The following Management's Discussion & Analysis ("MD&A") was prepared as of August 6, 2013 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and six month period ended June 30, 2013 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying interim unaudited condensed consolidated financial statements for the period ended June 30, 2013 and the notes contained therein. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CVL". Additional information relating to Cervus, including Cervus' current annual information form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at **www.sedar.com.**

This MD&A contains forward-looking statements. Please see the section "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. This MD&A also makes reference to certain non-IFRS financial measures to assist users in assessing Cervus' performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-IFRS Financial Measures".

OVERVIEW OF CERVUS

Cervus is a diversified corporation and has historically operated in two separate business segments, an agricultural equipment segment and a commercial and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists of 29 John Deere dealership locations with 8 in Alberta, 5 in Saskatchewan, 1 in British Columbia, 10 in New Zealand and 5 in Australia. The commercial and industrial equipment segment consists of 19 dealership locations with 11 Bobcat/JCB, Clark, Sellick, Nissan and Doosan material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, Nissan and Doosan material handling and forklift equipment dealerships operating in Saskatchewan and 1 in Manitoba; and 4 Peterbilt truck dealerships and 1 collision repair center operating in Saskatchewan. Cervus owns, directly or indirectly, 100% of Cervus AG Equipment LP and Cervus Contractors Equipment LP, Cervus Agriculture NZ Ltd. ("AG New Zealand") and its subsidiary, Cervus Rental & Leasing NZ Ltd., Cervus Equipment Australia Pty Ltd., and its 53.3% owned subsidiary Windmill AG Pty Ltd., Cervus Collision Center LP and 101169185 Saskatchewan Ltd., together with 100% of the outstanding and issued shares of their respective general partners, Cervus AG Equipment Ltd. and Cervus Contractors Equipment Ltd. In addition to the aforementioned subsidiaries, Cervus owns a 20% interest in Maple Farm Equipment Partnership ("Maple") that is based in Saskatchewan and Manitoba which is comprised of 7 John Deere dealerships. The cash flow of Cervus is primarily dependent on the results of the underlying limited partnerships and is derived from the flow-through of income of those limited partnerships to Cervus by means of partnership allocations.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". These forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "may", "objective", "outlook", "plan", "should", "target" and "will". All statements, other than statements of historical fact, that address activities, events, or developments that Cervus or a third party expects or anticipates will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under "Business Risks" and elsewhere in this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Cervus. These forward-looking statements are made as of the date of this MD&A, and we assume no obligation to update or revise them to reflect subsequent information, events, or circumstances unless otherwise required by applicable securities legislation.

In this MD&A we state that the Company expects to continue making quarterly dividend payments to its shareholders. The most recent quarterly dividend payment of $0.195 per share was made to the shareholders of record as of June 30, 2013 on July 15, 2013. See "Capital Resources - Cautionary note regarding dividends" for a cautionary note regarding future dividends. In addition, in our annual MD&A for the year ended December 31, 2012 we made certain statements regarding the expected tax consequences of the plan of arrangement involving Cervus LP and Vasogen Inc., completed in October 2009 pursuant to which Cervus LP converted from a limited partnership structure to the current corporate structure of Cervus Equipment Corporation. The outlook regarding these expected tax consequences remains unchanged at June 30, 2012. Our December 31, 2012 annual report and MD&A are filed on SEDAR at **www.sedar.com.**

NON-IFRS MEASURES

Throughout the MD&A, reference is made to certain non-IFRS measures. Readers are cautioned that the MD&A should be read in conjunction with the "Non-IFRS Financial Measures" section at the end of this MD&A.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Cervus are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and the CFO and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting as of June 30, 2013, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the CEO and the CFO concluded that, as of June 30, 2013, Cervus' internal control over financial reporting is effective.

DISCLOSURE CONTROLS

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of our disclosure controls and procedures. The CEO and CFO concluded that the disclosure controls and procedures were effective as of June 30, 2013 in providing reasonable assurance around material information relating to the Company and its consolidated subsidiaries.

MARKET OUTLOOK (SEE "NOTE REGARDING FORWARD-LOOKING STATEMENTS")

Agricultural equipment

Record-high farm income levels occurred in 2012 and there is a positive outlook for 2013. As described in our annual report, Agriculture and Agri-Food Canada's 2013 preliminary forecasts have indicated that farm income will remain comparable with 2012, as crop prices are expected to moderate slightly from 2012 levels while remaining high from a historical perspective. These initial forecasts appear consistent with more recent indicators, including Agri-Food Canada's June 2013 "Outlook for Principal Field Crops" which anticipated a 6% year over year increase in grain and oilseed output, indicating some price moderation while remaining historically high for the near term.

The USDA is reporting revised expectations for a record corn crop based on seeded acres, surpassing estimates that had previously been discounted for anticipated adverse weather impacts which did not materialize. Should the 2013 corn crop produce yields commensurate with acreage, some downward pressure on grain prices is anticipated, although the quantum and duration of price sensitivity remains uncertain.

For the first six months, demand for agriculture equipment in Canada remained strong with industry reports[1] indicating a 9% overall average increase in tractor and combine sales for the six months ended June 30, 2013 compared to the same period in 2012. For the six months ended June 30, 2013 the Company has experienced substantial demand far in excess of this national average, due to a combination of earlier receipt of equipment from the manufacturer in 2013 compared to 2012, customers' general positive outlook translating to increased demand, and the Company's focused sales efforts in 2013.

Commercial and industrial equipment

In their second quarter 2013 Housing Outlook, CMHC projected a slight decrease in total housing starts in Alberta for 2013 compared to 2012, with housing starts expected to recover in 2014 and reach the highest levels since 2010.

