Cervus Equipment Corporation Management's Discussion + Analysis

For the period from January 1, 2015 to June 30, 2015

The following Management's Discussion & Analysis ("MD&A") was prepared as of August 11, 2015 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and six month periods ended June 30, 2015 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2015 and notes contained therein. The accompanying interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CVL".

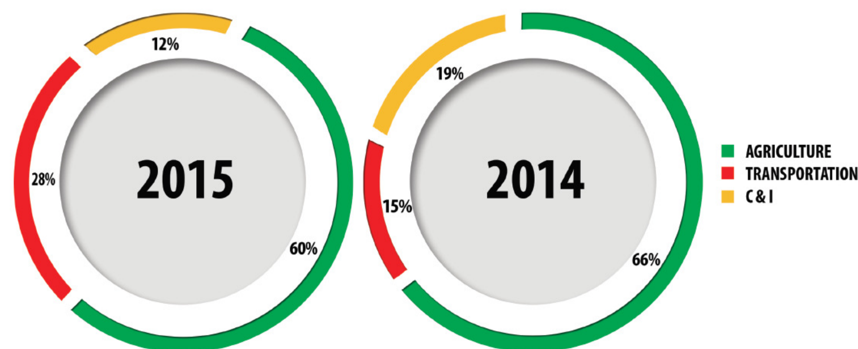
Additional information relating to Cervus, including Cervus' current annual information form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site **at www.sedar.com**.

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."

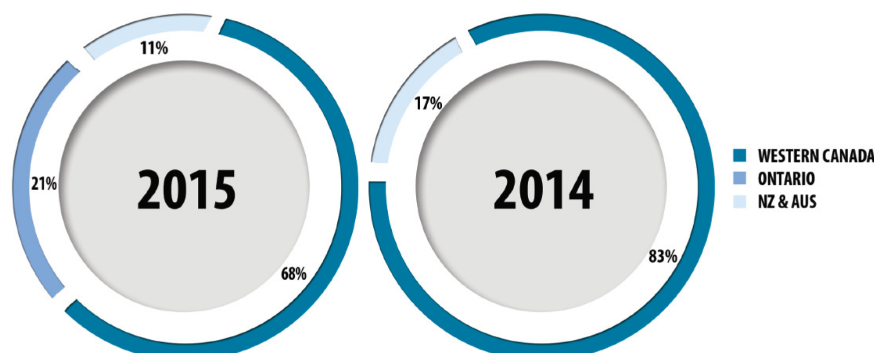
Overview of Cervus

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. During the fourth quarter of 2014, the Company realigned its operating segments as a result of changes to the governance and organizational structure resulting from the acquisition of 13 Ontario Peterbilt dealerships. The Company realigned the operating segments to be the following: Agricultural, Transportation, and Commercial and Industrial ("C&I") segments comprised of dealerships based on the industry which they serve. While Cervus continues to operate all segments under a unified corporate strategy, the expansion of Peterbilt operations and the appointment of a vice-president dedicated to Transportation operations in 2014, caused changes in how management presents and reviews information for financial reporting and management decision making purposes. Each segment continues to operate under the same unified Cervus brand and values, but are managed separately, providing segment leaders latitude to make strategic decisions relevant to the markets they serve. All prior period disclosure has been updated to reflect changes in operating segments, and certain amounts have been reclassified to conform to the current year presentation.

Year to date revenue by segment



Year to date revenue by geography



The Agricultural equipment segment consists of interests in 42 John Deere dealership locations with 14 in Alberta, 11 in Saskatchewan, 1 in British Columbia, 1 in Manitoba, 9 in New Zealand and 6 in Australia. Of the 42 John Deere Dealerships, 35 are wholly owned, and the Company holds a minority interest in 7.

The Commercial and Industrial ("C&I") equipment segment consists of 15 dealership locations with 12 Bobcat/ JCB, Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Saskatchewan and 1 in Manitoba.

The Transportation segment consists of 18 dealership locations with 4 Peterbilt truck dealerships and 1 collision repair center operating in Saskatchewan, and 13 Peterbilt truck dealerships operating in Ontario.

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 Uncertainties” 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.

The most recent quarterly dividend payment of $0.2125 per share was made to the shareholders of record as of June 30, 2015 on July 15, 2015. See “Capital Resources - Cautionary note regarding dividends” for a cautionary note regarding future dividends.

