FINNING INTERNATIONAL INC.

ANNUAL INFORMATION FORM

2015

FEBRUARY 18, 2016

Finning International Inc.
Suite 1000, Park Place
666 Burrard Street
Vancouver, British Columbia
V6C 2X8

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In this Annual Information Form, the terms the "Company" and "Corporation" mean Finning International Inc. and "Finning" means Finning International Inc. together with its subsidiaries and operating divisions. The results reported herein have been prepared in accordance with International Financial Reporting Standards (IFRS). All dollar amounts are Canadian dollars unless otherwise indicated. All information in this Annual Information Form is presented as at December 31, 2015, unless otherwise specified herein.

FORWARD LOOKING INFORMATION

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; workforce reductions; distribution network and goodwill impairment charges; facility closures; expected revenue; expected free cash flow; EBIT margin; expected range of the effective tax rate; return on invested capital; market share growth; expected results from service excellence action plans; anticipated asset utilization; inventory turns and parts service levels; and the expected target range of the Company's net debt to invested capital ratio; and the expected financial impact from acquisitions. 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 February 18, 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 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, availability and benefits from information technology and the data processed by that technology. Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

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

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

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

1. CORPORATE STRUCTURE

1.1 NAME, ADDRESS AND INCORPORATION

Finning was incorporated as Finning Tractor & Equipment Company Limited on January 4, 1933, under the *Company Act* (British Columbia). On September 2, 1969, the Company became a public corporation. The Company was continued under the Canada Business Corporations Act on October 8, 1986, and changed its name to Finning Ltd. on April 23, 1987, and to Finning International Inc. on April 25, 1997.

Finning International Inc. is a widely held, publicly traded corporation, listed on the Toronto Stock Exchange (symbol: FTT). The registered and head office of the Company is located at Suite 1000, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8 (telephone: 604.691.6444; fax: 604. 691.6440; website: www.finning.com).

1.2 INTERCORPORATE RELATIONSHIPS

The Company's principal operating subsidiaries, divisions, and joint ventures and the geographic areas they serve are noted below. As at December 31, 2015, there were no other subsidiaries of the Company whose total assets represented more than 10% of the consolidated assets of the Company or whose total revenues for the year then ended represented more than 10% of the consolidated revenue of the Company.

Finning International Inc.

- Canada – Reporting Segment
  - **Finning (Canada)** a division of Finning International Inc., servicing Western Canada with dealer territories in British Columbia, Alberta, Saskatchewan, the Yukon Territory, the Northwest Territories and a portion of Nunavut.
  - **OEM Remanufacturing Company Inc.** incorporated in Alberta, Canada; 100% owned by Finning.
- South America – Reporting Segment
  - **Finning Argentina S.A.** and **Finning Soluciones Mineras S.A.** both incorporated in Argentina, 100% owned by Finning and servicing Argentina.
  - **Finning Bolivia S.A.** incorporated in Bolivia, 100% owned by Finning and servicing Bolivia.
  - **Finning Chile S.A.** incorporated in Chile, 100% owned by Finning and servicing Chile.
  - **Moncouver S.A.** incorporated in Uruguay, 100% owned by Finning and offering shared services and centralized purchasing to Finning's South American operations.
- UK and Ireland – Reporting Segment
  - **Finning (UK) Ltd.** incorporated in the United Kingdom, 100% owned by Finning and servicing England, Northern Ireland, Scotland and Wales.
  - **Finning (Ireland) Limited** incorporated in the Republic of Ireland, 100% owned by Finning, and servicing the Republic of Ireland.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 OVERVIEW OF OPERATIONS

Finning is a Canadian-based international company that provides sales, rental, parts and support services for Caterpillar Inc. (Caterpillar or CAT) equipment and engines and complementary equipment on three continents. In terms of sales volume, Finning is the largest dealer of Caterpillar products in the world and is the authorized dealer of Caterpillar products in its Western Canada territories, the United Kingdom, the Republic of Ireland, and in the southern cone of South America. At December 31, 2015, Finning had approximately 13,000 employees within its territories.

Canada

The Company has been the authorized dealer for Caterpillar products in British Columbia since 1933 and in the Yukon Territory since 1977. In December 1989, the Company acquired all of the shares of R. Angus Alberta Limited, the Caterpillar dealer for Alberta and a portion of the Northwest Territories. In 1995, additional territory was added to the existing area within the Northwest Territories and Nunavut, making the Company the Caterpillar dealer for an area covering all of the Northwest Territories and the portion of Nunavut west of 110 degrees west longitude. More recently, in July 2015 the Company acquired the operating assets of the Caterpillar dealer Kramer Ltd., and is now the approved Caterpillar dealer in Saskatchewan. See section 2.2.2. "Current Developments in the Business over the Last Three Years – Strategic growth". The Company services its Canadian dealership territory through its Finning (Canada) division.

South America

In August 1993, the Company acquired its first Caterpillar dealership territory in South America through the acquisition of Gildemeister S.A.C., the authorized Caterpillar dealer for Chile (subsequently renamed Finning Chile S.A. in 1997). In January 2003, the Company expanded its Caterpillar dealership territories in South America by becoming the authorized Caterpillar dealer in Argentina, through the acquisition of Macrosa Del Plata S.A., and Servicios Mineros Argentinos S.A., subsequently renamed Finning Argentina S.A. and Finning Solucione Mineras S.A., respectively, in 2005. In April 2003, the Company completed the acquisition of Matreq Ferreyros S.A., subsequently renamed Finning Bolivia S.A. in 2005, the authorized Caterpillar dealer for Bolivia. In March 2004, the Company formed a company in Uruguay – Finning South America S.A., subsequently renamed Moncouver S.A. in 2006, which provides shared services and centralized purchasing services for its South American operations.

UK and Ireland

In 1983, the Company acquired two Caterpillar dealerships in Great Britain, Bowmaker (Plant) Ltd. and Caledonian Tractor and Equipment Co. Ltd. The acquisition of the remaining U.K. dealer, H. Leverton Limited, was completed in October 1997. In August 2010, the Company was appointed the Caterpillar dealer for Northern Ireland and for the Republic of Ireland. The Company now operates in the U.K. under the name of Finning (UK) Ltd. as the authorized Caterpillar dealer in England, Northern Ireland, Scotland and Wales and in the Republic of Ireland under the name of Finning (Ireland) Limited as the authorized Caterpillar dealer for that territory.

2.2 BUSINESS DEVELOPMENT

The following is a summary of significant developments in the strategy of the Company and in each of the Company's core operating segments.

2.2.1 Strategic Plan

Finning was founded in 1933 and has been part of Caterpillar's successful global dealer network ever since.

The Company's focus is on building shareholder value by improving return on invested capital. With safety and talent management as the foundation of the Company's priorities, management is executing on its ongoing operational excellence agenda to improve return on invested capital (ROIC)[1] by strengthening earnings before finance costs and income taxes (EBIT)[1] performance in a systematic and sustainable manner while utilizing a disciplined approach to capital deployment. Initiatives to improve EBIT are primarily focused on growing market share and increasing the profitability of service operations. Invested capital[1] efficiency will be driven through optimization of the supply chain to reduce working capital[1] and through improvements in asset utilization. Longer term, the Company's objectives are to expand its mining, power systems and core product offerings and pursue profitable organic growth opportunities and acquisitions which leverage Finning's competitive strengths.

2.2.2 Current Developments in the Business over the Last Three Years

In response to the recent decline in market activity across all its operations, in 2015 the Company reduced its workforce by approximately 1,900 employees, representing approximately 13% of its global workforce.

Further efforts to improvement efficiencies, reduce costs and optimize service delivery to customers will result in the planned closure of 32 facilities in Western Canada by mid-2016. The facility closures in Western Canada support the Company's strategic imperative to optimize the facility footprint, better deliver on customers' evolving business needs, reduce costs and improve service delivery.

Strategic growth

Strategic investments have been made by Finning to support market growth areas and operational excellence. Finning is well positioned to support future customer demands and will focus, over the near term, on driving the utilization of these investments.

- Strategic Growth:

  In 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 acquired dealership business combines Finning's Western Canadian operations in British Columbia, Alberta, Yukon, Northwest Territories and part of Nunavut with Saskatchewan. The acquisition 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 transaction provides customers with improved equipment and parts

[1] These financial metrics do not have a standardized meaning under IFRS, which is also referred to herein as generally accepted accounting principles (GAAP), and may not be comparable to similar measures used by other issuers. The Company's MD&A includes additional information regarding these financial metrics, including definitions, under the heading "Description of Non-GAAP and Additional GAAP Measures and reconciliations of these metrics to their respective most comparable GAAP measures".

availability, world-class product support and access to Finning (Canada)'s extensive branch network. In connection with this asset acquisition, Finning (Canada) also acquired the rights to the SITECH heavy and highway machine control and monitoring products, and the distribution rights for the Caterpillar shovels and drills business in Saskatchewan.

- Investments in new technologies

  In July 2014, Finning's UK and Ireland operations acquired 100% of the shares of Reaction One Limited (UK) and Alveton Limited (Ireland). Cash consideration of approximately $14 million (£8 million) was paid at the time of acquisition. Further contingent consideration with a possible range of £nil - £4 million may be paid after acquisition, contingent upon the profitability of the acquired business over the next three years. With this acquisition, the newly formed company, SITECH, sells and services Trimble Navigation Limited's (Trimble) heavy and highway machine control and monitoring products in all of its dealership territories. Trimble is Caterpillar's global technologies joint venture partner in construction and other industries.

Investment in our people

To support the Company in achieving its strategic objectives, Finning is committed to the safety and ongoing development of its employees and having a highly engaged workforce across its operations. A talented and highly engaged workforce that lives the Finning values, acts like owners and delivers through teamwork will drive world-class safety performance, enhanced sales and solutions, excellence in customer service and profitability, a sustainable, efficient and consistent supply chain and continuous improvement of systems and processes.

- Key executive appointments over the past three years:
  - In February 2016, the Company appointed Kevin Parkes as Managing Director of Finning UK and Ireland. Mr. Parkes brings extensive leadership experience, having served most recently as director of equipment solutions for Finning and as the former Chief Executive Officer of Hewden Stuart Limited. Mr. Parkes has over 13 years of experience with Finning and his proven leadership capabilities, strong customer and results focus will enable him to lead the business forward. Mr. Parkes succeeds Neil Dickinson who served as Managing Director from 2010 until his retirement in February 2016.
  - In January 2016, the Company appointed Chad Hiley as Chief Human Resources Officer for Finning International Inc., in addition to his role as Senior Vice President, Human Resources for Finning (Canada). Mr. Hiley brings extensive executive leadership experience, specifically in the mining industry, where his career spanned various cultures and geographies. As Chief Human Resources Officer for the Company, Mr. Hiley has overall responsibility for human resources and communications. Mr. Hiley succeeds Gillian Platt who served as Chief Human Resources Officer from July 2014 until her retirement in January 2016.
  - In December 2015, the Company appointed Anna P. Marks as Treasurer for Finning International Inc., in addition to her role as Senior Vice President, Corporate Controller. Ms. Marks has been with Finning since 2003 and has extensive industry

experience and knowledge, having worked in the energy sector prior to 2003. Ms. Marks has responsibility for leading the corporate controller, treasury, tax and pension groups. Ms. Marks succeeds Greg Palaschuk as Treasurer, who was appointed Finance Director for Finning UK & Ireland.

- In December 2015, the Company appointed Greg Palaschuk as Finance Director for Finning UK & Ireland. Mr. Palaschuk joined the Company in June 2014 as Vice President, Treasurer. Mr. Palaschuk brings extensive experience from the banking industry. Mr. Palaschuk has responsibility for financial planning and analysis, internal audit, legal, risk management and tax.
- In December 2015, the Company appointed Russell Day as Senior Vice President, Strategic Planning and Business Development. Mr. Day has overall responsibility for driving the Company's strategic plan forward, developing the business through the achievement of business strategies and objectives, as well as leading the financial planning and analysis function globally. He has extensive senior leadership experience in strategic planning, corporate development, and finance.
- In December 2015, Andrew S. Fraser retired as Executive Vice President, Customer and External Relations of Finning International Inc.
- In March 2015, the Company appointed Steven M. Nielsen as Executive Vice President and Chief Financial Officer for Finning International Inc. Mr. Nielsen brings extensive executive leadership experience in finance and operational roles across diverse industries. Mr. Nielsen has responsibility for strategic planning and the overall financial management of the Company, including investor relations and risk management. Mr. Nielsen replaced David Smith who stepped down from his role as Executive Vice President and Chief Financial Officer in June 2014.
- In November 2013, the Company appointed Juan Carlos Villegas as President, Finning (Canada) in addition to his role as Chief Operating Officer, Finning International Inc. Mr. Villegas oversees all aspects of the Canadian operations with a mandate for delivering on Finning's key priorities in supply chain, service excellence, asset utilization, customer loyalty, market share growth and talent development.
- In June 2013, the Company appointed L. Scott Thomson as President and Chief Executive Officer of Finning International Inc. Mr. Thomson was also appointed to the Board of Directors concurrent with this appointment. Mr. Thomson's international experience, broad financial capabilities and considerable strategic acumen complement his team's existing operational strengths. Mr. Thomson's appointment follows a thorough succession process to identify a candidate to succeed Michael Waites, former President and Chief Executive Officer and director of the Company, who retired in June 2013.
- In June 2013, the Company appointed David Cummings as Senior Vice President and Chief Information Officer. Mr. Cummings brings extensive experience in implementation and optimization of global business processes and advanced technology solutions. Mr. Cummings oversees Finning's global business processes and

systems and works with its global leaders to develop processes and technology solutions that support Finning's strategic objectives.

Key director changes

Over the past three years the Board of Directors of Finning International Inc. has focused on Board renewal with six new directors being appointed, including:

- October 2014 - Jacynthe Côté. Ms. Côté has more than 25 years of international experience in the metals and mining industry and was formerly the President and Chief Executive Officer of Rio Tinto Alcan.
- May 2014 - Marcelo A. Awad. Mr. Awad has more than 35 years of international mining experience and was formerly the President and Chief Executive Officer of Antofagasta Minerals S.A.
- May 2014 - Nicholas Hartery. Mr. Hartery is currently Chairman of CRH plc, an Irish-based international building materials group. Mr. Hartery has extensive international business experience in the technology and manufacturing industries.
- December 2013 - Kevin A. Neveu. Mr. Neveu has more than 30 years of experience in the oil and gas industry. Mr. Neveu is President and Chief Executive Officer of Precision Drilling Corporation.
- June 2013 - L. Scott Thomson. Mr. Thomson's appointment was concurrent with his appointment as President and Chief Executive Officer of Finning.
- January 2013 – Michael M. Wilson. Mr. Wilson has more than 30 years of international and executive management experience in the agricultural and chemical industries and was formerly the President and Chief Executive Officer of Agrium Inc.