Non-residential construction investment has remained relatively stable nationally, with Statistics Canada reporting that non-residential construction investment decreased by 0.4% in the three months ended June 30, 2013 compared to the same period in 2012, while regional activity increased by 0.7% in Alberta. For the three months ended June 30, 2013 compared to the three months ended March 31, 2013, a tempering of the market occurred with non-residential construction across Canada decreasing on an average of 3.4%. This translated to a decrease of 1.0% in Alberta.

According to the National Automobile Dealers Association, year-over-year heavy truck sales decreased in the first quarter of 2013, after a five year annual high achieved in 2012. Wards Auto reported that April 2013 was the first month in 2013 which posted an increase in total truck sales over the prior year, followed by a 4.8% decrease in May, and a 5.8% increase in June. In July 2013 PACCAR forecast total 2013 North American sales of class 8 trucks between 210,000 and 230,000, significantly below the 273,000 sold in 2012, as reported by Bloomberg. At present, the Company's Transportation division has not been substantially impacted by these trends through June 30, 2013, insulated by the relatively strong Saskatchewan economy and trucking activity.

Longer term overall economic outlook appears stable with TD Economics[2] forecasting moderate real GDP growth nationally of 1.8% for 2013 and 2.5% in 2014. Regionally, Alberta and Saskatchewan are forecast to nominally exceed these levels, while real GDP for British Columbia is marginally lower. Continued economic growth both nationally and regionally is a positive indicator, sustaining the positive growth in GDP since 2010. We anticipate this will translate to a relatively stable demand for the products represented by the Company's commercial and industrial equipment offerings.

[1] Association of Equipment Manufacturers June 2013 Flash Report, Canada Unit Retail Sales
[2] TD Economics, Provincial Economic Forecast, July 10, 2013

Overall

Market and economic conditions would indicate that 2013 should be a strong year in our agricultural equipment segment as the market remains buoyant, particularly from historical perspectives. The overall market is expected to remain relatively stable in our commercial and industrial equipment segment, with positive indicators being experienced in the construction sector going into the summer.

HIGHLIGHTS OF THE QUARTER

- On May 28, 2013, the Company purchased an additional 18.6% interest in Windmill AG Pty Ltd. ("Windmill") for $1.8 million in cash, bringing the Company`s ownership interest to 53.3%. The results of Windmill have been consolidated in the Company's June 30, 2013 financial statements commencing from the date control was obtained.
- Revenue for the three and six months ended June 30, 2013 increased by $58.1 million and $97.3 million to $254.8 million and $403.7 million respectively, compared to total revenue of $196.7 million and $306.4 million for the three and six months ended June 30, 2012.
- Same store revenue for the three and six month period ended June 30, 2013 increased $48.3 million and $63.4 million, to $244.9 million and $366.4 million respectively, compared to total same store revenue of $196.7 million and $303.0 million for the three and six months ended June 30, 2012.
- Profit for the three and six month ended June 30, 2013 was $8.7 million and $9.2 million respectively, an increase of $1.3 million and $389 thousand over the three and six months ended June 30, 2012.
- The Company was named to PROFIT Magazine's list of 500 Fastest Growing Companies.
- In June 2013, the Report on Business ranked the Company 301st in their Top 1000 annual ranking of Canada's most profitable businesses, improving from 340th in 2012.

OVERALL PERFORMANCE

During the three month period ended June 30, 2013, revenue grew by $58.1 million or 29.6% to $254.8 million compared to the same period in 2012. This increase is attributable to a revenue increase in the agricultural equipment segment of 45.5% (37.5% on a same store basis) and a 2.6% increase in revenues in the commercial and industrial equipment segment (2.6% increase on a same store basis).

During the first six months of 2013 when compared to the same period of 2012, revenue grew by $97.3 million or 31.8% to $403.7 million. This increase is attributable to an increase in revenues in the agricultural equipment segment of 39.3% (31.9% on a same store basis) and an 18.6% increase in revenues in the commercial and industrial equipment segment (1.1% increase on a same store basis).

Throughout this MD&A, same store results in the commercial and industrial equipment segment exclude the four Peterbilt dealerships and one collision repair center ("Transportation") for the period January to March 2013, as these stores were acquired in March 2012. However, year to date same store sales include the operations of the Transportation group for the months of April through June 2013. In the agricultural segment, same store results exclude the results of the five New Zealand John Deere dealerships that were purchased in July 2012, and the five Australian John Deere dealerships purchased in May of 2013.

Profit for the three and six month period ended June 30, 2013 increased by $1.3 million and $389 thousand to $8.7 million and $9.2 million respectively. This increase is primarily due to sales volume increases partially offset by the decrease in overall gross margin and an increase in interest expense. Selling, general and administrative expenditures decreased to 12.9% and 15.0% of total revenue for the three and six month period ended June 30, 2013 respectively, compared to 14.6% and 16.3% for the same periods in 2012.

ACQUISITION OF WINDMILL AG PTY LTD.

On May 28, 2013 the Company acquired an additional 18.6% equity interest in Windmill AG Pty Ltd. (the "Transaction") in exchange for cash of $1.8 million, representing a $531 thousand share purchase and a $1.3 million shareholder loan which is classified as equity for accounting purposes. Prior to the Transaction the Company held a 34.7% interest in Windmill, and subsequent to the transaction the Company held 53.3% of Windmill's outstanding shares.

Under accounting standards the Transaction was classified as an "acquisition achieved in stages", due to Cervus' previously held significant influence equity investment in Windmill. According to these standards, the Company determined that a $598 thousand dollar loss was required on the carrying value of its previously held equity interest. This non-recurring amount has been included in other income for the period ended June 30, 2013, as detailed in Note 6 of the Company's June 30, 2013 unaudited condensed interim consolidated financial statements.