Highlights of the Quarter

- The Company generated adjusted earnings of $2.9 million for the three months ended June 30, 2015, and adjusted basic earnings per share of $0.19.
- Revenues increased $65.5 million and gross profit dollars increased $10.0 million compared to three months ended June 30, 2014.
- Acquisitions contributed $1.3 million of income from operating activities in the second quarter, including $1.0 million from our Ontario transportation operations.
- Acquisitions contributed $2.8 million incremental earnings before interest, taxes, depreciation, and amortization (“EBITDA”), including $1.8 million from Transportation Ontario. Same store EBITDA was $9.5 million.
- The Company reached an agreement with Canada Revenue Agency to adjust certain of the Company’s tax pools, resulting in no federal income taxes payable for the period of December 31, 2009 through 2014.
- The Company completed construction and relocated to a new Agriculture equipment facility in Ponoka, Alberta and relocated the Essex, Ontario Transportation dealership to a new location in Windsor, Ontario.

Update on Canada Revenue Notice of Objection

On March 4, 2014, the Company received a proposal letter from the Canada Revenue Agency ("CRA") indicating that they intended to challenge Cervus's tax filing positions stemming from the conversion of the Company from a limited partnership structure into a business corporation in October 2009 (the "Conversion").

On May 4, 2015, the Company reached an agreement with CRA to adjust certain of the Company's tax pools stemming from the Conversion. The agreement results in:

- The Company not owing any federal cash taxes for the years 2009 through 2014;
- The Company recorded a $31.6 million non-cash charge to earnings in the quarter ended June 30, 2015, derecognizing deferred income tax assets related to the Conversion which will not be available for deduction against taxable income subsequent to December 31, 2014.
- The Company owes $3.6 million of provincial cash taxes due as of December 31, 2014, and carries forward $1.7 million of federal cash tax savings to apply against income taxes payable in 2015 and subsequent tax years;.

As a result of the agreement, the Company also has carryforward capital losses available to offset approximately $39.7 million of net taxable capital gains in 2015 and subsequent tax years. However, due to uncertainty regarding the future occurrence of taxable income on account of capital, the Company will not recognize these capital loss carryforwards which is consistent with past practice.

Second Quarter Consolidated Performance

Throughout this MD&A, same store results for the three and six month periods ended June 30, 2015 in the Agricultural segment exclude the results of six John Deere dealerships acquired in 2014 during the months of October and December. Further, Agricultural segment same store results exclude the consolidated results of Deer Star Systems Inc. ("Deer Star"), as Cervus did not own a majority interest in these operations for the comparative period in 2014. For the Transportation segment, same store results for the three and six month periods ended June 30, 2015 exclude the results of thirteen Peterbilt dealerships acquired in August 2014.

	Three months period ended June 30					Six months period ended June 30				
	Total 2015		2015 Same Store			Total 2015		2015 Same Store		
($ thousands, except per share amounts)	**2015**	**% Change**	**2015 Same Store[1]**	**% Change**	**2014**	**2015**	**% Change**	**2015 Same Store[1]**	**% Change**	**2014**
Revenue	**302,988**	28%	209,947	(12%)	237,488	**541,410**	34%	365,852	(10%)	404,377
Cost of sales	**(247,732)**	29%	(170,231)	(11%)	(192,235)	**(441,842)**	36%	(293,844)	(10%)	(326,003)
Gross profit	**55,256**	22%	39,716	(12%)	45,253	**99,568**	27%	72,008	(8%)	78,374
Other income (loss)	**(376)**		583		1,000	**(223)**		1,028		1,843
Unrealized foreign exchange gain (loss)	**275**		187		(230)	**(1,051)**		(417)		219
Total other income (loss)	**(101)**	(113%)	770	0%	770	**(1,274)**	(162%)	611	(70%)	2,062
Selling, general and administrative expense	**(47,512)**	28%	(34,101)	(8%)	(37,252)	**(91,783)**	30%	(66,513)	(5%)	(70,340)
Income from operating activities	**7,643**	(13%)	6,385	(27%)	8,771	**6,511**	(36%)	6,106	(40%)	10,096
Finance income	**32**	(54%)	32	(54%)	69	**89**	(28%)	87	(29%)	123
Finance costs	**(2,790)**	65%	(2,061)	22%	(1,686)	**(5,433)**	63%	(3,864)	16%	(3,338)
Share of profit of equity accounted investees, net of tax	**43**	(94%)	43	(94%)	751	**364**	884%	364	884%	37
Income before income tax expense	**4,928**	(38%)	4,399	(44%)	7,905	**1,531**	(78%)	2,693	(61%)	6,918
Income tax expense	**(37,117)**	1523%	(3,018)	32%	(2,287)	**(36,695)**	1684%	(2,805)	36%	(2,057)
Income (loss) for the period	**(32,189)**		1,381		5,618	**(35,164)**		(112)		4,861
Income (loss) attributable to shareholders	**(32,203)**		1,367		5,618	**(35,099)**		(47)		4,785
EBITDA[1]	**12,305**	(7%)	9,549	(28%)	13,247	**16,433**	(5%)	13,014	(25%)	17,300
EBITDA margin[1]	**4.1%**		4.5%		5.6%	**3.0%**		3.6%		4.3%
Ratios as a percentage of revenue:										
Gross profit margin	**18.2%**		18.9%		19.1%	**18.4%**		19.7%		19.4%
Selling, general and administrative	**15.7%**		16.2%		15.7%	**17.0%**		18.2%		17.4%
Earnings (loss) per share										
Adjusted - Basic[1]	0.19				0.39	0.11				0.35
Basic	(2.08)		0.09		0.37	(2.28)		(0.00)		0.32
Diluted	(2.08)		0.08		0.35	(2.28)		(0.00)		0.30

