance leases and borrowing costs capitalized and excludes additions through business acquisitions

The Company's revenue, results, and other segment information is as follows:

9 months ended September 30, 2016 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Other**	**Consolidated**
Revenue from external sources	**$ 2,105**	**$ 1,322**	**$ 710**	**$ —**	**$ 4,137**
Operating costs	**(1,946)**	**(1,166)**	**(702)**	**(32)**	**(3,846)**
Depreciation and amortization	**(76)**	**(46)**	**(23)**	**—**	**(145)**
Equity earnings (loss) of joint venture and associate	**7**	**—**	**—**	**(1)**	**6**
Other expenses	**—**	**—**	**(5)**	**—**	**(5)**
Earnings (loss) before finance costs and income taxes	**$ 90**	**$ 110**	**$ (20)**	**$ (33)**	**$ 147**
Finance costs					**(65)**
Provision for income taxes					**(26)**
Net income					**$ 56**
Invested capital [1]	**$ 1,650**	**$ 1,021**	**$ 253**	**$ (7)**	**$ 2,917**
Total assets	**$ 2,251**	**$ 1,961**	**$ 564**	**$ 110**	**$ 4,886**
Capital and rental equipment [2]	**$ 602**	**$ 349**	**$ 126**	**$ 1**	**$ 1,078**
Gross capital expenditures [3]	**$ 28**	**$ 41**	**$ 2**	**$ 1**	**$ 72**
Gross rental asset expenditures [3]	**$ 90**	**$ 31**	**$ 29**	**$ —**	**$ 150**

9 months ended September 30, 2015 ($ millions) (Restated - Note 1a)	Canada	South America	UK & Ireland	Other	Consolidated
Revenue from external sources	$ 2,412	$ 1,539	$ 787	$ —	$ 4,738
Operating costs	(2,208)	(1,352)	(740)	(25)	(4,325)
Depreciation and amortization	(85)	(58)	(21)	—	(164)
Equity earnings of joint venture and associate	2	—	—	2	4
Other expenses	(6)			(3)	(9)
Earnings (loss) before finance costs and income taxes	$ 115	$ 129	$ 26	$ (26)	$ 244
Finance costs					(63)
Provision for income taxes					(33)
Net income					$ 148
Invested capital [1]	$ 1,871	$ 1,485	$ 442	$ 4	$ 3,802
Total assets	$ 2,444	$ 2,264	$ 749	$ 63	$ 5,520
Capital and rental equipment [2]	$ 702	$ 362	$ 151	$ —	$ 1,215
Gross capital expenditures [3]	$ 14	$ 23	$ 5	$ —	$ 42
Gross rental asset expenditures [3]	$ 138	$ 18	$ 29	$ —	$ 185

(1) Invested capital is calculated as total assets less total liabilities, excluding net debt (short-term and long-term debt net of cash)
(2) Capital includes property, plant and equipment and intangibles
(3) Includes finance leases and borrowing costs capitalized and excludes additions through business acquisitions

3. Earnings Per Share

($ millions, except share and per share amounts)	3 months ended September 30			9 months ended September 30		
2016	**Income**	**Shares**	**Per Share**	**Income**	**Shares**	**Per Share**
Basic EPS:						
Net income	**$ 36**	**168,110,628**	**$ 0.22**	**$ 56**	**168,077,130**	**$ 0.33**
Effect of dilutive securities: share options	**—**	**103,647**	**—**	**—**	**43,967**	**—**
Diluted EPS:						
Net income and assumed conversions	**$ 36**	**168,214,275**	**$ 0.22**	**$ 56**	**168,121,097**	**$ 0.33**
2015						
Basic EPS:						
Net income	$ 33	170,932,646	$ 0.19	$ 148	171,867,960	$ 0.86
Effect of dilutive securities: share options	—	125,761	—	—	201,658	—
Diluted EPS:						
Net income and assumed conversions	$ 33	171,058,407	$ 0.19	$ 148	172,069,618	$ 0.86

Share options granted to employees for the three and nine months ended September 30, 2016 of 3.2 million and 4.8 million, respectively (2015: 4.9 million and 3.1 million, respectively) are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share.

4. Other Expenses

($ millions)	3 months ended September 30 **2016**	3 months ended September 30 2015	9 months ended September 30 **2016**	9 months ended September 30 2015
Write-down of net assets (a)	**$ —**	$ —	**$ 5**	$ —
Impairment loss (b)	**—**	6	**—**	6
Acquisition costs (c)	**—**	3	**—**	3
Other expenses	**$ —**	$ 9	**$ 5**	$ 9

(a) Following a strategic review of the Company's operations in the UK, it was determined that engineering and construction services for the water utility industry no longer represented a core sector for Finning's power systems division in the U.K. The Company recorded a charge of approximately $5 million, representing the write-down of net assets and other costs related to the sale of this business which occurred in August 2016 in the UK & Ireland reporting segment.