Windmill's financial position as at June 30, 2013 and operating results for the period May 28, 2013 through June 30, 2013 have been consolidated in the Company's financial statements, and will continue to be prospectively.

SELECTED QUARTERLY INFORMATION

(in $ thousands, except per share amounts)	**Three Months Ended June 30, 2013**	Three Months Ended June 30, 2012	% change	**Six Months Ended June 30, 2013**	Six Months Ended June 30, 2012	% change
Revenues	**254,798**	196,654	29.6%	**403,730**	306,436	31.8%
Gross profit	**45,456**	37,610	20.9%	**73,978**	60,666	21.9%
Gross margin	**17.8%**	19.1%	-6.7%	**18.3%**	19.8%	-7.5%
Net profit	**8,723**	7,438	17.3%	**9,223**	8,834	4.4%
Net profit attributable to shareholders	**8,705**	7,428	17.2%	**9,205**	8,646	6.5%
Per share - Basic	**0.58**	0.50	16.4%	**0.62**	0.59	4.4%
Per share - Diluted	**0.56**	0.49	14.0%	**0.59**	0.57	3.8%
Cash provided by operating activities	**6,075**	1,714	254.4%	**(1,796)**	17,532	-110.2%
Per share – Basic	**0.41**	0.12	238.5%	**(0.12)**	1.19	-110.1%
EBITDA[1]	**17,554**	14,094	24.5%	**22,843**	19,385	17.8%
EBITDA margin [1]	**6.9%**	7.3%	-5.6%	**5.7%**	6.3%	-10.2%
Per share – basic	**1.17**	0.96	22.3%	**1.53**	1.32	15.9%
Dividends declared to shareholders	**2,918**	2,725	7.1%	**5,795**	5,411	7.1%
Per share	**0.19**	0.19	0.0%	**0.39**	0.37	4.9%
Weighted average shares outstanding						
Basic	**14,956**	14,719	1.6%	**14,937**	14,721	1.5%
Diluted	**15,576**	15,278	2.0%	**15,557**	15,278	1.9%
Actual shares outstanding				**14,967**	14,729	1.6%
Closing market price per share				**19.91**	17.99	0.11
Total assets				**464,578**	387,789	19.8%
Long-term liabilities				**75,111**	47,414	58.4%
Total liabilities				**254,357**	199,558	27.5%
Shareholders' equity				**206,798**	188,231	9.9%
Net book value per share - diluted				**13.29**	12.32	7.9%

Notes: (1) These financial measures are identified and defined under the section "Non-IFRS Financial Measures".

RESULTS OF OPERATIONS

Revenues

Revenues by segment: (in $ thousands)	Three Months Ended			Six Months Ended		
	June 30, 2013	June 30, 2012	% change	**June 30, 2013**	June 30, 2012	% change
Agricultural equipment						
Equipment						
New	**103,602**	67,373	53.8%	**154,857**	100,381	54.3%
Used	**48,740**	35,401	37.7%	**70,196**	57,413	22.3%
Total equipment	**152,342**	102,774	48.2%	**225,053**	157,794	42.6%
Parts	**16,414**	12,504	31.3%	**27,057**	21,987	23.1%
Service	**10,238**	7,935	29.0%	**17,605**	13,910	26.6%
Rental and other	**658**	230	186.1%	**1,724**	1,180	46.1%
Total for segment	**179,652**	123,443	45.5%	**271,439**	194,871	39.3%
Commercial and industrial equipment						
Equipment						
New	**42,401**	43,196	-1.8%	**70,965**	64,038	10.8%
Used	**3,338**	5,279	-36.8%	**6,555**	7,733	-15.2%
Total equipment	**45,739**	48,475	-5.6%	**77,520**	71,771	8.0%
Parts	**16,740**	13,978	19.8%	**31,559**	21,824	44.6%
Service	**9,833**	8,400	17.1%	**18,117**	13,755	31.7%
Rental and other	**2,834**	2,359	20.1%	**5,095**	4,215	20.9%
Total for segment	**75,146**	73,212	2.6%	**132,291**	111,565	18.6%
Total	**254,798**	196,655	29.6%	**403,730**	306,436	31.8%

Agricultural equipment

Revenue for our agricultural equipment segment increased by $56.2 million or 45.5% ($46.3 million or 37.5% on a same store basis) for the three month period ended June 30, 2013 when compared to the same period of 2012, and $76.6 million or 39.3% year to date.

New equipment sales comprised the largest portion of the increase, generating an additional $36.2 million or 53.8% ($30.6 million or 45.4% on a same store basis) for the three months ended June 30, 2013, and increased $54.5 million or 54.3% year to date. Used equipment sales increased by $13.3 million or 37.7% ($11.9 million or 33.5% on a same store basis) for the three months ended June 30, 2013, and increased $12.8 million or 22.3% year to date.

The primary drivers of new sales are increases in our sales of two and four wheel drive tractors combined with increased harvesting equipment sales. Year to date same store new total tractor and harvesting equipment sales increased by 86% on a revenue basis, compared to the same period in 2012. These sales volumes substantially exceed the industry trends observed by the Association of Equipment Manufacturers due to a combination of factors: earlier receipt of equipment from the manufacturer in 2013 compared to 2012, customers' general positive outlook translating to increased demand, and the Company's focused sales efforts in 2013.

Service revenue has increased by $2.3 million or 29.0% ($1.1 million or 13.5% on a same store basis) for the three month period ended June 30, 2013 when compared to the same period of 2012, and $3.7 million or 26.6% year to date. The increase in same store service sales for 2013 year to date is primarily due to an 11% increase in the monthly average number of technicians employed compared to 2012, and a 24% increase in labor revenue related to pre-delivery setup of new equipment and refurbishment of used equipment associated with higher new and used sales volume.