During this three-year period, five directors retired or resigned from the Board, including:

- May 2015 – Ricardo Bacarreza and Andrew H. Simon, OBE retired.
- May 2014 - Hon. David L. Emerson, OBC retired.
- June 2013 - Bruce L. Turner resigned.
- May 2013 – Michael T. Waites retired.

Financing and Other Corporate Initiatives and Significant Events

- In October 2015, the Company entered into an amended and restated unsecured credit facility agreement with a syndicate of banks. This new facility amends the Company's previous $1 billion credit facility which was set to fully mature in September 2017, by, among other things, extending the maturity date to October 2020. This credit facility is a source of financing for the Company's global operations.
- In May 2015, the Company established a normal course issuer bid which is in effect until May 10, 2016. During 2015, the Company repurchased 4.4 million common shares at an average price of $20.75 for an aggregate amount of $90.9 million.

- In May 2014, the Company amended and restated its rights agreement (Rights Agreement) between the Company and Computershare. The Rights Agreement is now set to automatically expire after a three-year term which ends in May 2017. The Rights Agreement sets out the terms and conditions of the Company's shareholder rights plan and is described in more detail in the Company's 2014 Management Proxy Circular dated March 18, 2014.
- In February 2014, the Board adopted an Advance Notice By-law which requires that advance notice be given to the Company in circumstances where nominations of persons for election as a director of the Company are made by shareholders. Shareholders ratified and confirmed the adoption of the Company's Advance Notice By-law at its Annual Meeting held on May 13, 2014. A copy of the Advance Notice By-law has been filed under Finning's profile at www.sedar.com.
- In July 2013, the Company issued unsecured 3.232% $200 million Medium Term Notes ("MTN") due July 3, 2020. Proceeds from this issuance were used to early redeem, on July 5, 2013, the Company's 5.16% $250 million MTN, due September 3, 2013.
- In May 2013, the Company refinanced the 5.625% £70 million Eurobond, due May 30, 2013 with an issuance of unsecured Notes, Series F, of £70 million in the U.S. private placement market. The 3.40% Notes are due May 22, 2023.
- The regular dividend has increased over the past three years. For 2015, the total annual dividend paid increased to $0.7250 per share, a 5.8% increase over the previous year. Dividends paid in 2014 and 2013 totalled $0.6850 and $0.5975 per share, respectively.

2.2.3 Divestitures

As part of the broader repositioning of the Caterpillar dealer network, Finning sold its wholly owned subsidiary, Finning Uruguay S.A. (Uruguay dealership) effective December 1, 2015. Finning sold all of the issued and outstanding shares of Finning Uruguay S.A. to S.A.C.I.H. Petersen, for proceeds of $22 million, and recorded a gain on sale of $8 million. Approximately 75 employees were transferred to the purchaser as part of the share purchase agreement and all leases for property were assigned to the purchaser.

2.2.4 Growth by Acquisitions

As part of its overall strategic plan, Finning regularly examines opportunities to acquire complementary businesses. Finning generally targets regions and markets where it can provide substantial customer value through its extensive expertise in its principal markets of mining, construction (including pipeline and oil field development) and power generation.

Acquisitions in existing and adjacent territories enable Finning to lever industry expertise in those markets and local knowledge, such as language, regulatory environment and business practices. As an example, following its 1993 acquisition of the Chilean Caterpillar dealership, Finning's presence in the southern cone of South America and its strong relationship with Caterpillar provided the opportunity to purchase dealerships in the neighbouring countries of Argentina and Bolivia in 2003. Similarly, in 2010 Finning took advantage of its presence in the U.K. and added the adjacent Ireland dealerships. By transferring expertise from its existing operations to the newly acquired adjacent dealerships, Finning benefits from improved financial and operating performance of these dealerships. In 2012, the Company completed the acquisition from Caterpillar of the former Bucyrus International Inc. distribution and support business in its dealership territories in Western Canada, South America and the U.K. and Ireland. This business is referred to as the shovels and drills business. This acquisition allows Finning to sell and support a very comprehensive product line in the mining industry to meet customers' surface and underground mining needs.

In 2015, the Company expanded its Canadian territory with the acquisition of the operating assets of Kramer Ltd. Following the acquisition, the Company became the approved Caterpillar dealer in Saskatchewan. This acquisition allows the Company to grow its revenue base in new sectors, such as potash and uranium and provides a platform for long-term growth opportunities and diversification into new markets. For further details on the acquisition of the Kramer Caterpillar dealership in Saskatchewan, refer to section 2.2.2 "Current Developments in the Business over the Last Three Years – Strategic growth".

Acquisition growth opportunities within the Company's dealership territories are also facilitated by investing in businesses that expand product support opportunities, such as the Company's investment in OEM Remanufacturing in Canada. The acquisition of SITECH in its Canadian, South American and more recently in its UK and Ireland operations supports Finning's strategy for growth with the expansion of its offerings to include Caterpillar's and Trimble's heavy and highway machine control and monitoring products to an expanded customer base.

Acquisition growth opportunities also arise in the form of global equity investments in businesses involving Caterpillar products such as the Company's investment in Energyst B.V. (a 28.8% investment in a company involved in international power projects worldwide and which also offers power generation rental services across Europe) and in PLM (a 25% investment in an entity serving the global pipeline industry).

Finning plans to continue to evaluate similar opportunities and will consider additional acquisitions that meet its financial and strategic goals.

2.2.5 Organic Growth Opportunities

In addition to growth opportunities resulting from the launch of new Caterpillar products and technologies, Finning has a number of organic growth opportunities in each of its existing territories. As the size of the Caterpillar fleet in Finning's geographic regions grows, there is an increased opportunity to offer high-margin product support solutions such as long-term parts and service maintenance contracts. In addition, the business has complementary organic business growth opportunities such as technology solutions and rebuild products.

The magnitude and timing of organic growth opportunities are impacted by economic conditions, commodity prices and government policies in each of the Company's regions.

Canada

In Western Canada, Finning has a significant presence as a supplier of large mobile equipment to oil sands producers and contractors. In Western Canada, the mining outlook remains soft as mining producers are focused on minimizing capital and operating costs in response to the low and volatile price of commodities. As a result, the demand for mining equipment has slowed considerably. Finning continues to sell equipment into the oil sands, albeit at lower levels, and has equipment deliveries for long-term projects scheduled in this area. Mining producers continue to postpone non-production related mining activities, which has resulted in lower demand for product support. The low and volatile price of commodities has also caused a decreased demand in non-mining sectors such as conventional oil and gas, heavy construction and power systems which has impacted both sales and product support. The Company continues to participate in a diverse range of power generation projects. Demand for rental equipment has weakened in 2015 given the economic downturn.

Infrastructure projects such as the Site C Hydro project in northern British Columbia and LNG opportunities may be a positive driver for heavy construction and power systems activity over the next few years.

The Company has reduced its workforce and closed facilities in Canada in 2015. It will continue to drive cost discipline and optimize its branch network in an effort to maintain profitability, as it continues its efforts to align its cost structure to reduced business volumes.

South America

In South America, market conditions are challenging as concerns regarding copper prices and higher production costs continue to delay investment in new projects. The anticipated positive impact of the Chilean government's infrastructure and energy agenda during 2015 did not materialize. Order intake across the mining and construction sectors is very low and the overall demand for new equipment is expected to remain weak. With the decline in copper production levels, mining customers are delaying decisions on component purchases, major repairs and new maintenance contracts, which impact the Company's product support business, primarily in service.

In response to a further decline in market activity across all segments, the Company has reduced its workforce in South America and has improved its operational efficiency and productivity in service maintenance contracts. The Company continues to closely monitor market conditions and is focused on capturing product support business and ensuring its cost structure and invested capital are at appropriate levels in order to maintain profitability during this downturn.

In Argentina, the Company's market share for new equipment and products continued to be impacted for most of 2015 by ongoing import restrictions. In December 2015, the new government elected in Argentina removed foreign exchange controls and announced that it will significantly reduce import and export restrictions beginning early in 2016. As a result, there was a significant devaluation of the Argentine peso. The Company will continue to monitor market and economic conditions in Argentina under the new government and adjust the business accordingly.

Finning continues to experience solid demand for energy solutions in South America. Energy demand presents a growth opportunity for Caterpillar products in the three South American countries in which Finning operates. Finning is leveraging its expertise to supply energy solutions to various industries such as petroleum, mining and energy production.

UK and Ireland

In the U.K. and Ireland, new equipment and order intake have slowed. In the wake of economic uncertainty, construction activity has slowed, and some major infrastructure projects have been delayed. Longer term, significant infrastructure projects such as HS2, the U.K.'s £42 billion second generation high speed rail project, are expected to provide growth opportunities. The coal mining sector remains very weak due to inexpensive coal imports, which is impacting new equipment sales in this segment. The decline in product support was offset by the growth in machine rebuilds in other sectors. The quarrying market remains strong. The decline in the price of oil has impacted power systems' activity in the North Sea and the marine sector remains uncertain. However, the industrial market is healthy and the Company continues to see electric power generation opportunities for data centres.

Finning's management team for the UK and Ireland has concentrated on driving a culture focused on customers, efficient use of assets and management of costs in its equipment solutions and power systems divisions, in order to improve operational performance. The changes strongly align the UK and Ireland dealership with Caterpillar and increase Finning's ability to offer tailored solutions to all its customers. Improving the customer experience, earning customer trust and offering competitive solutions are the key strategies to grow the product support business.

3. DESCRIPTION OF FINNING'S BUSINESS

3.1 PRINCIPAL BUSINESS UNITS

Finning has diversified its business through different geographic areas; different lines of business based on the product or service supplied; and different end use customers or markets. As a result of this diversification, earnings and cash flow are less exposed to fluctuations in business or economic trends that impact a specific geography, customer or market. While revenues reported by each reporting segment are mainly derived through business within their designated territories, opportunities exist for international power systems projects, pipeline business and used equipment sales. The table below provides details of revenue by reporting segment and lines of business:

Revenues for year ended December 31, 2015 ($ millions)	**Canada**	**South America**	**UK & Ireland**	**Consolidated**
Product support	$ 1,565	$ 1,469	$ 318	$ 3,352
New equipment	1,072	474	642	2,188
Used equipment	221	45	75	341
Equipment rental	194	67	32	293
Other	2	4	10	16
Total	$ 3,054	$ 2,059	$ 1,077	$ 6,190
Revenue percentage by operations	49%	33%	18%	100%

Canada: Revenue from the Canadian operating segment was $3,054 million in 2015 compared with $3,634 million in 2014. Finning (Canada) serves customers operating in a number of principal markets including mining (which includes the Alberta oil sands), construction, conventional oil and gas, forestry, and power systems.

South America: Revenue from the South American operating segment was $2,059 million (U.S. $1,612 million) in 2015 compared with $2,227 million (U.S. $2,015 million) in 2014. Finning South America serves customers operating in a number of principal markets including mining, construction and power systems.

UK and Ireland: Revenue from the UK and Ireland operating segment was $1,077 million (£551 million) in 2015 compared with $1,057 million (£581 million) in 2014. Finning UK and Ireland serves customers operating in several principal markets which include mining, quarrying, construction, and power systems.

3.2 PRODUCTS & SERVICES

Finning's operations in Canada, South America, and the UK and Ireland offer products and services through four principal lines of business: product support, new equipment sales, used equipment sales and equipment rental. The following table summarizes the Company's revenue by principal lines of business:

REVENUE BY PRINCIPAL LINES OF BUSINESS

Revenues:

($ MILLIONS)

		2015			2014			CHANGE
Product support	$	3,352	54%	$	3,381	49%	$	(29)
New equipment		2,188	35%		2,885	42%		(697)
Used equipment		341	6%		271	4%		70
Equipment rental		293	5%		358	5%		(65)
Other		16	0%		23	0%		(7)
Total	$	6,190	100%	$	6,918	100%	$	(728)

Below is a brief description of the Company's products and services offered through the principal lines of business.

3.2.1 Product Support

Finning provides replacement parts and repair services for the products it sells. Finning believes that a high level of customer service is essential to its success. A continuing emphasis on product support promotes customized solutions to meet customers' needs. These solutions are often provided under long-term contracts entered into at the time the equipment is sold and, as such, increase the stability and predictability of Finning's future revenues and cash flows. In addition, Finning offers customers the service of rebuilding and refurbishing of their aging equipment fleets to a new condition, to extend their fleet's operating life and help its customers defer major capital expenditures during times of economic uncertainty. To facilitate customer needs and changes in technology, Finning offers other customer solutions to maximize operational efficiencies. The expansion of Finning into Saskatchewan in 2015 and the acquisition of the Caterpillar shovels and drills business completed in 2012 has provided an opportunity for Finning to grow its share of the aftermarket business – both for parts and services.

Finning maintains parts inventory throughout its locations in Western Canada, South America, and the U.K and Ireland to provide customers with a convenient access to a supply of parts. All major Finning centres within each geographic area are connected through information systems, which provide immediate information on both Finning and Caterpillar parts inventories.

Approximately 45% of Finning's employees are specialized tradespersons dedicated to product support. Finning employs approximately 1,800 qualified mechanics, welders, technicians, parts persons and other specialized tradespersons in Canada; approximately 3,215 in South America; and approximately 645 in the UK and Ireland.

In addition to the in-shop capability at Finning locations, Finning provides service at customer locations with specialized personnel and equipment. Many of Finning's customer sites are in remote locations at very high altitudes or experience severe climatic conditions. Finning has consistently demonstrated its ability to successfully maintain and service equipment under these conditions, enhancing its reputation as a full service provider to its customers. Finning offers its customers maintenance and repair contracts for preventive maintenance, planned component replacement and guaranteed cost-per-hour contracts.

To meet the continuing demand for component replacement arising from the modular design of Caterpillar's products, Finning extensively uses remanufactured components sourced from Caterpillar. In addition, Finning has invested in centralized component remanufacturing centres in Edmonton, Canada; Leeds, England; Antofagasta, Chile; and Buenos Aires, Argentina. Trained technicians dismantle, test, repair and replace worn components. This centralization, through specialization and volume, creates economies of scale, resulting in lower prices for customers. The remanufactured components are used in repairs and in an exchange program whereby the customer replaces a worn component with a repaired or remanufactured component at specified intervals before failure, maximizing machine availability at an attractive cost compared to new replacement components.