(b) As part of the actions taken by the Company's Canadian operations to reduce costs, the Company centralized its Canadian head office operations from two buildings into one building and then entered into a sublease agreement for the vacant building for the remaining lease term. Given the economic conditions at the time of entering into the sublease, management was not able to fully recover its lease commitments. This resulted in a $6 million loss which is recorded in other expenses in the Canada reporting segment.

(c) Acquisition costs relate to the acquisition of the operating assets of Kramer Ltd (Note 9).

5. FINANCE COSTS

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

($ millions)	3 months ended September 30 **2016**	3 months ended September 30 2015	9 months ended September 30 **2016**	9 months ended September 30 2015
Interest on short-term debt	**$ 1**	$ 2	**$ 3**	$ 3
Interest on long-term debt	**17**	17	**51**	50
Interest on debt securities	**18**	19	**54**	53
Net interest on pension and other post-employment benefit obligations (Note 7)	**—**	1	**1**	4
Other finance related expenses	**4**	3	**10**	6
Finance costs	**$ 22**	$ 23	**$ 65**	$ 63

6. 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:

9 months ended	September 30, 2016 Options	September 30, 2016 Weighted Average	September 30, 2015 Options	September 30, 2015 Weighted Average
Options outstanding, beginning of period	**5,170,689**	**$ 24.78**	4,225,873	$ 24.65
Granted	**489,464**	**$ 21.83**	1,588,910	$ 25.44
Exercised [1]	**(443,514)**	**$ 16.79**	(100,659)	$ 15.77
Forfeited	**(393,980)**	**$ 26.17**	(399,601)	$ 28.39
Options outstanding, end of period	**4,822,659**	**$ 25.10**	5,314,523	$ 24.77
Options exercisable, end of period	**3,003,496**	**$ 25.16**	2,607,485	$ 23.64

[1] Share options exercised in 2016 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. 443,514 options were exercised in 2016 under the 2005 Stock Option Plan resulting in 102,907 common shares issued; 340,607 options were withheld and returned to the option pool for future issues/grants.

In the second quarter of 2016, the Company granted 489,464 common share options to senior executives and management of the Company (Q2 2015: 1,588,910 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 2016 has been estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Dividend yield	2.54%
Expected volatility [2]	30.56%
Risk-free interest rate	0.75%
Expected life	5.45 years

[2] Expected volatility is based on historical share price volatility of Finning shares

The weighted average grant date fair value of options granted during the nine month period was $4.64 (2015: $5.42).

Other Share-Based Payment Plans

The Company has other share-based payment plans in the form of deferred share units, performance share units, and restricted share units that use notional common share units. Details of the plans with significant changes subsequent to December 31, 2015 are as follows:

Executive Deferred Share Unit Plan

Under the Executive Deferred Share Unit Plan, executives were granted a total of 24,250 units in lieu of Short-Term Incentive Plan payments for the nine months ended September 30, 2016 (nine months ended September 30, 2015: nil units).

Directors' Deferred Share Unit Plan A

Under the Directors' Deferred Share Unit Plan, non-employee Directors of the Company were granted a total of 35,734 share units in the nine months ended September 30, 2016 (nine months ended September 30, 2015: 27,950 share units).

Performance Share Unit Plan

All PSUs granted in 2016 were divided equally into two categories: Total Shareholder Return (TSR) PSUs and Return on Invested Capital (ROIC) PSUs. Half of the awards is based on the extent to which the Company's average return on invested capital achieves or exceeds the specified performance levels over a three-year period (ROIC PSUs). The remaining half of the awards is based on the performance of the Company's share price over the three-year period relative to the performance of the share prices of all companies in the S&P/TSX Capped Industrials Index (TSR PSUs). Vested performance share units are redeemable in cash based on the common share price at the end of the performance period. PSUs have a variable payout (0%-200%). Executives of the Company were granted a total of 626,480 PSUs in the nine months ended September 30, 2016, based on 100% vesting (nine months ended September 30, 2015:443,280 PSUs).

Restricted Share Unit Plan

In February 2016, the Board of Directors approved a new Restricted Share Unit (RSU) Plan for executives. This plan utilizes notional units that may become vested in accordance with terms set at the time of grant. Units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares.

Restricted share units are redeemable in cash based on the common share price at the end of the three-year period. During the nine months ended September 30, 2016, 262,637 units (nine months ended September 30, 2015: nil units) were granted to Executives.

7. POST-EMPLOYMENT EMPLOYEE BENEFITS

The significant actuarial assumptions used in the valuations of the Company's defined benefit pension plans and other post-employment benefit obligations include:

	September 30, 2016			September 30, 2015		
	Canada	**UK**	**South America**	Canada	UK	South America
Discount rate – obligation	**3.1%**	**2.4%**	**1.2%**	3.9%	3.8%	1.5%
Discount rate – expense [(1)]	**3.9%**	**3.7%**	**1.5%**	3.8%	3.4%	2.2%
Retail price inflation – obligation	**n/a**	**3.2%**	**n/a**	n/a	3.2%	n/a
Retail price inflation – expense [(1)]	**n/a**	**3.2%**	**n/a**	n/a	3.2%	n/a

[(1)] Used to determine the net interest cost and expense for the three and nine months ended September 30, 2016 and September 30, 2015.