Our parts revenue has increased by $3.9 million or 31.3% (increase of $2.4 million or 19.1% on a same store basis) for the three months ended June 30, 2012, and $5.1 million or 23.1% year to date (increase of $2.4 million or 10.8% year to date on a same store basis). The same store year to date increase is primarily attributable to increased over-the-counter sales, and increased parts sales related to the pre-sale preparation of new and used equipment.

Commercial and industrial equipment

For the commercial and industrial segment, same store financial measures are the same as total financial measures for the three months ended June 30, 2013, as Transportation was purchased in March 2012 and is included in the comparative figures for the three months ended June 30, 2012. Likewise, the results of Transportation for January through March 2013 have been excluded from the year to date same store results as Transportation was not owned by the Company in the first quarter of 2012.

Revenue from our commercial and industrial segment increased by $1.9 million or 2.6% for the three month period ended June 30, 2013 when compared to the same period of 2012, and $20.7 million or 18.6% year to date. Year to date, same store revenue has increased $1.2 million or 1.1% over the same period in 2012.

New equipment sales have decreased by $795 thousand or 1.8% for the three month period ended June 30, 2013 when compared to the same period of 2012. This decrease in our new equipment sales is partially attributable to timing of new sales in Transportation offset by nominal increases in new sales within the Construction and Material Handling groups. Same store new sales for year to date 2013 decreased $1.7 million or 2.8% compared to 2012, primarily due the same factors impacting the three months ended June 30, 2013 combined with construction sales in the first quarter of 2013 decreasing slightly from the first quarter of 2012.

Used equipment sales have decreased by $1.9 million or 36.8% during the three month period ended June 30, 2013 when compared to the same period of 2012, and decreased $1.2 million or 15.2% year to date. The revenue decrease in used equipment primarily related to construction equipment. This is generally consistent with the softening of the construction market observed in the second quarter of 2013.

For the three months ended June 30, 2013, parts revenues have increased $2.8 million or 19.8% compared to the same period in 2012, and $3.2 million or 15.7% for same store year to date. Service revenue for the three months ended June 30, 2013 has increased by $1.4 million or 17.1% compared to the same period in 2012, and $1.8 million or 14.0% for same store year to date. Increases in parts and service revenues reflect customers extending the service life of existing equipment, combined with a moderate increase in the number of service technicians employed.

GROSS PROFIT

Gross profit margin by segment:	Three months ended		Six months ended	
	June 30, 2013	June 30, 2012	**June 30, 2013**	June 30, 2012
Agricultural equipment	**15.2%**	16.6%	**15.4%**	17.0%
Commercial and industrial equipment	**24.2%**	23.4%	**24.3%**	24.6%
Total	**17.8%**	19.1%	**18.3%**	19.8%

Agricultural equipment

Gross profit dollars increased by $6.8 million or 33.3% (same store increased $4.8 million or 23.4%) during the three month period ended June 30, 2013 when compared to the same period of 2012, and $8.7 million or 26.3% year to date.

For the three months ended June 30, 2013, gross margin percentage declined by 1.4% to 15.2% compared to 16.6% in 2012, and declined 1.6% to 15.4% year to date. Same store gross margin for the three months ended June 30, 2013 declined 1.7% to 14.9%, compared to 16.6% in 2012, and declined 1.9% to 15.1% year to date. The change in same store gross margin for the three months ended June 30, 2013 was driven primarily by a reduction in gross margin of 0.5% and 0.6% on new and used equipment respectively, compared to the three months ended June 30, 2012. For year to date June 30, 2013, gross margin decreased 0.6% and 0.8% on new and used equipment respectively.

The change in gross profit is attributable to increased competition in the market reflected in tightening of gross margin, compounded by whole goods sales for year to date 2013 representing a higher percentage of overall revenue than in 2012, thereby diluting the contribution of other higher margin products and services. During the second quarter of 2013 compared to the same period in 2012, whole goods represented 85% of same store total sales compared to 83% (year to date 83% compared to 81% for year to date 2012).

Commercial and industrial equipment

Gross profit dollars have increased by $1.0 million or 6.0% for the three month period ending June 30, 2013 due to a change in revenue mix, with higher margin parts and service contributing 35% of total same store revenue compared to 31% for the same period in 2012. This is attributable to a 8% increase in technicians employed during the three months ended June 30, 2013 compared to the prior year, combined with customers extending service life of existing equipment. As a result, gross margin percentage increased 0.8% to 24.2% compared to 23.4% for the three months ended June 30, 2012. Year to date on gross profit dollars on a same store basis have increased $592 thousand to $27.2 million while gross margin percentage increased 0.3% to 24.9%.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses by segment: (in $ thousands)	Three Months Ended			Six Months Ended		
	June 30, 2013	June 30, 2012	% change	**June 30, 2013**	June 30, 2012	% change
Agricultural equipment						
Selling, general and administrative	**17,207**	13,675	25.8%	**30,393**	25,268	20.3%
Depreciation and amortization	**945**	976	-3.2%	**1,907**	1,774	7.5%
Total for segment	**18,152**	14,651	23.9%	**32,300**	27,042	19.4%
Commercial and industrial equipment						
Selling, general and administrative	**13,093**	13,285	-1.4%	**25,312**	21,379	18.4%
Depreciation and amortization	**1,737**	870	99.7%	**2,828**	1,674	68.9%
Total for segment	**14,830**	14,155	4.8%	**28,140**	23,053	22.1%
Total	**32,982**	28,806	14.5%	**60,440**	50,095	20.7%
% of revenue						
Agricultural equipment	**10.1%**	11.9%	-15.1%	**11.9%**	13.8%	-13.8%
Commercial and industrial equipment	**19.7%**	19.3%	2.3%	**21.3%**	20.7%	2.8%
Total	**12.9%**	14.6%	-11.3%	**15.0%**	16.3%	-8.2%

Agricultural equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $3.5 million or 23.9% for the three month period ended June 30, 2013 when compared to the same period of 2012, and $5.3 million or 19.4% year to date. Total selling, general, and administrative expenses as a percentage of revenue have decreased 15.1% for the three months ended June 30, 2013, to 10.1% in 2013 compared to 11.9% in 2012 (year to date decrease to 11.9% compared to 13.9% in the prior year).