[1] - Refer to Non-IFRS Measures herein

Operating Summary – Three months ended June 30, 2015

EBITDA decreased $0.9 million, primarily due to the impact of oil prices on demand for new equipment in our Commercial & Industrial (C&I) segment and Saskatchewan Transportation operations. Our Agriculture operations were comparable with the second quarter of 2014, and our Ontario Peterbilt operations generated their first post-acquisition quarterly profit with EBITDA of $1.8 million in the quarter.

Same Store Highlights

On a same store basis for the three months ended June 30, 2015, EBITDA decreased $3.7 million, primarily due to a $2.4 million decrease in operating income and $0.7 million of reduced earnings from equity investments. Income from operating activities decreased due to oil and gas related uncertainty in the C&I and Saskatchewan transportation markets, as customers curtailed capital spending. For our C&I segment and Saskatchewan Transportation combined, new equipment sales decreased a combined $18.7 million (45%) while parts and service sales remained comparatively strong, decreasing 2.8%. Our same store Agriculture operations were not directly impacted by oil prices, and generated operating income within $0.3 million of that achieved for the three months ended June 30, 2014. Curtailment of selling general and administrative costs across all segments were implemented in light of decreased equipment sales, resulting in a $3.2 million reduction in SG&A quarter over quarter.

For the six months ended June 30, 2015, income before tax decreased $4.2 million primarily due to the impact of resource price uncertainty in our Saskatchewan Transportation operations and C&I segment.

Acquisition Performance

For the three months ended June 30, 2015, Agriculture and Transportation acquisitions contributed operating income of $0.3 million and $1.0 million, respectively. Income from operations was offset by $0.7 million of incremental interest on floorplan and acquisition financing, resulting in incremental income before tax of $0.5 million and contributing $2.8 million of EBITDA. For the six months ended June 30, 2015, acquisitions contributed operating income of $0.4 million, and EBITDA of $3.4 million.

Second Quarter Business Segment Performance

The Company has three reportable segments: Agricultural, Transportation, and Commercial and Industrial, each supported by a single shared resources function. The Company allocates the expenditures of shared resources to each individual segment according to specific identification and usage based metrics as outlined in Note 15 of the accompanying Unaudited Condensed Interim Consolidated Financial Statements.