3.2.2 New Equipment

Finning distributes Caterpillar products, including tractors, off-highway trucks, drills, electric rope shovels, hydraulic excavators and drag lines, backhoe loaders, excavators, forklifts, articulated trucks, loaders, log loaders, tree harvesters, skidders, motor graders, paving products, compactors, wheel tractor-scrapers, pipe layers, extensive underground equipment and products complementary to Caterpillar-branded products.

Finning also sells Caterpillar-branded and non-branded engines and power systems for use in electric power generation, oil and gas, marine, on-highway trucking and industrial applications and supplies complete or partial power systems engineering projects to customers.

New equipment revenue is recognized upon the direct sale of products (equipment, engines and power systems) to customers or as a result of a customer exercising its purchase option for products they have rented. In addition, Finning may, from time to time, sell packages of select rental agreements/assets to third party financial institutions.

3.2.3 Used Equipment

In addition to sales of new equipment, Finning buys and sells used equipment domestically and internationally. Machines are accepted in trade, received from the rental fleet, and purchased from customers and others on the open market. Most of this equipment is reconditioned or rebuilt in Finning's service shops or rebuild centres and resold under a short-term warranty program. Finning also purchases and sells entire fleets of used equipment and sells used equipment on consignment or through auctions. Used equipment demand will vary depending on general economic conditions, product availability, customer buying preferences, and currency exchange rate considerations. The used equipment business is generally focused on the products and types of equipment for which Finning is a dealer. Finning has developed expertise in the used equipment market which can contribute to attractive margins on dispositions from its rental fleet.

3.2.4 Equipment Rental

Finning owns fleets of equipment for short-term rental and medium-term rental to meet customer needs. The rental business is carried out through both the dealerships as well as the CAT Rental Store operations. Finning also provides customers with equipment under term rental agreements that include an option to purchase the equipment. These are known as Rental Purchase Options (RPO's).

Rental agreements range from short-term arrangements that provide customers with the flexibility to access reliable equipment to meet short term needs, to longer term arrangements that provide customers with the ability to effectively have reliable equipment available at all times without having to invest the capital required to own the equipment.

During peak periods, the rental fleet in the dealership business can be used to satisfy heavy customer demand, particularly during periods of longer lead times when customers are waiting for new product supply to be delivered. When slower economic conditions exist, customers may use the rental fleets to continue working while deferring capital expenditures on new equipment fleets until markets improve. Rental revenues are driven more by general economic conditions and construction related demand.

Canada: operates three rental fleets. The heavy rents fleet is operated through the dealership network and focuses mainly on mid to large size Caterpillar earth moving equipment, such as track type tractors, articulated trucks, wheel loaders and excavators, primarily for the construction, oil and gas industries. Finning (Canada) is also a significant player in the power generation rental market and services a wide variety of customers for larger temporary power generation applications. The CAT Rental Stores, through their 27 locations, offer rental products that are complementary to Finning (Canada) customers. These include smaller Caterpillar earth moving equipment and forklifts, as well as allied brand aerial work platforms, light towers, power generation and distribution, heat products, air compressors and various other non-Caterpillar branded equipment.

South America: maintains a rental fleet consisting of motor graders, compactors, excavators, backhoe loaders, tractors, compressors, power generators, aerial work platforms and light towers. The rental business mainly serves customers in the construction and mining industries. Tractors, which are rented by construction companies that are involved in highway construction and pre-mining activities, dominate the fleet. The South American rental operations offer these Caterpillar products, as well as select non-Caterpillar products through their 19 CAT Rental Store locations and selected dealership branches.

UK and Ireland: maintains a fleet of rental equipment for rental contracts which are normally more long-term in nature. The fleet consists mainly of larger equipment such as wheel loaders and articulated and rigid chassis dump trucks. Customers served include coal mining, quarrying and construction companies, as well as waste and recycling customers. All rentals of equipment are facilitated through the dealership locations.

3.2.5 Other Products & Services

Other revenues include non-material revenues ancillary to support the business.

3.3 PRINCIPAL MARKETS

Finning serves customers operating in a diverse range of end markets, including those involved in mining and quarrying, construction (including pipeline and oil field development), power generation, and forestry. Customers include private enterprise and government. Finning has established industry and product specialists for the major markets in the geographic regions in which it operates.

Canada

Finning's Canadian operations span British Columbia, the Yukon Territory, Alberta, Saskatchewan, the Northwest Territories and a portion of Nunavut. In these regions, Finning (Canada) serves diverse markets, such as mining (including the oil sands), agriculture, quarrying, forestry, construction, pipeline, conventional oil and gas, government sector, marine transportation, fisheries, and commercial transport. The most significant markets served by Finning (Canada) are as follows:

Mining: provides products and services for use in development of the Alberta oil sands and the mining of coal, copper, molybdenum, gold, diamonds, silver, lead, zinc, potash, uranium and other metals and minerals. Most of the mining is done by open pit method that lends itself to the application of large off-highway trucks, shovels, tractors, loaders, graders and draglines. Finning's surface mining products include drills, electric rope shovels, hydraulic excavators and draglines. In addition, the Company provides extensive underground mining equipment. Operations in remote areas also require electric power generation equipment. High-hour usage of equipment in demanding applications creates substantial demand for parts and repair services from this market sector.

Construction: provides products and services for use in the building and maintenance of highways, railway extensions, site development, residential and commercial construction, installation of utility services and similar projects.

Conventional Oil and Gas: provides products and services including mobile earthmoving equipment for use in exploration and drill site preparation; excavators and pipe layers for use in gathering and delivery systems. In addition to its Western Canadian market exposure, Finning has access to supply both purpose built pipeline and traditional Caterpillar products to the global pipeline construction market through its 25% investment in PLM.

Forestry: provides products and services for use in road building, harvesting and processing trees, silviculture, log transport to mills and ports and the handling of logs, lumber and finished products in mill yards.

Power Systems: provides products and systems for use in oil and gas exploration and production, electric power generation, plus marine and industrial applications. Oil and gas markets include drilling, hydraulic fracturing, well servicing and gas compression, with particular applicability in high horsepower applications. Electric power generation markets include power for remote communities and mines, local specialized power projects, camp power and electric power rentals. Increasing market demand for natural gas and dual gas/diesel power solutions represents growth opportunities across all markets. Increasing marine shipbuilding activity will also be a growth opportunity over the next few years.

South America

Finning's South American operations serve a variety of markets in Chile, Argentina and Bolivia including mining, construction, forestry, oil and gas, marine and electric power generation, the most significant of which are:

Mining: provides products and services mainly to copper, coal, gold and iron ore mines. These mine sites require fleets of off-highway trucks, loaders, tractors and other support equipment and often include long-term agreements for maintenance of the equipment. Finning's surface mining products include drills, electric rope shovels and hydraulic excavators. In addition, the Company provides extensive underground mining equipment. High-hour usage of equipment in demanding applications creates substantial demand for parts and repair services from this market sector.

Construction: provides products and services to the construction industry involving road construction and maintenance projects, and other mine site preparation and infrastructure projects as well as residential and commercial construction.

Forestry: provides products and services in the southern half of Chile and the northeast of Argentina for road building, logging, log transportation and the handling of logs, lumber and finished products in yards and mills and at port facilities.

Power Systems: provides products and systems for use in electric power generation, oil and gas and marine power. Growth in electric power generation was delivered through sales of engines, generator sets and custom engineered power solutions for primary, stand-by or turnkey applications for customers engaged in various dry-land markets, including mining, oil and gas, telecommunications, utilities and general construction. Finning also provides marine propulsion systems to the fishing industry and the Chilean Navy.

UK and Ireland

Finning's operations in the UK and Ireland also serve diverse markets, with the principal contributors to revenue being the mining and quarrying, power and energy and construction sectors.

Mining and Quarrying: provides products and services for use in coal mining and site reclamation, quarrying of limestone, granite and clay and extraction of sand and gravel.

Power Systems: provides products and systems for use in electric power generation, water treatment, marine power, industrial applications and oil and gas. Electric power generation orders continue to be strong in such markets as landfill-gas-to-energy and mission critical power for commercial applications such as hospitals and data centres. Additional markets served in the U.K. are pleasure craft and commercial marine which purchase engines for vessels manufactured in the U.K. and sold around the world, as well as certain industrial sectors (such as rock crushing), offshore oil platforms and the shipping industry.

Construction: provides products and services for use in highway construction and maintenance, residential and industrial development, waste and recycling landfill sites, recycling centres and transfer stations and the installation of sewer, water and other utility services. Hydraulic excavators and articulated dump trucks are the most common types of Caterpillar machines for these applications. An important customer group that serves the construction industry is plant hire or rental. Plant hire companies supply machinery and tools for a limited, yet flexible, period of time to end users.

3.4 DISTRIBUTION METHODS

Finning operates through an extensive network of branch locations, local field representatives and at customer mine sites. Finning's operations are represented across its territories by approximately 225 locations, of which approximately 20% are owned, with the balance held under lease.

Finning's operations place a strong focus on providing customer support solutions to end-users. An efficient parts distribution network and a skilled workforce are key to achieving service excellence. The distribution network operated by each operating segment can be summarized as follows:

Canada: Parts are primarily sourced from Caterpillar's distribution facility in Spokane, Washington, USA, with the exception of our Saskatchewan business. The Spokane facility has become the main distribution centre for Finning (Canada) with delivery routes direct from this warehouse or via regional distribution centres throughout Finning's territory. The Spokane facility services the majority of Finning's Canadian locations, including the main regional distribution centre managed with an independent logistics provider in Nisku, Alberta. In Saskatchewan, all parts are sourced from Caterpillar's distribution facility in Morton, Illinois.

South America: Parts are primarily sourced from the Caterpillar parts distribution centres in Miami, Florida and Piracicaba, Brazil. Parts order shipments from Caterpillar are shipped by ocean and air to Finning-owned parts distribution centres in Antofagasta, Chile and Buenos Aires, Argentina and warehouses in Santa Cruz and LaPaz, Bolivia. Through independent sub-contractors, a dedicated fleet of trucks makes daily deliveries of new parts and remanufactured components to all branches.

UK & Ireland: Parts are sourced from the Caterpillar parts distribution centre in Grimbergen, Belgium. These parts are then stored in a U.K. national distribution centre and are redistributed to branches throughout the U.K. and Ireland by Finning's interbranch transport network operated by an independent contractor.

3.5 EMPLOYEE DEVELOPMENT

Finning's ability to succeed over time depends on the strength and capabilities of its employees. As such, enabling an environment where every employee can perform to his or her full potential is imperative.

Finning is committed to developing a safe, engaged and inspired workforce. Finning believes this will help the Company, across all operations at all levels, to achieve its strategic and operational goals.

Finning employs highly qualified and professional individuals and encourages training and career development for all of its employees. Approximately 45% of Finning's total employees are skilled mechanics, technicians, parts persons and apprentices. To enhance skill levels and expertise, Finning offers the following:

- All of the Finning operations, in partnership with Caterpillar, support Caterpillar's Think BIG equipment technician program. In this program, Finning and Caterpillar combine to provide tools, instructors and machinery, as well as job opportunities to graduates. Finning UK and Ireland is a leader in technician development in its sector and was the first European dealer to deploy Caterpillar's Think BIG in-house apprentice development program. The program was rated by Ofsted (U.K. government body with responsibility for inspecting educational establishments) as "outstanding" which is the highest grading possible, and is marketed by Ofsted as best practice for other U.K. organizations to consider. Finning South America has been recognized both by local authorities and local industries as a leader in best practices with regard to technician development.
- Finning (Canada) and Caterpillar also support the Think BIG program. This twenty-month diploma program trains technicians with classroom and job-site training for operations in western Canada.

The Think BIG program has also been successfully integrated within Saskatchewan, with placements of students in most locations.

- Formalized intern programs provide learning and development opportunities in the sales and operations areas of Finning (Canada). South America has a training model which defines career progression opportunities in service, sales, parts and logistics among others. Finning UK and Ireland remains committed to the development of its sales force and technicians and has a range of programs in place both internally and externally to support this.
- In South America, the Finning Technical Institute in Antofagasta offers best in class training programs to Finning employees, customer employees, and scholarship students to provide a continuous supply of qualified technicians to meet the required demand to support the mining sector in Chile. The Finning Technical Institute benefits the communities where Finning operates, and has been recognized by both the industry sector and local government for its programs.
- Structured programs for management are currently in place with a focus on leadership development. Management development programs are offered to supervisors, new management and existing management of all levels in order to ensure that Finning managers have the appropriate skills to meet current and future business needs. Work was completed in 2014 to refresh the leadership capabilities required for the future leadership of Finning. These leadership capabilities serve as the underpinning for all talent management actions inclusive of leadership development. To assist those employees promoted to more senior leadership roles, Finning provides the appropriate tools, training and coaching. At least annually, the Company reviews succession plans for key management positions and identified high potential leaders; and determines the programs and accelerated development plans needed for the identified leadership talent to be prepared to take on their new roles.
- Each year, each Finning business identifies priorities to advance its long-term strategy and focus its efforts during the year. Salaried employees work with their managers to identify individual performance objectives that are linked to their department’s goals and to the overall Finning objectives and priorities. Throughout the year, employees stay on track with their objectives through one-on-one meetings with their manager and team meetings. At year-end, employees meet with their manager to review their performance during the year and to identify strengths and any areas for development for the following year. During the annual review, the employee also has the opportunity to discuss how these objectives align with the employee’s career aspirations.

Finning administers Employee Opinion Surveys (EOS) to monitor employee engagement. In 2015, of the employees surveyed, 84% of employees participated and employee engagement was rated at 75%, a strong indicator of the commitment and dedication of Finning’s employees. Based on an analysis of the EOS results, teams are tasked with developing and implementing action plans that will maintain team strengths and focus on those areas where there are opportunities for improvement.

3.6 EMPLOYEE RELATIONS

Finning had 13,003 employees at the end of 2015 compared to 14,495 employees at the end of 2014. A breakdown of where these employees are located is as follows:

Continuing operations:	Canada	South America	UK and Ireland	Total
2015	5,090	6,253	1,660	13,003
2014	5,768	6,937	1,790	14,495
Change	(678)	(684)	(130)	(1,492)

In all regions, the decrease in headcount reflects previously announced workforce reductions that occurred due to the decline in market activity. In Canada, the workforce decrease was partially offset by the employees who joined the Canadian operation when the Company acquired the Saskatchewan dealership. In South America, the workforce reductions include the employees who were transferred when the Uruguay dealership was sold in 2015.