On a same store basis for the three months ended June 30, 2013 selling, general, and administrative expenses increased $1.7 million or 11.8% to $16.4 million compared to $14.7 million in the prior period (year to date increased $2.1 million or 7.8% to $29.2 million, from $27.0 million in 2012). The increase in total expense is primarily related to additional personnel combined with cost of living adjustments in wages, and increased marketing costs.

Commercial and industrial equipment

The commercial and industrial equipment segment's selling, general and administrative expenses increased $675 thousand or 4.8% for the three month period ended June 30, 2013 when compared to the same period of 2012. The increase was attributable to increased amortization of $589 thousand related to accelerating the amortization of trade name intangibles for Material Handling and Transportation, as the Company moves towards a unified branding strategy. These intangibles are being amortized over a two year period commencing in the second quarter of 2013, compared to the 20 year life assigned at acquisition.

Year to date, selling, general and administrative expenses have increased $5.1 million or 22.1% compared to year to date 2012, primarily due to higher personnel costs incurred in the first quarter of 2013 compared to the first quarter of 2012 due to general salary increases and additions to staff levels as a result of acquisitions, combined with increased commissions due to higher sales volumes year to date. Same store selling, general and administrative expense for the six months ended June 30, 2013 increased $1.2 million or 5.3% to $23.6 million from $22.5 million in for the same period of 2012.

FINANCE INCOME

Total finance income was $167 thousand for the three month period ended June 30, 2013 compared to $284 thousand for the same period of 2012, and $379 thousand for the six months ended June 30, 2013 compared to $643 thousand for the prior year. Finance income is comprised of interest earned on customer accounts receivable, contract lease receivables and held-to-maturity investments.

FINANCE COSTS AND OTHER INTEREST

Finance costs are comprised of interest expense related to the Company's loans and borrowings as well as floor plan payables and other financial liabilities. Interest expense is also recorded on loans and borrowings related to the Company's rental fleet which is recorded in cost of sales.

For the purposes of showing the Company's interest expense, the following analysis includes both the interest expense on financial liabilities recorded in finance costs and interest on financial liabilities recorded directly in cost of sales.

Interest by segment:	**Three Months Ended**			**Six Months Ended**		
(in $ thousands)	**June 30, 2013**	June 30, 2012	% change	**June 30, 2013**	June 30, 2012	% change
Agricultural equipment						
Interest expense	**1,041**	467	122.9%	**1,989**	864	130.2%
Interest in cost of sales	**95**	34	179.4%	**153**	100	53.0%
Total for segment	**1,136**	501	126.7%	**2,142**	964	122.2%
Commercial and industrial equipment						
Interest expense	**643**	541	18.9%	**1,415**	731	93.6%
Interest in cost of sales	**17**	41	-58.5%	**27**	70	-61.4%
Total for segment	**660**	582	13.4%	**1,442**	801	80.0%
Total	**1,796**	1,083	65.8%	**3,584**	1,765	103.1%
% of revenue	**0.7%**	0.6%	28.0%	**0.9%**	0.5%	77.5%

For the three and six months ended June 30, 2013 total interest expense has increased $713 thousand and $1.8 million, respectively. The balance of this increase is attributable to the Company's outstanding debenture issued in July 2012, whereby the Company issued $34.5 million of 6% convertible debentures. The convertible debentures including interest payable, costs and conversion feature, have an effective interest rate of 9.1%. The interest expense on these debentures, for the three and six months ended June 30, 2013 was $720 thousand and $1.4 million respectively, equally allocated between the two segments.

The remainder of interest expense is attributable to higher inventory levels in both segments, offset by a lower percentage of total inventory being floor planned. Inventory levels at June 30, 2013 have increased 31.9% from June 30, 2012. Floor plan liabilities as a percentage of inventories at June 30, 2013 were 46.9% compared to 62.7% at June 30, 2012, 46.6% at March 31, 2013, and 42.6% at December 31, 2012.

During the period, the Company received rebates which were applied against interest expense that would otherwise be payable. The amount of rebates received during the three months ended June 30, 2013 was $359 thousand (three months ended June 30, 2012 - $278 thousand) compared to $771 thousand year to date (six months ended June 30, 2012 - $518 thousand).

NET PROFIT AND COMPREHENSIVE INCOME

The Company has two foreign subsidiaries, Ag New Zealand, and Windmill, which upon consolidation, result in unrealized gains and losses on the currency translation of financial statements of foreign operations which use a currency other than the Canadian dollar as their functional currency. As a result, losses of $781 thousand and $745 thousand, have been recorded as other comprehensive income for the three and six month period ended June 30, 2013 respectively ($12 thousand loss and $78 thousand gain for the three six months ended June 30, 2012). This translation adjustment is the only difference between the profit for the period and total comprehensive profit for the period.