Agricultural Segment Results

	Three months period ended June 30					Six months period ended June 30				
	Total 2015		2015 Same Store			Total 2015		2015 Same Store		
($ thousands, except per share amounts)	**2015**	**% Change**	**2015 Same Store[1]**	**% Change**	**2014**	**2015**	**% Change**	**2015 Same Store[1]**	**% Change**	**2014**
Equipment										
New equipment	**101,369**	14%	88,662	0%	88,631	**172,844**	17%	139,291	(5%)	147,234
Used equipment	**51,540**	6%	40,211	(17%)	48,689	**93,677**	27%	71,988	(2%)	73,559
Total equipment revenue	**152,909**	11%	128,873	(6%)	137,320	**266,521**	21%	211,279	(4%)	220,793
Parts	**21,025**	25%	17,769	6%	16,771	**38,209**	35%	31,648	12%	28,272
Service	**9,703**	12%	8,786	1%	8,691	**17,857**	10%	15,559	(4%)	16,244
Rental and other	**1,040**	38%	788	4%	756	**2,172**	50%	1,901	31%	1,451
Total revenue	**184,677**	13%	156,216	(4%)	163,538	**324,759**	22%	260,387	(2%)	266,760
Cost of sales	**(153,373)**	12%	(130,764)	(4%)	(136,800)	**(270,425)**	21%	(216,295)	(3%)	(222,976)
Gross profit	**31,304**	17%	25,452	(5%)	26,738	**54,334**	24%	44,092	1%	43,784
Total other income	**629**	18%	822	54%	534	**1,140**	(25%)	1,313	(13%)	1,513
Selling, general and administrative expense	**(26,080)**	22%	(20,720)	(3%)	(21,370)	**(48,814)**	25%	(39,211)	0%	(39,095)
Income from operating activities	**5,853**	(1%)	5,554	(6%)	5,902	**6,660**	7%	6,194	(0%)	6,202
EBITDA	**8,195**	1%	7,279	(10%)	8,074	**11,770**	33%	10,048	14%	8,837
Ratios as a percentage of revenue:										
Gross profit margin	**17.0%**		16.3%		16.3%	**16.7%**		16.9%		16.4%
Selling, general and administrative	**14.1%**		13.3%		13.1%	**15.0%**		15.1%		14.7%

Operating Summary – Three months ended June 30, 2015

Agriculture EBITDA for the three month period ended June 30, 2015 was even with the same period of 2014. The impact of a higher US dollar combined with limited precipitation in the second quarter moderated demand. Same store results remained consistent however, with EBITDA decreasing $0.1 million excluding the $0.7 million reduction in earnings from equity investments in the quarter. The overall same store EBITDA decrease of $0.8 million was offset by $0.9 million of incremental EBITDA generated by acquisitions.

Same Store Highlights

Same store income from operating activities decreased $0.3 million for the three months primarily due to the timing of used equipment sales within the first half of the year. A later receipt of new equipment from the OEM in 2015 shifted a portion of 2015 new sales into the second quarter compared to 2014, and trades taken on these more recent sales have not cycled through as at June 30, 2015. Dry conditions in portions of our geography and US exchange factors have also tempered farmer sentiment, with farmers in some areas deferring optional purchasing until the harvest outlook solidifies. Service revenue was consistent with prior year on routine spring planting and subsequent weather conditions. SG&A dollars decreased 3% due to expense control.

Same store income from operating activities for the six month period ended June 30, 2015 was in line with prior year, on consistent gross profit dollars and SG&A expense. New equipment sales decreased by 5% over prior year as the impact of USD exchange on new equipment pricing has tempered demand. Gross profit percentage increased due to shifts in sales mix and margin strength in used equipment.

Acquisition Performance

In the three month period ended June 30, 2015, acquisitions contributed $0.3 million of operating income on $28.5 million of revenue during the three month period ended June 30, 2015. Historically the acquired entities have generated the balance of profits in the second half of the calendar year. Acquisition gross margin percentage and SG&A as a percentage of revenue were both higher than same store results, reflecting the higher parts and service weighing in acquired entities. For the six months ended June 30, 2015, Agriculture acquisitions generated $0.5 million of operating income, based on factors consistent with the three months ended June 30, 2015.

Transportation Segment Results

($ thousands, except per share amounts)	Three months period ended June 30					Six months period ended June 30				
	Total 2015		2015 Same Store			Total 2015		2015 Same Store		
	2015	% Change	2015 Same Store[1]	% Change	2014	2015	% Change	2015 Same Store[1]	% Change	2014
Equipment										
New equipment	**47,171**	189%	6,005	(63%)	16,339	**79,104**	159%	14,422	(53%)	30,530
Used equipment	**1,965**	32%	763	(49%)	1,492	**5,655**	89%	1,593	(47%)	2,987
Total equipment revenue	**49,136**	176%	6,768	(62%)	17,831	**84,759**	153%	16,015	(52%)	33,517
Parts	**24,477**	181%	8,423	(3%)	8,717	**47,483**	166%	16,862	(5%)	17,825
Service	**7,281**	117%	3,003	(10%)	3,348	**14,269**	119%	6,106	(6%)	6,509
Rental and other	**2,213**	394%	333	(26%)	448	**4,391**	404%	733	(16%)	872
Total revenue	**83,107**	174%	18,527	(39%)	30,344	**150,902**	157%	39,716	(32%)	58,723
Cost of sales	**(68,611)**	189%	(13,719)	(42%)	(23,719)	**(123,751)**	169%	(29,883)	(35%)	(45,988)
Gross profit	**14,496**	119%	4,808	(27%)	6,625	**27,151**	113%	9,833	(23%)	12,735
Other income (loss)	**(848)**		(82)		294	**(1,300)**		(222)		(83)
Unrealized foreign exchange gain (loss)	**275**		187		(230)	**(1,051)**		(417)		219
Total other income (loss)	**(573)**		105		64	**(2,351)**		(639)		136
Selling, general and administrative expense	**(12,759)**	123%	(4,708)	(18%)	(5,732)	**(25,453)**	127%	(9,786)	(13%)	(11,200)
(Loss) income from operating activities	**1,164**	22%	205	(79%)	957	**(653)**	(139%)	(592)	(135%)	1,671
EBITDA	**2,485**	57%	645	(59%)	1,586	**2,111**	(28%)	414	(86%)	2,930
Ratios as a percentage of revenue:										
Gross profit margin	**17.4%**		26.0%		21.8%	**18.0%**		24.8%		21.7%
Selling, general and administrative	**15.4%**		25.4%		18.9%	**16.9%**		24.6%		19.1%