Approximately 66% of Finning's employees are represented by unions and are covered by collective agreements. The more significant agreements covering the majority of Finning's unionized employees are as follows:

Canada: At Finning (Canada), hourly paid parts and service employees are represented by the International Association of Machinists and Aerospace Workers (IAM) and covered by two collective bargaining agreements:

- Finning's collective bargaining agreement with IAM – Local Lodge 99, representing approximately 1,450 hourly employees in Alberta and Northwest Territories expires in April 2016. Finning anticipates formal bargaining to begin in March 2016.
- Finning's collective bargaining agreement with IAM – Local Lodge 692, representing approximately 650 employees in British Columbia and Yukon Territory has a two-year term which expires on April 15, 2017.

OEM employees are represented by the Logistic, Manufacturing and Allied Trades Union (CLAC Local 56), which is affiliated with the Christian Labour Association of Canada (CLAC). The current three-year collective agreement between OEM and CLAC, representing approximately 400 employees, expires on December 31, 2017.

South America: In Chile, approximately 4,270 of Finning's unionized employees are represented by eight unions (sindicatos), representing approximately 84% of the Chilean workforce. Four of these unions have signed collective bargaining agreements effective January 1, 2016, and expiring in December 2019; one union's collective agreement covering 329 employees will expire in November 2017; and, one union's collective agreement covering 78 employees expired in January 2016 and the negotiation process has commenced. The remaining two unions are the shovels and drills employees whose collective agreement expires in April 2018 and the employees of Finning's subsidiary company, Diperk, whose collective agreement expires in October 2018.

A national union represents Finning mechanics in Argentina pursuant to a country wide agreement. This national agreement was signed in 1975 with no end date. A good working relationship with this union, covering approximately 442 employees, is maintained with both Finning Argentina S.A. and Finning Soluciones Mineras S.A.

UK and Ireland: At Finning (UK) Ltd., there have been no serious labour disruptions since the business was acquired in 1983. Finning (UK) Ltd. recognizes the Unite trade union for collective bargaining purposes for its service and staff employees. In the Republic of Ireland, Finning (UK) Ltd. recognizes both the Unite trade union and the Services Industrial Professional and Technical Union (SIPTU). In the United Kingdom, a Collective Agreement was renegotiated with the Unite trade union for a two-year period which expires on December 31, 2016. In the Republic of Ireland, a Collective Agreement was also negotiated with both SIPTU and Unite trade union for a two-year period which expires on December 31, 2016.

3.7 Competitive Conditions

Finning is part of Caterpillar's global dealer network. As a dealer, Finning sells, rents and supports Caterpillar equipment in the territories in which it represents Caterpillar.

Finning primarily competes with a large number of equipment distributors who sell and support equipment manufactured by companies other than Caterpillar. The competitive environment for Caterpillar's machinery and engine business consists of global, regional and specialized local enterprises. Historically, superior product quality, exceptional service capability, remanufactured components, product customization, strong distribution capability and parts availability, an extensive branch network, proximity to customers, financial services and the wide product range offered by Caterpillar have defined Finning's competitive advantage throughout its territories.

Caterpillar manufactures a broad range of products. In addition, Caterpillar has expanded its product line through the strategic acquisitions of companies supplying complementary product lines and through the distribution of products manufactured by other companies and distributed under the Caterpillar brand name. Caterpillar's competitors generally provide a more limited range of products, and in many cases these are specific to particular market segment and applications within those segments. As a result, most of Finning's competitors specialize in more limited and specific lines of equipment and services. Consequently, Finning's share of industry-wide sales varies significantly across product lines and industries.

In general, due to its strong product support capability, Finning is able to compete very successfully when customers are driven to achieve the lowest operating cost over the life of their equipment.

3.8 Dealership and Distributor Agreements

Finning has dealership and distributor agreements with several equipment manufacturers and distributors, the most significant being Caterpillar. Under the terms of its agreements with Caterpillar, Finning is responsible for marketing, distributing and servicing Caterpillar's products in its dealership territories.

Finning has several dealership agreements with Caterpillar, including companies owned by Caterpillar such as Perkins, MaK and F.G. Wilson. The principal agreements can be terminated on 90 days' notice in Canada and South America and six months' notice in the U.K. Other agreements can be terminated on three to six months' notice. In the event of termination of an agreement by Caterpillar, Caterpillar will purchase substantially all related inventories of new equipment and new parts inventory from Finning at cost. Finning started as a Caterpillar dealer in 1933 and has developed a strong relationship with Caterpillar. Finning's management is not aware of any matter that could result in termination of any of the dealership agreements with Caterpillar.

Over 90% of Finning's business involves Caterpillar products. As such, Finning's business is dependent on the market acceptance of Caterpillar products. From time to time, during periods of intense demand, Caterpillar finds it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not in the past proven to be a significant impediment to Finning in conducting its business. In periods of lower demand, Caterpillar may reduce its production capacity which may also result in longer lead times for delivery of product. By working closely with Caterpillar, Finning has been able to mitigate any significant impact to its business thus far.

In addition to the Caterpillar dealer relationships noted above, Finning has developed dealer relationships for other complementary product lines in order to create new marketing opportunities and to expand its product support. In Canada, relationships exist with Allied Systems, Atlas Copco, Forklifts Mitsubishi, Genie, Godwin, HaulMax, JLG, Kress, Risley, Trimble and Waratah. In South America, dealer relationships exist with Forklifts Mitsubishi, Genie Industries, Metso, Satco, Trimble and Waratah. In the U.K. and Ireland, a dealer relationship exists with Komptech and Trimble.

3.9 BUSINESS CYCLES

Many of Finning's customers operate in industries that are cyclical in nature. As a result, customer demand for its products and services may be affected by economic conditions on both a global or local level. Changes in interest rates, inflation, economic growth, levels of taxation, foreign exchange, commodity prices, and the level of government infrastructure spending may influence capital expenditure decisions, and ultimately Finning's sales. Through diversification by geography, markets and by the services offered, Finning mitigates some of this cyclical impact.

3.10 FOREIGN OPERATIONS

In 2015, Finning generated approximately 49% of revenue from operations in Canada (2014: 53%); 33% from South America in 2015 (2014: 32%); and 18% from operations in the UK and Ireland in 2015 (2014: 15%). Revenue from operations outside of Canada contributed approximately 51% of consolidated revenue, compared to 47% in 2014.

3.11 ETHICS

Finning's Code of Conduct (Code) forms the cornerstone of how Finning conducts business and how its employees' actions contribute to Finning's corporate goals. The Code sets out Finning's expectations for the ethical behaviour of all its directors, officers and employees. The Code is reviewed annually by Finning's senior management and Board of Directors and all directors, officers and key employees are required to acknowledge their compliance with the Code. The Code encompasses member ambassadorship and accountability, privacy, ethical conduct, diversity and inclusion, confidentiality, environment, health and safety, anti-bribery and anti-corruption, business integrity, financial accuracy and accountability including fair and full disclosure of Finning's financial results, and how to deal with breaches to the Code. The Code is further supported by Finning's Global Anti-Bribery and Anti-Corruption Policy and by the Code of Ethics for Senior Executives and Financial Management.

The Board monitors compliance with the Code through the Audit Committee. All directors, officers and employees have a duty to report suspected Code violations. Suspected Code violations are reported to the Audit Committee. In order to address Code matters in a timely, unbiased and confidential manner, the Company has established a Global Ethics Committee comprised of the Compliance Officer (Corporate Secretary), Executive Vice President & Chief Financial Officer, Vice President, Risk Management, Chief Human Resources Officer and the Senior Vice President, Corporate Controller & Treasurer. The Global Ethics Committee investigates and, where appropriate, delegates potential violation claim reports to the Regional Ethics Committees (comprised of senior level executives in finance, legal, human resources and internal audit). The Global and Regional Ethics Committees are management committees.

The Company also has a Whistleblower Policy in place to enable any issues which may arise to be resolved within the Company, rather than outside it, without fear of retaliation. Anyone who believes that a violation of the Code has occurred or who requires advice regarding compliance with the Code, is encouraged to report such violation or concerns through Finning's compliance website or telephone hotline. Both the compliance website and the telephone hotline are managed by an independent global reporting agency. In addition, the Compliance Officer can be contacted directly at complianceofficer@finning.com. Further information on the reporting of ethics violations or concerns is provided in Finning's Whistleblower Policy, which is available on Finning's corporate website www.finning.com.

3.12 ENVIRONMENT, HEALTH AND SAFETY AND SOCIAL RESPONSIBILITY

Finning aims to eliminate injuries, illnesses, high potential incidents and reduce its impact on the environment. The Company's commitment to the environment, health and safety is guided by its Safety Management System. The Safety Management System emphasizes collective accountability for upholding Finning's values and standards globally.

In each of its regions, Finning employs a team of Environment, Health and Safety (EH&S) professionals led by a senior manager. The teams work closely with the operations on the development and implementation of safe operating procedures.

Finning strives to operate at the highest safety standards throughout its operations. Through the Global Safety, Environment & Social Responsibility Council, regional environment, health and safety and human resources leaders share best practices and agree to global safety standards. In all cases, global safety standards must meet or exceed any local regulatory standards. To drive increased performance and consistency, the Council implemented three global processes in 2015. These global processes included significant incident investigation protocol, life-saving rules and a personal protective equipment policy.

On a quarterly basis, the chair of the Global Safety, Environment & Social Responsibility Council and regional Presidents report to the Safety, Environment & Social Responsibility (SE&SR) Committee of the Board of Directors. The SE&SR Committee oversees continuous improvement in employee health and safety and environmental standards of Company facilities; ensures Finning's commitment to environmental sustainability is articulated to its stakeholders and that societal and regulatory expectations are met; and assures that the significant contributions the Company and its employees make to its communities are directed strategically.

Above all, Finning is committed to continuously improving its safety performance. By continuing to promote a safe working environment, Finning aims to reduce the frequency of injuries and the occurrence of all serious incidents. In 2015, Finning's consolidated safety record, as measured by Total

Recordable Incident Frequency (TRIF) was the lowest rate ever achieved by Finning at 0.61 compared to 0.75 for 2014. TRIF measures the number of lost time injuries, return-to-work cases, and medical aids for every 200,000 hours worked. The Company investigates the root causes of incidents to take actions which prevent more serious injuries from occurring. The Company strives to maintain its leadership position in the industry and demonstrate the strong commitment of all employees to follow safe work practices.

Implementing practices that eliminate or minimize Finning's impact on the environment is a high priority. Focus in this area is viewed as a shared responsibility between each and every Finning employee and an important part of Finning's corporate culture.

Finning has programs in place throughout its operations to monitor and meet or exceed environmental protection regulations. Through an environmental audit program, Finning monitors compliance. Key employees are educated on changes to relevant environmental laws and regulations. Finning management is not aware of any environmental protection requirements that are likely to have a material adverse effect on the capital expenditures, earnings or competitive position of the Company.

Through investment in component remanufacturing facilities which rebuild equipment components such as engines and transmissions, Finning reduces waste, ensures efficient energy use, and decreases the consumption of raw materials required to produce new components.

Finning works closely with Caterpillar and its customers to develop products that are more fuel efficient and produce lower emissions. In addition, as a supplier of renewable energy solutions, Finning aims to reduce its impact on land, water and climate. Over the past decade, Finning has developed extensive expertise in supplying and servicing power generation systems which produce electricity using bio-gas containing methane from landfills, sewage treatment plants and coal mines. Harnessing methane, which would otherwise be released as a greenhouse gas, to generate electricity is one example of Finning's commitment to sustainable development and environmental stewardship.

In 2015, Finning continued to make a variety of charitable contributions in the areas it operates while advancing the process it recently undertook to align its community investment strategy with its core values and business objectives. Investing in charitable organizations is a vital component of Finning's strong reputation for good corporate citizenship and implementing a more focused community investment program will support Finning in making a more meaningful and impactful difference in communities.

4. KEY BUSINESS RISKS

4.1 RISK MANAGEMENT

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

The Company is dedicated to a strong risk management culture to protect and enhance shareholder value. On a quarterly basis, the Audit Committee reviews the Company's process with respect to risk assessment and management of key risks, including the Company's major financial exposures and the steps taken to monitor and control such exposures. Changes to the key risks are reviewed quarterly by the Audit

Committee and on a yearly basis by the Board and any changes to key financial or business risks are disclosed in the Company's quarterly MD&A.

For disclosure on the Company's key financial risks, including risks relating to Controls and Procedures Certification; Financial Risks and Uncertainties; Accounting, Valuation and Reporting and Income Taxes, refer to the Company's MD&A relating to the audited consolidated financial statements for the fiscal years ended December 31, 2015 and December 31, 2014 and the report of the auditors thereon. Key business risks are disclosed in this Annual Information Form.

4.2 KEY BUSINESS RISKS

4.2.1 Relationship with Caterpillar

The majority of the Company's business involves the distribution and servicing of Caterpillar products. As such, the Company's business is highly dependent on the continued market acceptance of Caterpillar's products. The Company believes that Caterpillar has a solid reputation as a manufacturer, with excellent brand recognition and customer support and has high market share in many of the markets it serves. However, there can be no assurance that Caterpillar will be able to maintain its reputation and market position in the future. If Caterpillar is unsuccessful in developing and enhancing its product lines to meet evolving and sophisticated customer needs, is unable to maintain the quality of its products, or if it is unable to provide its products at competitive prices, the market acceptance for Caterpillar products may deteriorate over time. Any resulting decrease in the demand for Caterpillar products could have a material adverse impact on the Company's business, results of operations and future prospects.

The Company is also dependent on Caterpillar for the timely supply of parts and equipment to fulfill its deliveries to customers and meet the requirements of the Company's service maintenance contracts. From time to time, during periods of intense demand, Caterpillar finds it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not, in the past, proven to be a significant impediment to the Company in conducting its business. However, there can be no assurance that Caterpillar will continue to supply its products in the quantities and timeframes required by the Company's customers. When supply constraints have occurred in the past, the Company has been successful in utilizing its rental assets and used equipment to meet demand. Finally, the Company's product supply could also be disrupted by potential labour disputes or strike action at Caterpillar. While prolonged delays in product supply may adversely affect the Company's business, results of operations and financial condition, historically this has not been an issue for the Company.

The Company has also been reliant on Caterpillar to supply financing to its customers. In periods of global market credit disruption, Caterpillar may tighten sources or terms of financing for Finning's customers. When credit constraints have occurred, the Company and its customers have historically been successful in finding alternate sources of financing or arranged alternate terms of purchase to facilitate delivery of products to customers. However, any prolonged disruption in Caterpillar's or Finning's customers' access to liquidity markets could have a material adverse impact on the Company's business, results of operations and financial condition.