The net profit attributed to shareholders for the period excludes the allocation of profit to non-controlling interests. Under IFRS, the non-controlling interest share of profit is shown in profit for the year. Earnings per share are calculated based on the profit for the year attributed to shareholders of the Company only.

Net profit by segment:	Three months ended			Six months ended		
(in $ thousands except net earnings per share)	**June 30, 2013**	June 30, 2012	% change	**June 30, 2013**	June 30, 2012	% change
Agricultural equipment segment	**6,412**	5,399	18.8%	**6,617**	5,790	14.3%
Adjust for loss (income) from non-controlling interest	**(18)**	(10)	80.9%	**(18)**	(188)	-90.4%
Net profit attributable to shareholders from agricultural equipment segment	**6,394**	5,389	18.6%	**6,599**	5,602	17.8%
Commercial and industrial equipment	**2,311**	2,039	13.3%	**2,606**	3,044	-14.4%
Net profit attributable to shareholders	**8,705**	7,428	17.2%	**9,205**	8,646	6.5%
Profit as a % of total segment revenues						
Agricultural equipment	**3.6%**	4.4%	-19.1%	**2.4%**	2.9%	-16.2%
Commercial and industrial equipment	**3.1%**	2.8%	9.8%	**2.0%**	2.7%	-27.0%
Total	**3.4%**	3.8%	-10.1%	**2.3%**	2.8%	-18.6%
Net earnings per share by segment:						
Shares outstanding – basic	**14,956**	14,719	1.6%	**14,937**	14,721	1.5%
Agricultural equipment	**0.43**	0.36	18.8%	**0.44**	0.38	16.3%
Commercial and industrial equipment	**0.15**	0.14	10.4%	**0.17**	0.21	-16.9%
Total	**0.58**	0.50	16.4%	**0.62**	0.59	4.4%

EBITDA (SEE "NON-IFRS FINANCIAL MEASURES")

EBITDA by segment:	Three Months Ended			Six Months Ended		
(in $ thousands, except %)	**June 30, 2013**	June 30, 2012	% change	**June 30, 2013**	June 30, 2012	% change
Agricultural equipment						
Net profit	**6,412**	5,399	18.8%	**6,617**	5,790	14.3%
Add:						
Interest	**1,136**	501	126.7%	**2,142**	964	122.2%
Income taxes	**2,555**	1,698	50.5%	**2,628**	1,609	63.3%
Depreciation and amortization	**945**	976	-3.2%	**1,907**	1,774	7.5%
Depreciation and amortization in cost of sales	**354**	207	71.0%	**612**	471	29.9%
EBITDA for segment	**11,402**	8,781	29.8%	**13,906**	10,608	31.1%
% of segment revenue	**6.3%**	7.1%		**5.1%**	5.4%	
Commercial and industrial equipment						
Net profit	**2,311**	2,039	13.3%	**2,606**	3,044	-14.4%
Add:						
Interest	**660**	582	13.4%	**1,442**	801	80.0%
Income taxes	**925**	1,284	-28.0%	**1,034**	2,227	-53.6%
Depreciation and amortization	**1,737**	870	99.7%	**2,828**	1,674	68.9%
Depreciation and amortization in cost of sales	**519**	538	-3.5%	**1,027**	1,031	-0.4%
EBITDA for segment	**6,152**	5,313	15.8%	**8,937**	8,777	1.8%
% of segment revenue	**8.2%**	7.3%		**6.8%**	7.9%	
Total EBITDA	**17,554**	14,094	24.5%	**22,843**	19,385	17.8%
% of revenue	**6.9%**	7.2%		**5.7%**	6.3%	

EBITDA is used by management to monitor its results and compare profitability between itself and other entities in its industries. It is also primarily used to evaluate potential business acquisitions. For the three and six month period ended June 30, 2013, EBITDA increased $3.5 million and $3.5 million respectively when compared to the same periods in 2012. EBITDA increase is a factor of increased revenues partially offset by decreased gross margin and increased selling, general, and administrative expenses.

SUMMARY OF QUARTERLY RESULTS

(in $ thousands, except per share amounts)	**June 30, 2013**	March 31, 2013	December 31, 2012	September 30, 2012
Revenues	**254,798**	148,932	193,128	234,680
Profit attributable to the shareholders	**8,705**	500	6,912	8,836
Basic earnings per share	**0.58**	0.03	0.46	0.60
Diluted earnings per share	**0.56**	0.03	0.45	0.57
Weighted average shares outstanding				
- Basic	**14,956**	14,918	14,895	14,825
- Fully diluted	**15,576**	15,535	15,513	15,416

(in $ thousands, except per share amounts)	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Revenues	196,654	109,782	141,356	186,878
Profit attributable to the shareholders	7,428	1,218	4,397	8,193
Basic earnings per share	0.50	0.08	0.30	0.56
Diluted earnings per share	0.49	0.08	0.29	0.54
Weighted average shares outstanding				
- Basic	14,719	14,715	14,699	14,659
- Fully diluted	15,278	15,240	15,211	15,152

Sales activity for the agricultural segment is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand and Australia has not materially impacted the above results. The commercial and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, profit or loss may not accrue uniformly from quarter to quarter. The primary reason for the change in net profit for the last four quarters presented when compared to the first four is due to the acquisition of Transportation in March 2012 and same store increases in profit experienced by the agricultural equipment segment.