Operating Summary – Three months ended June 30, 2015

Positive economic trends and acquisition integration activities resulted in our first quarterly profit for Ontario, while the persisting uncertainty in oil prices substantially reduced demand for equipment in Saskatchewan. EBITDA increased $0.9 million on $1.8 million of incremental EBITDA from Ontario operations, offset by a $0.9 million decrease in our Saskatchewan operations.

Same Store Highlights

EBITDA from same store operating activities decreased $0.9 million in the three month period ended June 30, 2015 on a significant decrease in new and used equipment revenues due to the rapid decline and continued uncertainty in oil prices. Further, the appreciation of the US dollar has increased the sale price of equipment, delaying purchasing decisions for a number of Saskatchewan customers. Despite these local economic pressures, parts and service revenues have proven resilient, decreasing 3% and 10% respectively, compared to the 62% decrease in equipment sales. This is a reflection of operational focus at the dealership level, along with continued transportation activity despite customers caution regarding capital purchases. The strength of parts shifted sales mix, resulting in a 4.2% increase in gross margin percentage over the same period in 2014. SG&A was reduced by 18% in the quarter, including a number of initiatives which commenced in the latter half of the three month period ended June 30, 2015.

For the six months ended June 30, 2015, same store income from operating activities decreased $2.3 million with trends similar to those outlined in the three month period. The significant decrease in equipment sales was softened by resilience in parts and service sales, while the $1.4 million reduction in SG&A expense was partially offset by a $0.6 million increase in unrealized foreign exchange losses on floorplan payables.

Acquisition Performance

Ontario transportation generated EBITDA of $1.8 million in the three month period ended June 30, 2015, as integration activities captured opportunities afforded by a strong regional transportation market. The substantial increase in performance is illustrated by class 8 new truck unit sales in our Ontario group increasing 33% compared to year to date June 30, 2014 (pre-acquisition), while parts and service revenues increased 10%. Ontario operations generated $64.6 million of revenue during the period at an overall gross margin of 15.0%, compared to gross margin of 17.2% in the first quarter of 2015, a factor of sales mix shifts due to additional equipment sales in the second quarter. Equipment sales margin in Q2 was supported by implementing process and structural efficiencies, as well as sales prices recapturing the foreign exchange impact on our cost of goods sold. Further, the accelerating US dollar has not impacted Ontario to the same extent as it has in our Saskatchewan operations, due to the stronger Ontario economy in general combined with a portion of our Ontario customers receiving payment from their customers in US dollars.

For the six months ended June 30, 2015 Ontario recorded an operating loss of $0.1 million due to margin pressures on rationalizing inventory in the first quarter, combined with operational performance of integration efforts materializing primarily in the second quarter. The year to date operating loss includes $0.6 million of unrealized foreign exchange loss on the conversion of US dollar denominated floorplans and $0.3 million of non-recurring acquisition and integration related costs. Excluding acquisition costs and unrealized foreign exchange, the Ontario acquisition generated $2.6 million of adjusted EBITDA in the year to date period.