The Company has a long-standing relationship with Caterpillar that dates back to 1933, when it was awarded its first dealer territory in Canada. Since 1933 and as part of its strategic plan, the Company has continued to develop its relationship with Caterpillar, expanding its dealer territories in Canada, the U.K., Ireland and South America. The relationship was further enhanced by the acquisition of the Caterpillar dealership in Saskatchewan, Canada in 2015 and the acquisition of the Bucyrus distribution business from Caterpillar in 2012. The Company enjoys an excellent relationship with Caterpillar, which management is confident will continue to be very strong in the future. However, as is customary in dealership arrangements of this type, the sales and service agreements with Caterpillar are terminable by either party upon 90 days' notice in most regions, and upon 180 days' notice in the U.K. and Ireland. In the event Caterpillar terminates an agreement, it must repurchase substantially all inventories of new equipment and parts from the Company at cost. Caterpillar may also, from time to time, change various elements of the dealership operating model. A termination of any such agreement or changes to the business model could have a material adverse impact on the Company's business, operational results, and future prospects.

4.2.2 Economic Conditions / Business Cyclicality

Many of the Company's customers operate in industries that are cyclical in nature. As a result, customer demand for the Company's products and services may be affected by economic conditions on both a global or local level. Changes in interest rates, inflation, economic growth, levels of taxation, foreign exchange, commodity prices, customer access to resources and the level of government or other infrastructure spending may influence capital expenditure decisions, and ultimately the Company's sales. The Company has mitigated some of its exposure to variable business cycles by diversifying its business across a broad range of business activities, industry sectors, and geographic locations. A significant amount of the Company's gross margin is generated from parts and service activities, which are less sensitive to swings in commodity prices than are equipment sales. In spite of the Company's geographic and business diversification, an economic downturn in one or more markets or regions may adversely impact the Company's operating results, particularly at a regional level. In addition, a sustained downturn in performance may initiate shareholder unrest. The Company mitigates the economic risks at a regional level through cost initiatives in areas of lowered business volumes and through constant evaluation of efficiencies and process improvements.

4.2.3 Information Systems and Technology

Information systems and technology enable several categories of solutions - those that facilitate internally consumed services and improve business performance, and those that facilitate external customer facing activities and drive revenue.

The integrity, reliability, and availability of technology and the data processed by that technology is an integral part of the Company's business processes, including marketing of equipment and support services, inventory and logistics optimization, business intelligence and finance. Some of these systems are integrated with Caterpillar's core processes and systems.

Finning continues to invest to improve business performance through the internal transactional systems, and will upgrade or install various business process enablement and decision support systems on a continuous basis in the coming years. These system implementations often drive business process changes as well as technology changes.

Business process change and organizational change often carry the risk of business disruption, failure to achieve expected business benefits, cost overruns and ineffective design and operation of the Company's internal control over financial reporting. Benefits assessment, change management, risk and impact assessment, solution validation, strong project governance and disciplines and training have been identified as critical success factors in the successful implementation of new systems. Any disruptions to these systems or the failure of these systems to operate as expected could, depending on the magnitude of the problem, adversely impact the Company's operating results by limiting the ability to effectively monitor and control the Company's operations.

Cyber-attacks against our information technology systems are also a threat to the integrity, reliability, and availability of technology and data. Our security measures may also be breached due to employee error, malfeasance, system errors or vulnerabilities, or otherwise. Additionally, outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information in order to gain access to our data or customer's data. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation that could potentially have an adverse effect on our business.

A rigorous management process is being followed to manage these risks and a great deal of the business processes and systems transformation program focus is on the development capabilities to reduce and mitigate these risks.

4.2.4 Competition

The Company competes with a large number of equipment vendors worldwide that sell equipment manufactured by companies other than Caterpillar. In addition, the Company operates in a very competitive market in the U.K. Although price competition between the Company and other equipment vendors can be intense, there are a number of factors that have enhanced the Company's ability to compete throughout its market areas, including: the range and quality of Caterpillar products; the range and quality of the Company's services and solutions; the Company's ability to meet sophisticated customer requirements; the Company's effective and efficient distribution capabilities; the number of sales and service locations; the Company's proximity to its customers; and the extent of financial services offered by the Company and its suppliers. The Company may encounter increased competition in the future through expanded entrants into the market and the expansion of e-commerce channels for parts sales, which may put pressure on sales prices. Further, foreign currency movements could provide relative pricing advantages to competitors who transact their business in different currencies than the Company. Increased competitive pressures or the inability of the Company to maintain the factors which have enhanced its competitive position to date could adversely affect the Company's business, results of operations, and financial condition.

4.2.5 Government Regulation

The Company's business is subject to evolving laws and government regulations, particularly in the areas of environment, health and safety and climate change. Changes to such laws and regulations may impose additional costs on the Company and may affect its business in other ways, including the requirement to comply with various operating procedures and guidelines that may impact the Company's operations or may affect our customers and the demand for our products. The Company has in place, in each of its business units, programs of monitoring and compliance to ensure that it meets or exceeds applicable laws and regulatory requirements. In addition, the Board of Directors of the Company has established and maintains a Safety, Environment & Social Responsibility Committee. The mandate of this Committee is to encourage, assist and counsel management of the Company in its drive towards attaining and maintaining the highest level of performance in areas relating to the environment, health, and safety. Ensuring a healthy and safe workplace minimizes injuries and other risks employees may face in carrying out their duties, improves productivity and avoids penalties or other liabilities.

4.2.6 Growth Initiatives / Integration of Acquisitions / Project Execution

As part of its long-term corporate strategy, the Company intends to grow its business through a combination of organic growth and strategic acquisitions as well as focusing on its core business. The Company's ability to successfully grow its business will be dependent on a number of factors including: identification of value creating business or acquisition opportunities; negotiation of purchase agreements on satisfactory terms and prices; prior approval of certain acquisitions by Caterpillar or other parties, including regulatory authorities; securing attractive financing arrangements; and integration of newly acquired operations into the existing business. Although the Company makes every effort to integrate new operations, there can be no assurance that the Company will fully realize the anticipated revenues, synergies, or other intended benefits associated with potential acquisitions.

Further, any significant expansion of the business may increase the operating complexity of the Company, and divert management attention away from regular business activities. Any failure of the Company to manage its growth strategy successfully could have a material adverse impact on the Company's business, results of operations, and financial condition.

The Company has many operational excellence initiatives underway, such as improving customer loyalty, supply chain asset utilization and service excellence for all of its operations. A greater focus will be placed on meeting customer expectations and numerous actions have been taken to continuously sustain or improve employee engagement. Failure to effectively execute on the operational excellence agenda may result in the inability to obtain desired business results.

The Company has adopted and implemented a project management process and is expanding its capabilities in this area in order to manage risks associated with the complexity of the numerous cost initiatives and projects underway.

4.2.7 Key Personnel

The success of the Company in achieving its goals is largely dependent on the abilities and experience of its senior management team and other key personnel. The Company's future performance will also depend on its ability to attract, develop, motivate and retain highly qualified employees in all areas of its business and to successfully integrate employees transitioning to Finning from acquisitions. Competition for highly skilled management, sales, and technical personnel is intense, particularly in certain geographic areas where the Company operates. To help mitigate this risk, the Company has implemented a number of human resource initiatives, including: training and career development programs, succession plans, engagement surveys, performance management systems, compensation programs and recruiting strategies.

Although the Company actively manages its human resource risks, there can be no assurance the Company will be successful in its efforts. The loss of certain key employees, or failure to attract and retain new talent as needed, may have an adverse impact on the Company's business, results of operations, and future prospects.

4.2.8 Maintenance and Repair Contracts

The Company enters into long-term maintenance and repair contracts with some of its customers. Under these contracts, the Company agrees to maintain certain fleets of customer equipment at negotiated performance levels. The lengths of these contracts vary, often ranging up to five or more years. The contracts are generally a fixed price over the term, although many contracts have additional provisions for inflationary or currency adjustments.

The Company has developed processes and has controls in place to ensure contracts are bid appropriately but due to the long-term nature of these contracts, there is a risk that significant cost overruns may be incurred. If the Company has miscalculated the extent of maintenance work required, or if actual parts and service costs increase beyond the agreed adjustments, contract profitability may be adversely affected. All maintenance and repair contracts are validated against historic Finning and Caterpillar data based on conservative component change out periods and usually include an escalation clause to cover inflationary increases where appropriate in the contract. The Company closely monitors the contracts for early warning signs of cost overruns. Preventative measures such as scheduled fluid sampling helps to identify problems early on and reduces the risk of costly repair work.

Caterpillar may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold. Any failure by the Company to effectively price and manage these contracts could have a material adverse impact on the Company's business, results of operations and financial condition.

4.2.9 International Operations

The Company has operations outside of Canada, including the U.K., Republic of Ireland, Chile, Argentina, and Bolivia. The Company's international subsidiaries are subject to risks normally associated with the conduct of any business in foreign jurisdictions, including: uncertain political and economic environments; war, insurrection, and other civil disturbances; changes in laws, regulations, and taxation; foreign currency exchange controls; and limitations on the repatriation of earnings. These risks may limit or disrupt operations, increase costs, restrict the movement of funds, or result in the loss of property. Although the Company closely monitors its foreign investment risks, there can be no assurance that the Company will not be adversely affected by political and other events beyond its control.

The Company's South American operations began to export an agricultural animal feed product from Argentina in the third quarter of 2012, in response to the Argentine government's efforts to balance imports and exports and to manage access to foreign currency exchange. The exportation facilitated the Company to import goods into Argentina to satisfy customer demand, while meeting government's requirements. The Company has not exported agricultural animal feed product since the third quarter of 2013. There are a number of claims from the Argentina Customs Authority associated with the export of this agricultural product in 2012 and 2013. The Company has appealed these claims, believes they are without merit, and is confident in its position. These pending matters may take a number of years to resolve and should the ultimate resolution of these matters differ from management's assessment, a material adjustment could arise and impact the Company's financial position.

The Argentine economy is challenging with various controls on availability of currency and ability to import goods occurring in 2014 and most of 2015. The Argentine peso devalued 23% in 2014 and 52% in 2015, relative to the U.S. dollar (the functional currency of the Company's South American operations). In December 2015, a new government was elected in Argentina which lifted controls around currency, which resulted in a 34% devaluation. Management has been taking steps to reduce the risk of devaluation by ensuring its net balance sheet exposure to the Argentine peso is minimized as much as possible such that declines in the Argentine peso would have a reduced impact on the Company's results.

4.2.10 Employee Relations

Many of the Company's employees are represented by unions and are covered by collective bargaining agreements. The Company is party to a number of collective bargaining agreements worldwide, which are subject to expiration at various dates in the future.

While the Company is committed to the collective bargaining process and to concluding a fair contract for its employees and for Finning, the renegotiation process could result in future work stoppages or higher wages and benefits paid to union members. The failure to renew collective agreements upon satisfactory terms could have a material adverse impact on the Company's business, results of operations, or financial condition.

4.2.11 Business Continuity Risks

The occurrence of one or more natural disasters, such as earthquakes and hurricanes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest in countries in in which we operate along with acts of terrorism, or similar disruptions could materially adversely affect our business, people, customers and financial results. The company is in the process of enhancing it business continuity program to address and mitigate to the extent possible the impact of these risks.

4.2.12 Defined Benefit Pension Plans

Although Finning's predominant pension arrangements in Canada and in the U.K. and Ireland going forward are defined contribution plans, Finning still has a number of closed defined benefit pension plans covering certain legacy employee groups in the U.K. and Canada. Finning's South American employees do not participate in a company pension plan.

Finning is responsible for funding its defined benefit plans to ensure accrued benefit obligations will continue to be met by plan assets in the future. Finning's funding requirements are dependent upon many factors, including the rate of return earned on plan assets, the discount rate used to calculate accrued benefit obligations, and several other actuarial assumptions and experiences. Changes in any of these factors may cause the pension contributions and related pension expense to fluctuate. These risks are managed by selecting certain investments that aim to better match assets and liabilities of the plans. Both the Canadian and U.K. plans invest in various asset categories including primarily equities, fixed income, and real estate. These investments, in aggregate, are expected to provide sufficient returns in the long-term but may experience some volatility in the shorter-term. In selecting the portfolios and the weightings in each category, Finning considers and monitors how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. A framework has been developed and adopted for each of the Canadian and UK defined benefit plans whereby the investments will be adjusted over time as plan funding positions improve. The planned adjustments are intended to improve the asset-liability match over time. This is to be accomplished primarily by reducing the exposure to equity investments over time and increasing exposure to investments such as long-term fixed interest securities with maturities that better match the benefit payments as they fall due. Management believes that Finning has the financial capacity to fully fund its accrued obligations as necessary under the various defined benefit pension plans. The Board of Directors, through its Audit Committee, oversees Finning's pension plans. This oversight includes the responsibility to analyze policies and strategies developed by management.

4.2.13 Scope of Insurance Coverage

The Company maintains a program of insurance coverage that is ordinarily maintained by similar businesses, including property insurance and general liability insurance. Although the limits and deductibles of such insurance have been established through risk analysis and the recommendation of professional advisors, there can be no assurance that such insurance will remain available to the Company at commercially reasonable rates or that the amount of such coverage will be adequate to cover all liability or loss incurred by the Company. If the Company is held liable for amounts exceeding the limits of its insurance coverage or for claims outside the scope of that coverage, its business, results of operations and financial condition could be adversely affected.

4.2.14 Repurchase Commitments

The Company enters into contracts with rights of return, in certain circumstances, for the repurchase of equipment sold to customers for an amount which is generally based on a discount from the estimated future fair value of that equipment. The right of return is dependent upon a number of factors, including the condition of the equipment. The likelihood of the repurchase commitments being exercised, and quantification of the possible loss, if any, on resale of the equipment, is assessed at the inception of the contract and at each reporting period thereafter. Significant assumptions are made in estimating residual values. These are assessed based on past experience and take into account expected future market conditions and projected disposal values. The Company's experience to date has been that the equipment at the exercise date of the contract is generally worth more than the repurchase amount. Although the Company believes it has been very successful in estimating equipment values to date, there can be no assurance that the Company will not incur a loss on such arrangements in the future. To mitigate this risk all guarantees are reviewed on a quarterly basis and where deemed necessary, a provision is made at that time to record a potential loss.