LIQUIDITY

(in $ thousands, except ratio amounts)	**June 30, 2013**	December 31, 2012
Current assets	**279,044**	219,823
Total assets	**464,578**	401,957
Current liabilities	**179,246**	129,610
Long-term liabilities	**75,111**	199,172
Shareholders' equity	**206,798**	202,785
Working capital (see "Non-IFRS Measures")	**99,798**	90,213
Working capital ratio (see "Non-IFRS Measures")	**1.6**	1.7

Working capital

Our working capital increased by $9.6 million to $99.8 million at June 30, 2013 when compared to $90.2 million at December 31, 2012. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1 and as at June 30, 2013 the ratio is 1.56 to 1. As at the date of this report, the Company is in compliance with all of its covenants.

The Company's ability to generate sufficient cash and cash equivalents is determined by continued strong gross revenue performance, maintaining existing gross margins and controlling its costs. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based primarily on the use of cash and cash equivalents to fund future business acquisitions as well as due to the seasonal nature of our business. Cash resources can normally be restored by accessing floor plan monies from unencumbered used equipment inventories. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year as explained above to fund general operations caused by the cyclical nature of our sales activity.

As at June 30, 2013, inventories had increased by $55.2 million to $228.0 million when compared to December 31, 2012. Used equipment inventories increased $26.0 million to $92.7 million at June 30, 2013 and new equipment increased $23.1 million to $105.7 million. Parts inventories have also increased by $5.5 million to $27.7 million. Work-in-process increased by $558 thousand to $1.8 million. The primary increase in our new and used inventories during the six months ended June 30, 2013, has been driven by the substantial increase in equipment sales, primarily in our agricultural equipment segment.

The nature of the business has a significant impact on the amount of equipment that is owned by our various dealerships. The majority of our agricultural equipment sales come with a trade-in while our commercial and industrial equipment sales usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used commercial and industrial equipment. In addition, the majority of our new John Deere equipment is on consignment from John Deere whereas we purchase the new equipment from our other manufacturers. These factors directly impact the amount of used and new equipment carried on our books. A majority of our product lines in both segments are manufactured in the US with pricing based in US dollars but invoiced in Canadian dollars.

As at June 30, 2013, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no impairment reserve has been recorded or is required.

The rolling twelve month average time to collect the Company's outstanding accounts receivable was approximately 19 days as at June 30, 2013 (17 days for the year ended December 31, 2012) and no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections has decreased by $140 thousand to $981 thousand at June 30, 2013 which represents 3.6% of outstanding trade accounts receivable and 0.1% of gross revenue on an annualized basis. Write-offs during the three and six month period ended June 30, 2013 amounted to $220 thousand and $275 thousand respectively.

Cash and cash equivalents

The Company has $7.7 million in bank indebtedness as at June 30, 2013. The Company's primary sources and uses of cash flow for the six month period ended June 30, 2013 are as follows:

Operating activities

Net cash provided by operating activities for the three months ended was $6.1 million compared to $1.7 million provided from operating activities for the same period of 2012, representing an increase in cash provided from operating activities of $4.4 million. This increase is primarily attributable to $1.4 million of additional net income combined with increases in non cash expenses in the current quarter compared to the quarter ended June 30, 2012.

For the six months ended June 30, 2013 operating activities resulted in $1.8 million use of cash compared to a $17.5 million source of cash in year to date 2012, a net use of cash of $19.3 million. This change in cash primarily relates to increases in working capital for the six months ended June 30, 2013 of $19.9 million related to increases in inventory and accounts receivable net of increases in accounts payable.

Investing activties

For the three months ended June 30, 2013, the Company used $8.0 million of net cash for investing activities compared to a use of cash of $14.4 million for the same period in 2012, a $6.4 million decrease in cash used. The most significant change in cash used between the second quarter of 2013 and 2012 was a reduction of cash used for purchase of property and equipment of $4.3 million in the three months ended June 30, 2013 compared to the same period in 2012.

For the six months ended June 30, 2013 investing activities resulted in a $12.7 million use of cash compared to a $35.1 million use of cash for the same period in 2012, a net reduction in cash used of $22.4 million. The most significant component of this change was the increased uses of cash in the six months ended June 30, 2012 related to the acquisition of New Zealand dealerships and Frontier Peterbilt which were non-recurring in 2013.

Financing activities

For the three months ended June 30, 2013, the Company's financing activities provided $1.9 million in net cash flows, a decrease of $1.8 million from the $3.8 million generated in the corresponding period in 2012. The decrease in cash flows is primarily associated with reduced financing inflows from credit facilities and term debt in 2013.

Net cash flows from financing activities for the six months ended June 30, 2013 generated $6.3 million compared to $8.4 million in the comparative period of 2012. The net decrease of $2.1 million is attributable to lower cash inflows due to reduced borrowing and increased dividend payments for year to date 2013.

Contractual obligations

The Company has certain contractual obligations including payments under long-term debt agreements and operating lease commitments. There have been no material changes from the contractual obligations outstanding at December 31, 2012.

CAPITAL RESOURCES

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at June 30, 2013 is as follows:

$ thousands	Total amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	20,551	10,699	2,556	-	7,296
Floor plan facilities and rental equipment term loan financing	265,533	113,363	-	80,640	71,530
Capital facilities	72,943	36,298	-	-	36,645
Total	**359,027**	**160,360**	**2,556**	**80,640**	**115,471**

Operating and other bank credit facilities

Operating and other bank credit facilities include the Canadian amounts as well as the New Zealand and Australian amounts. We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets and working capital requirements for the remainder of 2013.

Floor plan facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Financial Inc. ("John Deere Financial"), GE Canada Equipment Financing G.P., General Electric Canada Equipment Finance G.P., GE Commercial Distribution Finance Canada, TCF Commercial Finance Canada Inc., and US Bank. At June 30, 2013, floor plan payables related to inventories were $106.9 million and rental equipment term loan financing was $6.4 million. Floor plan payables at June 30, 2013 represented approximately 46.9% of our inventories (December 31, 2012 – 42.6%). Floor plan payables fluctuate significantly from quarter to quarter due to fluctuation in inventory levels and the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers.