Commercial and Industrial Segment Results

	Three months period ended June 30			Six months period ended June 30		
	Total 2015			Total 2015		
($ thousands, except per share amounts)	2015	% Change	2014	2015	% Change	2014
Equipment						
New equipment	**19,449**	(30%)	27,791	**35,433**	(25%)	47,466
Used equipment	**2,328**	19%	1,961	**4,319**	10%	3,918
Total equipment revenue	**21,777**	(27%)	29,752	**39,752**	(23%)	51,384
Parts	**7,385**	3%	7,158	**14,238**	(3%)	14,670
Service	**4,117**	(6%)	4,379	**8,042**	(7%)	8,654
Rental and other	**1,925**	(17%)	2,317	**3,717**	(11%)	4,186
Total revenue	**35,204**	(19%)	43,606	**65,749**	(17%)	78,894
Cost of sales	**(25,748)**	(19%)	(31,716)	**(47,666)**	(16%)	(57,039)
Gross profit	**9,456**	(20%)	11,890	**18,083**	(17%)	21,855
Total other income (loss)	**(157)**	(191%)	172	**(63)**	(115%)	413
Selling, general and administrative expense	**(8,673)**	(15%)	(10,150)	**(17,516)**	(13%)	(20,045)
Income from operating activities	**626**	(67%)	1,912	**504**	(77%)	2,223
EBITDA	**1,625**	(55%)	3,587	**2,552**	(54%)	5,533
Ratios as a percentage of revenue:						
Gross profit margin	**26.9%**		27.3%	**27.5%**		27.7%
Selling, general and administrative	**24.6%**		23.3%	**26.6%**		25.4%

Operating Summary – Three months ended June 30, 2015

EBITDA decreased by $2.0 million in the Commercial and Industrial (C&I) segment, primarily due to a 30% decrease in new equipment sales as low resource prices curtailed capital spending in the industry. The resulting decrease in margin was partly offset by a $1.5 million reduction in SG&A.

Revenue decreased $8.4 million primarily comprised of a $7.1 million decrease in Construction equipment sales, which has borne the brunt of oil price related uncertainty within the C&I segment. Parts and service combined decreased 1% despite the 27% reduction in overall equipment revenue. This reflects customers' reluctance to commit capital to equipment purchases given the current resource price outlook, yet also illustrates the continuity of projects in progress and ongoing equipment activity. SG&A expense decreased by $1.5 million compared to the three months ended June 30, 2014, due to $0.9 million of cost reductions in response to lower equipment sales, along with $0.6 million of reduced amortization of intangibles. This SG&A decrease partly offset the $2.4 million decrease in gross margin, resulting in a $1.3 million reduction in income from operating activities.

For the six months ended June 30, 2015, EBITDA decreased $3.1 million on a $13.1 million revenue decrease, due to factors consistent with those discussed for the second quarter of 2015.

Second Quarter Cash Flows

Cash and Cash Equivalents – Six Months Ended June 30, 2015

Cervus' primary sources and uses of cash flow for the six months ended June 30, 2015 are as follows:

Operating Activities
Net cash used in operating activities was $19.3 million for the six months ended June 30, 2015 when compared to cash provided of $20.4 million for the same period of 2014, a net decrease of $39.7 million. The primary reason for this decrease is $29.7 million of net cash used for working capital items, compared to $5.1 million provided in 2014, which is due to the following primary factors:

- $19.3 million use of cash for accounts payables and accruals (from a decrease in accounts payable of $8.1 million in the six month period ended June 30, 2015 compared to increase of $11.2 million in the similar period of 2014).
- $10.0 million use of cash for net increase in inventory and floorplan payables (use of cash of $10 million from net inventory and floorplan movement in the six month period ended June 30, 2015 with $0.1 million provided in similar period in 2014).

Investing Activities
During the six months ended June 30, 2015, the Company used $10.8 million of net cash for investing activities compared $8.8 million for the same period in 2014. When compared to the same period in 2014, there were fewer proceeds from the sale of capital assets. In addition, there were several one-time events in 2014 which were non-recurring in 2015 one of which related to the sale of an Agriculture building in 2014 which provided a source of cash, offset by cash outflow for business combinations in 2014.

Financing Activities
During the six months ended June 30, 2015, the Company's financing activities provided $23.1 million of cash, compared to a use of $1.5 million in 2014, for a net source of $24.6 million. The primary driver of the change when compared to the same period in 2014 is due to net proceeds from term debt of $31.1 million in 2015 primarily on drawings on Syndicate line for final payments on 2014 acquisitions and working capital requirements, compared to $5.6 million in 2014.