4.2.15 Future Warranty Claims

The Company provides warranties for most of the equipment, parts and services supplied to customers. In many cases, the warranty claim risk is shared jointly with the equipment manufacturer. Accordingly, the Company's liability is generally limited to the service component of the warranty claim, while the manufacturer is responsible for providing the required parts. There is a risk that product quality erosion or lack of skilled workforce could increase warranty claims in the future, or may be greater than management anticipates. If the Company's liability in respect of such claims is greater than anticipated, it may have a material adverse impact on the Company's business, results of operations, and financial condition. To mitigate this risk, the Company reviews every warranty offering by product at least annually to assess the experience with the product and ensure that the appropriate cost factors to service the product over its warranty period are adequate. Insurance may at times be obtained on equipment to further mitigate any warranty exposure. Additionally, the Company works closely with Caterpillar on all product quality issues and has extensive product improvement, product support and pre-delivery inspection programs in place.

5. SUMMARY OF FINANCIAL INFORMATION

5.1 THREE YEAR SUMMARY

Years Ended December 31
($ millions except per share amounts)

		2015		2014		2013
Revenue (1)						
Canada	**$**	**3,054**	$	3,634	$	3,358
South America		**2,059**		2,227		2,514
UK and Ireland		**1,077**		1,057		884
Total	**$**	**6,190**	$	6,918	$	6,756
Earnings before finance costs and income taxes (1)						
Canada	**$**	**98**	$	284	$	263
South America		**(174)**		196		249
UK and Ireland		**(5)**		50		43
Other (3)		**(24)**		(26)		(34)
Total	**$**	**(105)**	$	504	$	521
Net (loss) income (1)	**$**	**(161)**	$	318	$	335
Basic earnings per share (1)	**$**	**(0.94)**	$	1.85	$	1.95
Diluted earnings per share (1)	**$**	**(0.94)**	$	1.84	$	1.94
Dividends paid per common share	**$**	**0.7250**	$	0.6850	$	0.5975
Long-term debt (2) (includes current portion)	**$**	**1,548**	$	1,418	$	1,367
Total assets (1)	**$**	**5,108**	$	5,273	$	5,058

(1) Results in 2015 were impacted by the following significant items:

a. $338 million impairment loss recognized on the distribution network and goodwill in the Company's South American operations of $324 million and UK & Ireland operations of $14 million ($1.54 per share)

b. Facility closures and restructuring costs and impairment on other assets totalling $53 million ($0.23 per share)

c. Severance costs of $48 million recorded in all operations ($0.21 per share)

d. $42 million higher than usual inventory and other asset impairments, principally aged or customized inventories, recorded in the year ($0.19 per share)

e. $12 million foreign exchange loss on the significant devaluation of the Argentine peso as well as a higher annual effective tax rate in Argentina ($0.14 per share)

f. Sale of business in Uruguay in Q4 2015 resulted in a gain of $8 million ($0.04 per share), partly offset by Saskatchewan acquisition costs of $3 million ($0.01 per share)

g. The Company benefitted from previously unrecognized tax losses in Q1 2015 and recorded a tax rate change in the Canadian operations in Q2 2015 (net positive impact of $0.05 per share)

In July 2014, the Company's UK & Ireland operations acquired SITECH. In July 2015, the Company's Canadian operations acquired the operating assets of Kramer Ltd. and became the approved Caterpillar dealer in Saskatchewan. The results of operations and financial position of these acquired businesses have been included in the figures above since the date of acquisition. In December 2015, the Company sold its wholly owned subsidiary, Finning Uruguay S.A. (Uruguay dealership).

The results of the Uruguay dealership have been included in the Company's South American operations segment up until the date of sale.

Results in 2014 were negatively impacted by:

(a) write-off of previously capitalized ERP costs in the Company's South American operations of $12 million ($0.06 per share)

(b) severance and labour disruption costs of $17 million recorded in operations ($0.07 per share)

Results in 2013 were impacted by:

a) a benefit from previously unrecognized tax losses of positive $0.03 per share

b) offset by the negative impact from the write-off of previously capitalized ERP costs in the Company's UK & Ireland operations of $5 million ($0.02 per share)

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

In July 2013, the Company issued unsecured $200 million MTN due July 3, 2020. Proceeds from the issuance were used to early redeem the Company's $250 million MTN due September 30, 2013.

In May 2013, the Company refinanced its £70 million Eurobond, due May 30, 2013, with the issuance of £70 million in unsecured notes in the U.S. private placement market.

(3) The Company's Other segment refers mainly to corporate head office costs and is essentially non-revenue generating.

5.2 THREE YEAR SUMMARY BY QUARTER

(Unaudited)

($ millions except per share amounts)

Results from Continuing Operations:

Period	Qtr.	Revenue	Net (loss) Income	Basic EPS	Diluted EPS
2015	**1**	**$ 1,519**	**$ 53**	**$ 0.31**	**$ 0.31**
	2	**1,656**	**61**	**0.36**	**0.36**
	3	**1,498**	**33**	**0.19**	**0.19**
	4	**1,518**	**(309)**	**(1.82)**	**(1.82)**
	Total[(1)]	**$ 6,190**	**$ (161)**	**$ (0.94)**	**$ (0.94)**
2014	**1**	**$ 1,676**	**$ 68**	**$ 0.39**	**$ 0.39**
	2	**1,768**	**86**	**0.50**	**0.50**
	3	**1,670**	**57**	**0.33**	**0.33**
	4	**1,803**	**107**	**0.62**	**0.62**
	Total[(1)]	**$ 6,918**	**$ 318**	**$ 1.85**	**$ 1.84**
2013	**1**	$ 1,560	$ 73	$ 0.43	$ 0.43
	2	1,620	83	0.48	0.48
	3	1,780	86	0.50	0.50
	4	1,796	93	0.54	0.54
	Total[(1)]	**$ 6,756**	**$ 335**	**$ 1.95**	**$ 1.94**

(1) Due to rounding differences, quarterly amounts may not add to the annual total.

Basic earnings per share (EPS) is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by dividing net income available to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all potentially dilutive common shares, which comprise share options granted to employees. EPS for each quarter has been computed based on the weighted average number of shares issued and outstanding during the respective quarter; therefore, quarterly amounts may not add to the annual or year-to-date total.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

For further financial information please refer to the MD&A, relating to the Company's audited consolidated financial statements for the fiscal years ended December 31, 2015 and December 31, 2014 and the report of the auditors thereon. The MD&A and consolidated financial statements are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and can also be found on Finning's website at www.finning.com.

7. DIVIDENDS

The Company has a practice of paying quarterly dividends on its outstanding common shares. The declaration and payment of future dividends is subject to the discretion of its Board of Directors and will be dependent on the Company's results of operations, financial condition, cash requirements, future outlook and other factors deemed relevant by the Board of Directors. Dividends paid on common shares were $124 million or $0.7250 per share in 2015, compared with $118 million or $0.6850 per share in 2014. In 2015, the Company increased its quarterly dividend rate by 2.8% to $0.1825 per quarter.

The Company has declared and paid the following dividends, on the dates and at the rates shown, since February 12, 2013. Except as prescribed by law, Finning is not subject to any restriction with respect to its ability to declare or pay dividends.

Declaration Date	Date Paid	Rate Per Share
February 12, 2013	March 14, 2013	$0.14
May 8, 2013	June 6, 2013	$0.1525
August 7, 2013	September 5, 2013	$0.1525
November 13, 2013	December 12, 2013	$0.1525
February 19, 2014	March 20, 2014	$0.1525
May 13, 2014	June 12, 2014	$0.1775
August 6, 2014	September 4, 2014	$0.1775
November 12, 2014	December 11, 2014	$0.1775
February 18, 2015	March 19, 2015	$0.1775
May 5, 2015	June 4, 2015	$0.1825
August 5, 2015	September 3, 2015	$0.1825
November 11, 2015	December 10, 2015	$0.1825
February 17, 2016	March 17, 2016*	$0.1825

* Dividend Payable

8. DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of:

- Unlimited number of preferred shares without par value, of which 4,400,000 are designated as cumulative redeemable preferred shares. As of February 18, 2016, the Company had no preferred shares outstanding.

- Unlimited number of common shares. As of February 18, 2016, the Company had 168,031,428 common shares issued and outstanding.

A shareholders' rights plan is in place which is intended to provide all holders of common shares with the opportunity to receive full and fair value for all of their shares in the event a third party attempts to acquire a significant interest in the Company. The plan provides that one share purchase right has been issued for each common share and will trade with the common shares until such time as any person or group, other than a “permitted bidder”, bids to acquire or acquires 20% or more of the Company's common shares, at which time the plan rights become exercisable. The rights may also be triggered by a third party proposal for a merger, amalgamation or a similar transaction. In May 2014, the rights plan was extended for three years such that it will automatically terminate at the end of the Company’s Annual Meeting of shareholders in 2017 unless further extended by shareholders prior to that time.

The plan will not be triggered if a bid meets certain criteria (a permitted bid). These criteria include that:

- the offer is made for all outstanding voting shares of the Company;
- more than 50% of the voting shares have been tendered by independent shareholders pursuant to the bid (voting shares tendered may be withdrawn until taken up and paid for); and
- the bid expires not less than 60 days after the date of the bid circular.

As well, it should be noted that the Company's dealership agreements with subsidiaries of Caterpillar are fundamental to its business and a change in control of Finning which significantly impacts the Company, may result in Caterpillar exercising its right to terminate those dealership agreements. A copy of the plan is available at www.sedar.com.

9. CREDIT RATINGS

The current credit ratings (1) on the Company’s securities are as follows:

	DBRS (2)	**S&P (3)**
Short-Term Debt..…...	R-1(low)	N/A
Long-Term Debt/Senior Unsecured Debentures and Notes............	A (low)	BBB+

Notes:

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

(2) Dominion Bond Rating Service Limited (DBRS) maintains a negative trend outlook on the above securities.

(3) Standard and Poor’s (S&P) maintains a stable outlook on the above securities.

9.1 LONG-TERM DEBT CREDIT RATINGS

In November 2015, the Company’s long-term rating was re-affirmed at A (low) by DBRS with a move to a negative trend, down from the stable outlook given in 2014. The A (low) rating for the Company is the lowest grade or standing within the A category of the DBRS rating scale. The A category is the 3rd highest of ten categories within the DBRS rating scale and reflects long-term debt that is of good credit quality. According to DBRS’s rating scale, the capacity for the payment of financial obligations is substantial, but of lesser credit quality than AA. While payment capacity for financial obligations may be vulnerable to future events, qualifying negative factors are considered manageable.

In March 2015, S&P completed its annual review of the Company’s ratings and re-affirmed the BBB+ rating and stable outlook. The BBB+ rating for the Company is the highest grade or standing within the BBB category of the S&P rating scale. The BBB category is the 4th highest of ten categories within the

S&P rating scale and reflects long-term debt obligations that exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments on the obligation.

9.2 SHORT-TERM DEBT CREDIT RATINGS

In November 2015, the Company's short-term rating was re-affirmed at R-1 (low) rating by DBRS with a move to a negative trend, down from the stable outlook given in 2014. The R-1 (low) rating is the 3rd highest of ten categories within the DBRS short-term debt rating scale and represents short-term debt that is considered to be good credit quality. According to DBRS's rating scale, the capacity for the payment of short-term financial obligations as they fall due is substantial. While payment capacity for financial obligations may be vulnerable to future events, qualifying negative factors are considered manageable.

10. MARKETS FOR THE SECURITIES OF THE COMPANY

The common shares of the Company are listed on the Toronto Stock Exchange under the symbol FTT. The following table sets forth the high and low closing prices and the volume of common shares traded on the Toronto Stock Exchange during 2015.

Month	High $	Low $	Volume
January	25.43	20.52	15,525,000
February	25.43	20.95	12,671,900
March	26.16	22.85	13,982,300
April	25.39	22.75	12,908,300
May	25.74	24.00	13,107,200
June	25.75	22.90	11,695,900
July	24.24	20.74	11,580,600
August	24.00	18.57	16,846,700
September	23.16	18.79	17,379,600
October	22.23	18.93	12,332,700
November	21.31	17.33	13,001,700
December	19.72	17.44	15,013,400

10.1 TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's common shares is Computershare Investor Services Inc. which has offices in Montreal, Toronto, Calgary and Vancouver.

11. MATERIAL CONTRACTS

The following sets out a list of all of the Company's material contracts entered into either: (a) within the last financial year; or (b) subsequent to the last financial year and filed as a material contract up to the date of the Annual Information Form; or (c) before the last financial year but still in effect, other than (in either case) those contracts entered into before January 1, 2002:

- an amended and restated unsecured credit facility agreement dated October 30, 2015 with a syndicate of banks. This new facility amends Finning's previous $1 billion credit facility which was set to fully mature in September 2017 by, among other things, extending the maturity date to October 2020. This credit facility is a source of financing for all global operations.

- in July 2015, the Company entered into an acquisition agreement whereby the Company purchased the operating assets of Kramer Ltd., a Caterpillar dealer and became the approved Caterpillar dealer in the province of Saskatchewan. The value of the acquisition was approximately $241 million.
- an amended and restated rights agreement (Rights Agreement) dated as of May 13, 2014 between the Company and Computershare. The Rights Agreement is set to automatically expire after a three-year term which ends in May 2017. The Rights Agreement sets out the terms and conditions of the Company's shareholder rights plan and is described in more detail in the Company's 2014 management proxy circular dated March 18, 2014.
- an indenture (Indenture) dated March 22, 1994 between the Company and Computershare Trust Company of Canada (formerly Montreal Trust Company of Canada) (Computershare) and a second supplemental indenture (Second Supplemental Indenture) dated September 23, 1998 between the Company and Computershare. The Indenture and the Second Supplemental Indenture relate to the Company's Medium Term Notes. The terms of these agreements were fully described in the Company's final short form prospectus dated May 22, 2012 and pricing supplement No. 1 dated May 13, 2012 and pricing supplement No. 2 dated June 18, 2013.
- note purchase agreement dated as of May 22, 2013 between Finning and various note purchasers pursuant to which Finning issued £70 million principal amount of 3.40% Senior Notes, Series F, due May 22, 2023.
- note purchase agreement dated as of April 3, 2012 between Finning and various note purchasers pursuant to which Finning issued: (a) U.S. $50 million principal amount of 4.18% Series C Senior Notes due April 3, 2022; (b) U.S. $50 million principal amount of 4.28% Series D Senior Notes due April 3, 2024; and (c) U.S. $200 million principal amount of 4.53% Series E Senior Notes due April 3, 2027.
- note purchase agreement dated as of January 19, 2012 between Finning and various note purchasers pursuant to which Finning issued: (a) U.S. $100 million principal amount of 3.98% Series A Senior Notes due January 19, 2022; and (b) U.S. $100 million principal amount of 4.08% Series B Senior Notes due January 19, 2024.
- In January 2012, the Company entered into a Master Asset Purchase Agreement, as amended, to acquire from Caterpillar the distribution and support business formerly operated by Bucyrus in Finning's dealership territories in Canada, U.K. and South America, for a purchase price of U.S. $466 million.