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

3 months ended ($ millions)	**September 30, 2016**				September 30, 2015			
	Canada	**UK**	**South America**	**Total**	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	**$ 2**	**$ —**	**$ 1**	**$ 3**	$ 2	$ —	$ 2	$ 4
Net interest cost	**—**	**—**	**—**	**—**	—	1	—	1
Net benefit cost	**$ 2**	**$ —**	**$ 1**	**$ 3**	$ 2	$ 1	$ 2	$ 5
Actuarial (gain) loss on plan assets	**$ (14)**	**$ (75)**	**$ —**	**$ (89)**	$ 12	$ 8	$ —	$ 20
Actuarial loss (gain) on plan liabilities	**13**	**87**	**—**	**100**	(8)	(12)	(1)	(21)
Total actuarial (gain) loss recognized in other comprehensive income	**$ (1)**	**$ 12**	**$ —**	**$ 11**	$ 4	$ (4)	$ (1)	$ (1)

9 months ended ($ millions)	**September 30, 2016**				September 30, 2015			
	Canada	**UK**	**South America**	**Total**	Canada	UK	South America	Total
Current service cost and administration costs, net of employee contributions	**$ 5**	**$ 1**	**$ 4**	**$ 10**	$ 7	$ 1	$ 5	$ 13
Net interest cost	**1**	**—**	**—**	**1**	1	2	1	4
Net benefit cost	**$ 6**	**$ 1**	**$ 4**	**$ 11**	$ 8	$ 3	$ 6	$ 17
Actuarial (gain) loss on plan assets	**$ (38)**	**$ (147)**	**$ —**	**$ (185)**	$ 4	$ 17	$ —	$ 21
Actuarial loss (gain) on plan liabilities	**42**	**173**	**7**	**222**	(10)	(50)	3	(57)
Total actuarial loss (gain) recognized in other comprehensive income	**$ 4**	**$ 26**	**$ 7**	**$ 37**	$ (6)	$ (33)	$ 3	$ (36)

8. Supplemental Cash Flow Information

The components of cash and cash equivalents are as follows:

September 30 ($ millions)	2016	2015
Cash	**$ 306**	$ 156
Cash equivalents	**154**	97
Cash and cash equivalents	**$ 460**	$ 253

The changes in operating assets and liabilities are as follows:

	3 months ended September 30		9 months ended September 30	
($ millions)	2016	2015	2016	2015
Accounts receivable	**$ 53**	$ 176	**$ 33**	$ 222
Service work in progress	**3**	—	**(7)**	(2)
Inventories	**(35)**	73	**(3)**	(118)
Other assets	**(40)**	(2)	**(19)**	41
Accounts payable and accruals	**139**	(154)	**108**	(365)
Other liabilities	**4**	(12)	**4**	(22)
Changes in operating assets and liabilities	**$ 124**	$ 81	**$ 116**	$ (244)

9. Acquisitions

Effective July 1, 2015 the Company acquired the operating assets of Kramer Ltd. for cash consideration of $241 million and became the approved Caterpillar dealer in Saskatchewan. The acquisition expands Finning's Western Canadian operations into a contiguous territory, diversifies the Company's revenue base into sectors such as potash and uranium, and provides a platform for long-term growth opportunities and diversification into new markets.

This purchase is accounted for as a business combination. Management finalized its purchase price allocation on June 30, 2016. The acquisition-date fair values of acquired tangible and intangible assets, assumed liabilities and deferred income tax asset are estimated to be as follows:

Final purchase price allocation ($ millions)	June 30, 2016	December 31, 2015
Inventory	**$ 98**	$ 98
Rental equipment	**77**	77
Accounts and other receivables	**38**	38
Property, plant, and equipment	**11**	10
Intangible assets	**10**	10
Deferred income tax asset (liability)	**2**	(1)
Goodwill	**21**	25
Accounts payable and other liabilities	**(16)**	(16)
Net assets acquired	**$ 241**	$ 241

The intangible assets acquired represent customer relationships of $9 million and technology of $1 million and are being amortized on a straight-line basis over their estimated life of 10 years and 5 years, respectively. In 2016, adjustments to goodwill relate to the recognition of a deferred income tax asset and further fair value adjustments to property, plant, and equipment. Goodwill relates to the expected synergies by combining complementary capabilities, and customer bases across Finning's territory in British Columbia, Alberta, Yukon, Northwest Territories and part of Nunavut with the acquired business' presence in Saskatchewan. The goodwill is assigned to the Company's Canada operating segment. 75% of the goodwill is deductible for tax purposes.

Acquisition costs of $3 million were paid on the transaction and recorded as an expense in the consolidated statement of income of 2015.