Consolidated Financial Position & Liquidity

($ thousands, except ratio amounts)	June 30, 2015	December 31, 2014
Current assets	**456,259**	410,214
Total assets	**687,627**	669,303
Current liabilities	**321,120**	290,838
Long-term liabilities	**177,514**	148,974
Shareholders' equity	**188,993**	229,491
Working capital (see "Non-IFRS Measures")	**135,139**	119,376
Working capital ratio (see "Non-IFRS Measures")	**1.42**	1.41

Working Capital

Cervus' working capital increased by $15.8 million to $135.1 million at June 30, 2015 when compared to $119.4 million at December 31, 2014. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at June 30, 2015, the Company had the ability to floor plan an additional $51.5 million of inventory, and $201.9 million of undrawn floor plan capacity.

The Company's ability to maintain sufficient liquidity is primarily driven by revenue, gross profit realization, and judicious allocation of resources. 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 equipment inventories or accessing undrawn credit facilities. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year to fund general operations caused by the seasonal nature of our sales activity.

Inventories

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, a limited portion of our Transportation sales come with a trade-in, and our Commercial and Industrial equipment sales usually do not have trade-ins. This results in a higher amount of used Agriculture equipment than used Transportation and 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 in inventory. The majority of our product lines, in all segments, are manufactured in the US with pricing based in US dollars, but invoiced in Canadian dollars.

Inventory by segment for the period ended June 30, 2015 compared to December 31, 2014 is as follows:

($ thousands)	June 30, 2015	December 31, 2014
Agricultural	**212,327**	200,374
Transportation	**87,346**	68,024
Commercial & Industrial	**61,198**	56,227
Total	**360,871**	324,625

As at June 30, 2015, inventories had increased by $36.2 million to $360.9 million when compared to $324.6 million at December 31, 2014. Of the $36.2 million increase, $20.0 million relates to new equipment, $10.5 million in used and $5.2 million in parts.

Due to seasonality of sales activity in our operating segments a comparison to the period closing December 31, 2014 may be limited. Therefore we have compared inventory by segment for the period ended June 30, 2015 compared to June 30, 2014. A summary of the movement is as follows:

($ thousands)	June 30, 2015		June 30, 2014
	Total	Same Store	
Agricultural	**212,327**	**176,093**	163,207
Transportation	**87,346**	**33,234**	21,582
Commercial & Industrial	**61,198**	**61,198**	48,098
Total	**360,871**	**270,525**	232,887

Inventory has increased $128.0 million when compared to June 30, 2014. Included in the increase is $90.3 million of inventory from acquisitions. On a same store basis, inventory has increased by $37.6 million compared to June 30, 2014, comprised of a $19.4 million increase in new equipment, a $16.5 million increase in used equipment, and a $1.4 million increase in parts. The Agriculture segment had an increase in same store inventory over prior year primarily in used equipment due to the timing of delivery of new equipment and receipt of trades on sale of new equipment. The increase in our same store equipment inventory in our Transportation and Commercial and Industrial segments are due to new equipment inventory increases in anticipation of an average sales year, which has not materialized due to resource price implications as previously discussed.

As at June 30, 2015, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no significant impairment reserve is required or has been recorded.

Accounts Receivable

The rolling twelve month average time to collect the Company's outstanding accounts receivables was approximately 21 days as at June 30, 2015 compared to 19 days for the same period in 2014. At June 30, 2015 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 account aging, combined with specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections has increased to $1.6 million at June 30, 2015 (June 30, 2014 - $0.9 million), which represents 3.4% (June 30, 2014 – 2.9%) of outstanding trade accounts receivable and 0.1% (June 30, 2014 - 0.1%) of gross revenue on an annual basis. Bad debt expense for the three months ended June 30, 2015 amounted to a $0.2 million expense (2014 - $0.1 million recovery).

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, 2015 is as follows:

($ thousands)	Total Amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	103,115	78,181	2,556	-	22,378
Floor plan facilities and rental equipment floor plan facilities	515,795	215,505	-	98,436	201,854
Capital facilities	64,211	43,746	-	-	20,465
Total	683,121	337,432	2,556	98,436	244,697

Operating and Other Bank Credit Facilities

At June 30, 2015 the Company has a committed revolving credit facility with a syndicate of lenders, with a principal amount of $100.0 million. The facility is committed for a two year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80.0 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at June 30, 2015 there was $77.6 million drawn on the facility and $2.4 million had been utilized for outstanding letters of credit to John Deere.

Operating and other bank credit facilities include both the Canadian and New Zealand amounts. The New Zealand operating facility of NZ $1.5 million (CAD $1.3 million), represents the Company's operating credit facility with its New Zealand bank.

We believe that the credit facilities available to the Company outlined above are sufficient to meet our market share targets and working capital requirements for 2015.