Capital facilities

Capital facilities consist of capital asset financing for non-rental fleet assets with Toronto-Dominion Bank and Farm Credit Canada.

Outstanding share data

As of the date of this MD&A, there are 14,993 thousand common shares, 71 thousand share options, and 612 thousand deferred shares outstanding. As at June 30, 2013 and 2012, the Company had the following weighted average shares outstanding:

	Three months ended		Six months ended	
(in thousands)	**June 30, 2013**	June 30, 2012	**June 30, 2013**	June 30, 2012
Basic weighted average number of shares outstanding	**14,956**	14,719	**14,937**	14,721
Dilutive impact of deferred share plan	**613**	534	**613**	533
Dilutive impact of share options	**7**	25	**7**	24
Diluted weighted average number of shares outstanding	**15,576**	15,278	**15,557**	15,278

During the three month period ended June 30, 2013, 11 thousand common shares were issued through the Company's dividend reinvestment program from the March 31, 2013 dividend paid in April 2013.

Dividends paid and declared to Shareholders

The Company, at the discretion of the board of directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the three and six month periods ended June 30, 2013
($ thousands, except per share amounts):

Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2013	0.1925	2,877	220	2,657
June 28, 2013	0.1950	2,918	431	2,487
Total		**5,795**	**651**	**5,144**

Dividends are paid quarterly and are paid on or about the 15th day of the month following the record date. As of the date of this MD&A, all dividends as described above were paid.

Taxation

Cervus' dividends declared and paid to June 30, 2013 are considered to be eligible dividends for tax purposes on the date paid.

Cautionary note regarding dividends (see "Note Regarding Forward-Looking Statements")

The payment of future dividends is not assured and may be reduced or suspended. Our ability to continue to declare and pay dividends will depend on our financial performance, debt covenant obligations and our ability to meet our debt obligations and capital requirements. In addition, the market value of the Company's common shares may decline if we are unable to meet our cash dividend targets in the future, and that decline may be significant. Under the terms of our credit facilities, we are restricted from declaring dividends or distributing cash if the Company is in breach of its debt covenants. As at the date of this report, the Company is not in violation of any of its covenants.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, we enter into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, and service agreements. We have also agreed to indemnify our directors, officers, and employees and those of our subsidiaries, in accordance with our governing legislation, our constating documents and other agreements. Certain agreements do not contain any limits on our liability and, therefore, it is not possible to estimate our potential liability under these indemnities. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we also maintain insurance policies that may provide coverage against certain claims under these indemnities.

John Deere Financial provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At June 30, 2013, payments in arrears by such customers aggregated $204 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with John Deere Financial for the net residual value of the lease outstanding at the maturity of the contract. At June 30, 2013, the net residual value of such leases aggregated $106.3 million of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. John Deere Financial retains 1% of the face amount of the finance or lease contract for amounts that the Company owes John Deere Financial under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $1.9 million at June 30, 2013. John Deere Financial reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, John Deere Financial refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to John Deere Financial and another supplier in the aggregate amount of $2.6 million. The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

In addition to their salaries, the Company also provides non-cash benefits to its directors and executive officers, and contributes to the Company's deferred share plan and the employee share purchase plan on behalf of those directors and executive officers, if enrolled, in accordance with the terms of the plans. The Company has no retirement or post-employment benefits available to its directors and executive officers. In addition, no directors or executive officers are part of the share option plan.

The remuneration of key management personnel and directors during the three and six month periods ended June 30, 2013 and 2012 was:

	Three months ended		Six months ended	
(in $ thousands)	**June 30, 2013**	June 30, 2012	**June 30, 2013**	June 30, 2012
Short-term benefits	**$ 593**	$ 255	**$ 1,252**	$ 882
Share-based payments	**46**	39	**127**	79
Total	**$ 639**	$ 294	**$ 1,379**	$ 961

CRITICAL ACCOUNTING ESTIMATES

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2012 as filed on SEDAR at **www.sedar.com.** There have been no changes to our critical accounting estimates in the first quarter of 2013.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2013, the Company changed certain of its accounting policies as a result of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other entities, as well as the consequential amendments to IAS 28 Investments in Associates and Joint Ventures (2011), IFRS 13 Fair Value Measurement and IFRS 7 Amendments to Financial Instrument Disclosures. The adoption of these standards had no impact on the amounts recorded in the financial statements as at January 1, 2013.

BUSINESS RISKS AND UNCERTAINTIES

The Company's business risks and uncertainties remain unchanged from those discussed in our annual MD&A for the year ended December 31, 2012 as filed on SEDAR at **www.sedar.com.**

NON-IFRS FINANCIAL MEASURES

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to net profit or to cash flow from operating, investing and financing activities determined in accordance with IFRS as indicators of our performance. These measures are provided to assist investors in determining our ability to generate profit and cash flow from operations and to provide additional information on how these cash resources are used. These financial measures are identified and defined below:

EBITDA: EBITDA is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to net profit, EBITDA is a useful supplemental profit measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before non-cash amortization expense. We have provided a reconciliation of net profit as determined in accordance with IFRS to EBITDA in the section "Net profit and comprehensive income".

EBITDA margin: EBITDA margin is calculated as EBITDA divided by gross revenue.

Price earnings ratio: price earnings ratio is calculated by dividing the Company's market capitalization by its total annual profit. Market capitalization is calculated by multiplying the Company's shares outstanding by the current market price of one share.

Working capital: working capital is calculated as current assets less current liabilities. Working capital ratio is calculated as current assets divided by current liabilities.