12. DIRECTORS AND OFFICERS

12.1 DIRECTORS AS OF FEBRUARY 18, 2016

The name, municipality of residence and principal occupation during the past five years of each director of the Company are described as follows.

Name and Municipality of Residence	**Principal Occupation During the Past Five Years**	**Year First Became Director** [6]
Marcelo A. Awad [1, 2] Santiago, Chile	Corporate Director President & Chief Executive Officer, Antofagasta Minerals SA, 2005 – 2012	2014
James E.C. Carter [3 (chair), 4] Edmonton, AB , Canada	Corporate Director	2007
Jacynthe Côté [2, 3] Candiac, PQ, Canada	Corporate Director President & Chief Executive Officer, Rio Tinto Alcan, 2009 – 2014	2014
Nicholas Hartery [2, 3] Limerick, Republic of Ireland	Chairman, CRH plc, since 2004 and President & Chief Executive Officer of Prodigium LLC, since 2009	2014
Kevin A. Neveu [1, 3] Calgary, AB, Canada	President & Chief Executive Officer, Precision Drilling Corporation, since 2007	2013
Kathleen M. O'Neill [1 (chair), 4] Toronto, ON, Canada	Corporate Director	2007
Christopher W. Patterson [1, 2] Bonita Springs, FL, USA	Corporate Director	2010
John M. Reid [2 (chair), 4] Vancouver, BC, Canada	Corporate Director	2006
L. Scott Thomson [3] Vancouver, BC, Canada	President & Chief Executive Officer, Finning International Inc., since 2013 Chief Financial Officer, Talisman Energy Inc., 2008 – 2013	2013
Douglas W.G. Whitehead [5] North Vancouver, BC, Canada	Corporate Director	1999
Michael M. Wilson [1, 4 (chair)] Bragg Creek, AB, Canada	Corporate Director President & Chief Executive Officer, Agrium Inc. 2003 – 2013	2013

1 Member, Audit Committee
2 Member, Human Resources Committee
3 Member, Safety, Environment & Social Responsibility Committee
4 Member, Corporate Governance Committee
5 Board Chair
6 The Directors of the Company are elected each year at the Annual Meeting of the Company and hold office until the close of the next Annual Meeting or until their successors are elected or appointed.

On February 18, 2016, the Company announced that Stuart L. Levenick would be joining its Board of Directors, effective as of March 1, 2016.

The Company currently has four committees of the Board of Directors: the Audit Committee, the Human Resources Committee, the Safety, Environment & Social Responsibility Committee, and the Corporate Governance Committee. The members of each committee are indicated by footnote in the list of directors above.

The term of office for all current directors will end on the day of the next Annual Meeting of the Company's shareholders.

12.2 Officers as of February 18, 2016

Officers are listed in the table below with their principal occupations held for the past five years:

Officer's Name and Municipality of Residence	Principal Occupation During the Past Five Years
David W. Cummings Vancouver, BC, Canada	Executive Vice President & Chief Information Officer, Finning International Inc., since 2013 Senior Vice President & Chief Information Officer, Maxum Petroleum Inc., 2012 – 2013 Senior Vice President & Chief Information Officer, Univar, 2009 – 2012
Chad Hiley Edmonton, AB, Canada	Chief Human Resources Officer, Finning International Inc. & Senior Vice President, Human Resources, Finning (Canada), since 2016 Senior Vice President, Human Resources, Finning (Canada), since 2014 Vice President, Organization Effectiveness, Barrick Gold Corporation (South America), 2011 – 2014
Marcello Marchese Santiago, Chile	President, Finning South America, since 2012 Senior Vice President, Construction & Power Systems, Finning South America, 2008 – 2012
Anna P. Marks North Vancouver, BC, Canada	Senior Vice President, Corporate Controller & Treasurer, Finning International Inc., since 2015 Senior Vice President, Corporate Controller, Finning International Inc., since 2008

Officer's Name and Municipality of Residence	**Principal Occupation During the Past Five Years**
Steven M. Nielsen Seattle, WA, USA	Executive Vice President & Chief Financial Officer, Finning International Inc., since 2015 Managing Partner, Innovant Operating Company, 2013 – 2015 Executive Vice President & Chief Financial Officer, Univar, 2008 – 2013
Kevin Parkes Cheshire, UK	Managing Director, Finning UK & Ireland, since 2016 Director, Equipment Solutions, Finning UK & Ireland, 2015 to 2016 Chief Executive Officer, Hewden, 2010 – 2015
J. Gail Sexsmith Aldergrove, BC, Canada	Corporate Secretary, Finning International Inc., since 2009
L. Scott Thomson Vancouver, BC, Canada	President & Chief Executive Officer, Finning International Inc., since 2013 Chief Financial Officer, Talisman Energy Inc., 2008 – 2013
Juan Carlos Villegas Edmonton, AB, Canada	President, Finning (Canada) & Chief Operating Officer, Finning International Inc., since 2013 Chief Operating Officer, Finning International Inc., since 2012 President, Finning South America, 2006 – 2012
Douglas W.G. Whitehead North Vancouver, BC, Canada	Board Chair, Finning International Inc., since 2008

12.3 SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As of February 18, 2016, the directors and officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over 446,515 common shares, representing approximately 0. 27% of the Company's voting common shares.

12.4 CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company:

(a) is, at the date hereof or has been, within the 10 years before, a director, chief executive officer or chief financial officer of any company (including Finning), that while that person was acting in that capacity:

(i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for more than 30 consecutive days, or

(ii) was subject to an event that resulted, after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for more than 30 consecutive days, or

(b) is, as at the date hereof or has been, within the 10 years before, a director or executive officer of any company (including Finning), that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

13. INTERESTS OF EXPERTS

Deloitte LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

14. AUDIT COMMITTEE

The Terms of Reference for the Audit Committee (attached as Appendix A to this Annual Information Form) require that it comprise at least three directors, all of whom must be independent. The current members of the Committee are Marcelo A. Awad, Kevin A. Neveu, Kathleen M. O'Neill (Chair), Christopher W. Patterson, and Michael M. Wilson and all are independent directors. In addition Douglas W.G. Whitehead attends meetings of the Audit Committee in his capacity as Board Chair. All Committee members are required to be independent and financially literate (as such terms are defined in National Instrument 52-110 – *Audit Committees*) and at least one member is required to have accounting or related financial management expertise. Ms. Kathleen M. O'Neill is the designated "financial expert" member of the Audit Committee.

In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of their responsibilities as a member of the Audit Committee is set forth below.

Marcelo A. Awad is a Corporate Director and serves as a senior advisor to Mitsubishi Corporation Investments and Haldeman Mining Company. Mr. Awad spent 16 years with Antofagasta Minerals SA and served as President & Chief Executive Officer for over seven years until his departure in 2012. Prior to joining Antofagasta Minerals, Mr. Awad spent 18 years with Codelco in progressively senior positions in both London and Chile until leaving his position of Executive Vice President, Copper Trading & Futures in 1996. In London, Mr. Awad was a director of the London Metal Exchange. He currently serves on the boards of AC Perforaciones, a drilling services company, Echeverria Izquierdo S.A. a Chilean engineering and construction company, SAME Industrial, an environment engineering company and Partners in Performance (PIP) in the Americas, an Australian consulting company.

Mr. Awad holds a Civil Engineering degree and is a graduate of Universidad Tecnica del Estado and is fluent in English and Spanish.

Kevin A. Neveu is President & Chief Executive Officer and a director of Precision Drilling Corporation. Mr. Neveu has 34 years of experience in the oilfield services sector. Prior to joining Precision Drilling Corporation, Mr. Neveu was President of the Rig Solutions Group of National Oilwell Varco in Houston and held senior management positions with it and its predecessor companies in London, Moscow, Houston, Edmonton and Calgary. Mr. Neveu currently serves as a director of Bonanza Creek Energy, Inc. and is a former board member of RigNet. He is a member of the Advisory Board for The Heart and Stroke Foundation of Alberta, a director for a Canadian national sports non-profit organization, and an Advisor for the University of Calgary's School of Public Policy. Mr. Neveu is a director and member of the Executive Committee for the International Association of Drilling Contractors.

Mr. Neveu holds a Bachelor of Science degree and is a graduate of the Faculty of Engineering at the University of Alberta and is a registered Professional Engineer in the province of Alberta. He has completed the Harvard Advanced Management Program.

Kathleen M. O'Neill is a Corporate Director and experienced Audit Committee Chair. Prior to 2005, Ms. O'Neill was an Executive Vice-President at BMO Financial Group where her most recent position was Executive Vice-President, Personal & Commercial Development and Head of Small Business Banking. Prior to joining BMO Financial Group in 1994, Ms. O'Neill was with PriceWaterhouseCoopers LLP for 19 years including eight years as a tax partner. Ms. O'Neill currently serves on the Board of Directors of ARC Resources Limited, Invesco Canada Funds (Invesco Canada Fund Inc. and Invesco Corporate Class Inc. boards, and Invesco Canada Funds Advisory Board and Independent Review Committee), Ontario Teachers' Pension Plan and Cadillac Fairview Corporation Ltd. Ms. O'Neill is past Chair of St. Joseph's Health Centre and St. Joseph's Health Centre Foundation.

In 2005, Ms. O'Neill was accredited through the Institute of Corporate Directors / Rotman School of Management Director's Education Program. She is on the Ontario Advisory Council for the Institute of Corporate Directors (ICD). Ms. O'Neill instructs the audit committee effectiveness course and is a frequent examiner/executive in residence for the ICD. She holds a Bachelor of Commerce degree (with Honours) from the University of Toronto and is a Fellow of the Ontario Institute of Chartered Accountants (FCPA). Ms. O'Neill was on the Steering Committee on Enhancing Audit Quality jointly sponsored by the Canadian Institute of Chartered Accountants and by the Canadian Public Accountability Board. For the past two consecutive years, Ms. O'Neill was selected as one of Canada's most powerful women by the Women's Executive Network.

Christopher W. Patterson is a Corporate Director. Mr. Patterson retired from Daimler Trucks North America LLC in June 2009, after four years as President and Chief Executive Officer. Prior to 2005, Mr. Patterson held progressively senior executive positions with Freightliner LLC, predecessor to Daimler Trucks North America, including Senior Vice President, Service and Parts and was Executive Vice President, Sales and Marketing of Volvo Trucks North America. Mr. Patterson is a director of CAX Parent, LLC, Modine Manufacturing Company, Jeld-Wen Manufacturing Co. and FleetPride Inc.

Mr. Patterson holds a Bachelor of Arts degree in Economics and an MBA from the University of Western Ontario.

Michael M. Wilson is a Corporate Director. Mr. Wilson retired from Agrium Inc. in December 2013 after 13 years, including 10 years as President and Chief Executive Officer. Prior to joining Agrium, Mr. Wilson was a senior executive at Methanex Corporation, a leading global producer of methanol headquartered in Vancouver, B.C. where he was Executive Vice President, and President, Methanol. In addition, he held various senior positions in North America and Asia during his 18 years with Dow Chemical. Mr. Wilson brings over 30 years of international and executive management experience in the chemical industry. Mr. Wilson currently serves as a director of Air Canada, Celestica Inc., Suncor Energy Inc. and is Chair of the Calgary Prostate Cancer Centre.

Mr. Wilson is a graduate of the University of Waterloo, Ontario where he earned his degree in Chemical Engineering.

The Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders with respect to the Company's: (a) financial statements; (b) financial reporting process; (c) systems of internal and disclosure controls; (d) internal audit function; (e) external audit function; (f) financial arrangements and liquidity; (g) risk identification, assessment and management program and (h) pension plans. It is the responsibility of the Committee to maintain an open avenue of communication between itself, the external auditors, the internal auditors and the management of the Company. In performing its role, the Committee is empowered to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company. It is also empowered to retain outside counsel or other experts as required.

The Committee met 4 times in 2015 in conjunction with regularly scheduled Board meetings.

14.1 AUDIT FEES

Fees paid or accrued by the Company and its major business units or subsidiaries for audit and other services provided by Deloitte LLP (the Company's external auditors) during 2015 and 2014 were as follows:

Type of Service	2015	2014*
Audit Services (1)	$2,699,626	$2,598,250
Audit-Related Services (2)	249,036	100,715
Tax Services (3)	10,861	7,223
Other Services (4)	-	444,528
Total:	**$2,959,523**	**$3,150,716**

* amounts were billed in various currencies and converted to Canadian dollars using the exchange rates in existence at the time of billing

Notes:

(1) Audit Services generally relate to fees charged for the annual audit, interim reviews, administrative charges and other services related to the performance of the annual audit.

(2) Audit related services include assurance and related services, such as audits of the Finning's pension plans, French translation of interim and annual financial statement and notes and other services required by regulators of auditors.

(3) Tax services include foreign tax advice and filings for corporate directors.

(4) Other services would include any non audit-related or non tax services. Services provided relate to an assessment of supply chain performance in Finning (Canada) which concluded in 2014 of $434,710 and an assessment of the Company's community investment programs, which also concluded in 2014 of $9,818.

Pre-approval Policies and Procedures

The Audit Committee has adopted a formal policy requiring the pre-approval of non-audit services to be provided by its external auditors, Deloitte LLP, prior to the commencement of the engagement. On an annual basis, the Audit Committee pre-approves non-audit and tax related services to be provided by the Company's external auditors. Between regularly scheduled Audit Committee meetings, the Committee has delegated to the Chair of the Audit Committee the authority to approve individual non-audit service engagements up to a value of $100,000 that have not been pre-approved. All engagements where such approval was granted will be reported at the next Audit Committee meeting. Under no circumstances will the Company's management engage the external auditors to perform services that have not been approved by the Audit Committee. Management and the external auditor are required to report quarterly to the Audit Committee all services provided by the external auditor and fees paid or accrued for the quarter and the fiscal year.

The Committee determined that the provision of the audit-related and tax services described above did not compromise the independence of Deloitte LLP for purposes of performing audit services for the Company.

15. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, indebtedness, options to purchase securities and interests of insiders in material transactions is contained in the Company's Management Proxy Circular for its most recent annual meeting of shareholders, a copy of which may be obtained upon request to the Corporate Secretary of the Company. Additional financial information is provided in the Company's consolidated financial statements for its year ended December 31, 2015 and its accompanying Management Discussion and Analysis.

Copies of documents noted above and other disclosure documents may also be examined and/or obtained through the internet by accessing the Company's website at www.finning.com or by accessing the SEDAR website at www.sedar.com.

Appendix A

Finning International Inc.

Audit Committee Terms of Reference

I. PURPOSE

A. The primary purpose of the Audit Committee (the "Committee") is to assist the Board in fulfilling its oversight responsibilities to the shareholders, potential shareholders, the investment community, and others with respect to:

i) the integrity of annual and quarterly financial statements that will be provided to the shareholders and others;

ii) audits of the financial statements;

iii) the systems of internal and disclosure controls established by management and the Board;

iv) all audit, accounting and financial reporting processes;

v) risk management processes;

vi) compliance with accounting and finance based legal and regulatory requirements, relevant laws, regulations and policies;

vii) the External Auditors' qualifications and independence;

viii) the performance of the internal and external audit process and of the independent auditor;

ix) the Corporation's pension plans; and

x) the implementation and effectiveness of the Ethics Program Charter and the compliance program under the Ethics Program Charter.

B. Primary responsibility for the financial reporting, information systems, risk management, internal and disclosure controls and the pension plans of the Corporation is vested in management and is overseen by the Board.

C. It is the Committee's responsibility to maintain an open avenue of communication between the Committee, the External Auditors, the Internal Auditors and management of the Corporation. At each meeting, the Committee may meet separately with management and will meet in separate closed sessions with:

i) The External Auditor;

ii) The Internal Auditor; and

iii) Independent directors in attendance only.

D. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Corporation and the power to retain outside counsel, or other experts for this purpose.

II. COMPOSITION AND OPERATIONS

A. This charter governs the operations of the Committee.

B. Committee members are appointed and removed by the Board and the Committee shall consist of at least three directors, all of whom shall be independent as defined in the Guidelines for the Board of Directors.

C. The Committee Chair is appointed by the Board.

D. All Committee members are financially literate, (or will become financially literate within a reasonable period of time after appointment to the Committee), and at least one member shall be designated as an "Audit Committee Financial Expert"[1].

E. The Committee shall meet not less than four times per year.

F. A majority of Committee members constitute a quorum.

G. The function of the Committee is oversight. It is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements fairly present the Corporation's financial position and results of operation and are in accordance with generally accepted accounting principles. Such duties remain the responsibility of management and the External Auditor.

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1 Definition in the United States Sarbanes-Oxley Act of 2002: An Audit Committee Financial Expert has, through education and experience as a public accountant or auditor or a principal financial officer, comptroller, or principal accounting officer of an issuer, or from a position involving the performance of similar functions:

1) an understanding of generally accepted accounting principles and financial statements;
2) experience in— (A) the preparation or auditing of financial statements of generally comparable issuers; and (B) the application of such principles in connection with the accounting for estimates, accruals, and reserves;
3) experience with internal accounting controls; and
4) an understanding of audit committee functions.

III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the following duties:

A. Financial Statements and Other Financial Information

The Committee shall:

i) review and discuss with management and the External Auditor before public disclosure:

   a) consolidated financial statements of the Corporation, including the notes to the financial statements;

   b) management's discussion and analysis (MD&A); and

   c) earnings press releases of the Corporation;

ii) review and recommend to the Board for approval and for public disclosure the annual and interim MD&A, consolidated financial statements and notes and earnings press releases of the Corporation;

iii) review and recommend to the Board for approval the quarterly dividend;

iv) satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures;

v) receive quarterly updates and reports on the Corporation's global cash positions, access to capital, compliance with debt covenants and Treasury policies as well as credit status with banks and credit rating agencies;

vi) discuss with management and the External Auditor the quality of reporting and adherence to generally accepted accounting principles ("GAAP");

vii) review significant reporting principles, practices and procedures applied by the Corporation in preparing its financial statements, including any newly adopted accounting policies and the reasons for their adoption. Review changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; and

viii) review analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and accounting judgments and estimates made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

B. External Auditors

The Committee has the authority and responsibility to select, evaluate, determine compensation for and, where appropriate, replace the External Auditor, subject to shareholder approval. In that respect, the Committee shall:

i) review and recommend to the Board the selection of the Corporation's External Auditors;

ii) require the External Auditors to report directly to the Committee;

iii) communicate directly with the External Auditors, including the ability to meet independently with the External Auditors;

iv) be responsible for evaluating the External Auditors' performance and independence and will perform the following duties:

a) on an annual basis, obtain and review a report by the External Auditor describing any material issues, defects, restrictions or sanctions raised or imposed by the most recent internal quality-control review, or peer review, of the External Auditor, or by any inquiry or investigation by governmental or professional authorities or board, within the preceding five years, with respect to one or more independent audits carried out by the External Auditor or otherwise arising, and any steps taken to deal with any such issues, defects, restrictions or sanctions;

b) ensure that the External Auditors submit, at least annually or on a periodic basis, to the Committee a formal written statement delineating all relationships between the External Auditors and the Corporation including the extent and amount of fees received by the External Auditor for audit services and for non-audit services on a quarterly basis;

c) actively engage in a dialogue with the External Auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditors as prescribed by the Canadian Public Accountability Board (CPAB) or other applicable professional accounting or regulatory agency;

d) review and confirm with management and the External Auditor: the timing and process for implementing the rotation of the lead audit partner of the External Auditor as required by the applicable rules governing the audit profession as set out by the CPAB, the CPA Canada or other applicable professional regulatory agencies; and the review of External Auditor resources providing audit services to the Corporation;

e) review with the External Auditor any hiring of partners, former partners, and audit managers of the External Auditor;

f) review with the External Auditor any audit problems or difficulties with respect to the audit and management's response; and

g) annually conduct an assessment of the External Auditor. This assessment includes audit quality considerations (auditor independence, objectivity, and professional skepticism, quality of engagement team, CPAB inspection findings, communication and interaction with the external auditor) and quality of service considerations. At least every five years, a comprehensive review of the External Auditor will be conducted.

Conclusions on the performance and independence of the External Auditor should be reported to the Board and the Committee should recommend any appropriate action to be taken to satisfy the requirement of the External Auditors' independence. When necessary, the Committee may recommend the removal of the External Auditor to the Board and may periodically issue a request for proposal from other external audit firms;

v) review and approve the scope, plans and associated fees relating to the External Auditors' annual audit and quarterly reviews including the adequacy of resources. The External Auditors shall report to the Committee all significant changes to the approved audit plan;

vi) meet separately with the External Auditors, with and without management present, to review and discuss the results of the audit, audit-related services, tax and other services performed by the External Auditor in the prior quarter;

vii) be responsible for pre-approving all audit and non-audit services performed by the External Auditor that are permitted under applicable law and are in accordance with the Corporation's *Approval of Audit and Non-Audit Services Provided by the Independent Auditor Policy*. This policy shall be approved and renewed annually by the Committee. Between scheduled Committee meetings, the Chair of the Committee, on behalf of the Committee, is authorized to approve the fees and terms of any audit or non-audit services, up to a value of $100,000 that are not pre-approved. At the next Committee meeting, the Chair shall report to the Committee any such pre-approval given;

viii) annually obtain and review a report by the External Auditor describing recommendations resulting from their review of internal control and accounting systems. Management to provide a quarterly follow-up report on actions taken concerning recommendations made by the External Auditor;

ix) in accordance with the Protocol for Audit Firm Communication of CPAB Inspection Findings, annually obtain from the External Auditor the Public Report issued by CPAB on inspections of the quality of audits conducted by public accounting firms; and

x) in the event that CPAB inspected the Corporation's audit file, the External Auditor will provide the Committee a description of the focus areas selected for inspection by CPAB, an indication of whether or not there are any significant inspection findings, and any significant inspection findings as reported by CPAB including a description of actions taken by the firm in response to the findings and CPAB's disposition. The Committee will discuss significant inspection findings with the External Auditor.

C. Internal Auditors

The Committee will:

i) review the activities, resources and organization structure of the internal audit function and ensure no unjustified restrictions or limitations are made;

ii) participate in the appointment, promotion or dismissal of the lead Internal Auditor; and discuss with the External Auditor the standard of work of the Internal Auditors;

iii) participate in the annual performance and compensation review of the lead internal auditor;

iv) review the effectiveness and independence of the internal audit function;

v) meet separately with the Internal Auditors to discuss any matters the Committee or the Internal Auditors believe should be discussed privately;

vi) ensure the internal audit's significant findings and recommendations are received, discussed and appropriately acted on by management;

vii) review and approve the scope and proposed annual internal audit plan, resourcing plan and financial budget and ensure it addresses key areas of risk and that there is appropriate coordination with the Committee and the External Auditor;

viii) review and approve the Internal Audit Charter on an annual basis; and

ix) review periodic reports from internal audit addressing

   a) progress on the Audit Plan, including any significant changes to it;

   b) significant internal audit findings, including issues as to the adequacy of internal control over financial reporting and any procedures implemented in light of significant control deficiencies; and

   c) any significant internal fraud issues.

D. Risk Management, Internal Control and Information Systems

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

i) discussion with management and the Internal Auditor of the guidelines and policies with respect to risk assessment and risk management, including the processes management used to assess and manage the Corporation's risk. Discuss major financial risk exposures and steps management has taken to monitor and control such exposures including an annual review of the significant insurable risks and the adequacy of the Corporation's insurance coverage;

ii) discussion with management, the Internal Auditors and the External Auditors of the adequacy and effectiveness of the internal controls, including financial controls and the Corporation's system to monitor and manage business risk and produce reliable financial statements; and

iii) obtaining reasonable assurance that the information systems are reliable, secure and that the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management, the Internal Auditor and External Auditor.

E. Compliance

The Committee shall:

i) assist with Board oversight of the Corporation's compliance with legal and regulatory requirements by receiving a report concerning legal and regulatory matters that may have a material impact on the financial statements;

ii) review the process for the certification of the interim and annual financial statements by the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), and the certifications made by the CEO and CFO;

iii) review with Management, Internal Auditor and External Auditor the Corporation's internal control over financial reporting, any significant deficiencies or material weaknesses in their design or operation, any proposed major changes to them and any fraud involving management or other employees who have a significant role in the Corporation's internal control over financial reporting;

iv) discuss the Corporation's compliance with tax laws, legal withholdings requirements, environmental protection laws[2], privacy laws, and any other area of compliance monitoring that the Committee considers appropriate;

v) ensure the External Auditor's fees are disclosed by category in the Annual Information Form in compliance with regulatory requirements and in such other documents the Committee may determine;

vi) disclose any specific policies or procedures adopted for pre-approving non-audit services by the External Auditor, including affirmation that they meet regulatory requirements;

2 This function is reported by the Safety, Environment & Social Responsibility Committee.

vii) prepare a report of the Committee's activities to be included in the annual proxy statement; and

viii) assist the Corporate Governance Committee with preparing the Corporation's governance disclosure by ensuring it has current and accurate information with respect to:

a) the independence of each Committee member relative to regulatory requirements for the Audit Committee;

b) the state of financial literacy of each Committee member, including the name of any member(s) currently in the process of acquiring financial literacy and when they are expected to attain this status;

c) the education and experience of each Committee member relevant to his or her responsibilities as a Committee member; and

d) disclose if the Corporation has relied upon any exemptions to the requirements for Audit Committees under regulatory requirements.

F. Pension Plans

The Committee shall:

i) review the governance structure set out for the Corporation's pension plans, at least annually, and recommend to the Board any changes to the structure, upon recommendation by the Management Pension Committee;

ii) review the Terms of Reference for the Management Pension Committee and monitor compliance by the Management Pension Committee to their terms of reference on an annual basis, and approve any recommended changes;

iii) review a summary of the funding policies on an annual basis and approve any material exceptions or changes to those policies upon recommendation by the Management Pension Committee;

iv) review a summary of the investment policies and strategies for the defined benefit and defined contribution plans on an annual basis and approve, for the Canadian plans, any changes which could materially impact the financial performance of those plans upon recommendation by the Management Pension Committee;

v) review a summary of the Canadian Journey Plan outlining the de-risking progression intended for the Canadian defined benefit plans on an annual basis and approve any material changes upon recommendation by the Management Pension Committee;

vi) review reports from the Management Pension Committee at least semi-annually regarding:

a) overall financial positions and investment performance results of the various pension plans;

b) any changes to investment managers or other service providers; and

c) other notable Management Pension Committee actions since the prior report.

vii) with respect to plan design and amendments:

a) recommend, jointly with the Human Resources Committee, the establishment of new pension plans or termination of any existing plans, to the Board of Directors; and

b) approve financially significant plan amendments, jointly with the Human Resources Committee, if the amendments fundamentally changes the nature of the benefits a plan provides.

Recommendations for such plan amendments will come from the Management Pension Committee unless a conflict or special situation is identified in which case the CEO will determine the recommendation source.

G. Other

The Committee shall:

i) periodically review the Ethics Program Charter and approve any amendments as recommended by management's Global Ethics Committee. The Committee shall also annually review management's report on the Global Ethics Committee self-assessment. The Ethics Program Charter includes procedures for:

a) the receipt, retention and anonymous treatment of complaints received by the Corporation regarding accounting, internal accounting and financial reporting controls, or auditing matters;

b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and

c) addressing a report of a material breach of securities law, material breach of fiduciary duty or similar material violation.

ii) review expenses of the Board Chair and CEO;

iii) on an annual basis, review and approve key Treasury policies including the Global Investment Policy, the Global Debt and Interest Rate Management Policy, the Global Foreign Exchange Risk Management Policy, and the Requests for Approval of Capital Expenditures Policy;

iv) review on an annual basis, and recommend any material changes to the capital structure plan to the Board for approval;

v) review and recommend to the Board for approval, new or refinancing of material financing contracts;

vi) review and approve all related party transactions;

vii) review the effect of regulatory and accounting initiatives, as well as off balance sheet structures, on the financial statements of the Corporation; and

viii) review the succession plan for the Corporation's financial and accounting management.

IV. ACCOUNTABILITY

A. The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relative to the Corporation.

B. The Committee shall report its discussions and activities to the Board by maintaining minutes of its meetings and providing an oral report at each regular Board meeting.

C. The Committee shall:

i) conduct a self-assessment annually and discuss the results with the Board; and

ii) review and update its terms of reference at least annually.