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, De Lage Landen Financial Services Canada Inc., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At June 30, 2015, floor plan payables related to inventories was $199.7 million.

Floor plan payables at June 30, 2015 represented approximately 55.3% of our inventories (December 31, 2014 - 54.4%). Floor plan payables fluctuate significantly from quarter to quarter based on 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.

Interest on floor plans at the contractual rate were largely offset by dealer rebates and interest free periods. Total Agricultural segment interest otherwise payable on John Deere floor plans approximates $0.5 million and $1.0 million for the three and six month periods ended June 30, 2015. This amount was offset by rebates applied during the three and six month periods ended June 30, 2015 of $0.5 million and $0.9 million, respectively. At June 30, 2015 approximately 70% of the C&I and 10% of the Transportation segment's outstanding floor plan balances were non-interest bearing due to various incentives and interest free periods in place.

Capital Facilities

Capital facilities consist of capital asset financing primarily through credit facilities with Farm Credit Canada and Affinity Credit Union.

Outstanding Share Data

As of the date of this MD&A, there are 15,518 thousand common shares, 39 thousand share options, and 738 thousand deferred shares outstanding. The Company also has convertible debentures with a face value of $34.5 million, convertible at the holder's option, into common shares prior to the maturity date at a conversion price of $26.15 per common share see "Contractual Obligations"). Further, at the maturity date, the Company may repay the debentures in cash or shares, at the Company's discretion. As at June 30, 2015 and 2014, the Company had the following weighted average shares outstanding:

(thousands)	June 30, 2015	June 30, 2014
Basic weighted average number of shares outstanding	**15,413**	15,084
Dilutive impact of deferred share plan	**-**	696
Dilutive impact of share options	**-**	11
Diluted weighted average number of shares outstanding	**15,413**	15,791

The above tables excludes all deferred share units and options for the six months ended June 30, 2015 (723 thousand) as they are considered anti-dilutive.

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 period ended June 30, 2015:

($ thousands, except per share amounts) Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2015	0.2125	3,287	292	2,995
June 30, 2015	0.2125	3,293	282	3,011
Total	**0.4250**	**6,580**	**574**	**6,006**

As of the date of this MD&A, all dividends as described above were paid (see “Capital Resources – Cautionary note regarding dividends”).

Dividend Reinvestment Plan (“DRIP”)

The DRIP was implemented to allow shareholders to reinvest quarterly dividends and receive Cervus shares. Shareholders who elect to participate will see their periodic cash dividends automatically reinvested in Cervus shares at a price equal to 95% of the volume-weighted average price of all shares for the ten trading days preceding the applicable record date. Eligible shareholders can participate in the DRIP by directing their broker, dealer, or investment advisor holding their shares to notify the plan administrator, Computershare Trust Company of Canada Ltd., through the Clearing and Depository Services Inc. (“CDS”), or directly where they hold the certificates personally.

During the three and six month period ended June 30, 2015, 16 thousand and 32 thousand, respectively, common shares were issued through the Company’s dividend reinvestment plan.

Taxation

Cervus’ dividends declared and paid to June 30, 2015 are considered to be eligible dividends for tax purposes on the date paid.

The recent corporate income tax rate increase in Alberta for current and future periods increased provincial income tax to 12% from 10%. We estimate that our corporate tax rate for current and future periods will increase approximately 0.75% to 1.0% based on current provincial and federal tax rates in the jurisdictions in which we operate.

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.

Summary of Results

Quarterly Results Summary

($ thousands, except per share amounts)	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Revenues	**302,988**	238,422	289,040	286,192
Profit (loss) attributable to the shareholders	**(32,203)**	(2,896)	5,870	7,707
Gross profit dollars	**55,256**	44,312	55,954	52,345
Gross margin percentage	**18.2%**	18.6%	19.4%	18.3%
EBITDA	**12,305**	4,128	15,909	17,599
Earnings (loss) per share:				
Basic	**(2.08)**	(0.19)	0.38	0.51
Diluted	**(2.08)**	(0.19)	0.37	0.49
Adjusted earnings (loss) per share[1]				
Basic	**0.19**	(0.08)	0.49	0.55
Diluted	**0.18**	(0.08)	0.47	0.53
Weighted average shares outstanding				
- Basic	**15,446**	15,382	15,273	15,148
- Fully diluted	**15,446**	15,382	16,023	15,884

($ thousands, except per share amounts)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Revenues	237,488	166,889	225,813	249,394
Profit (loss) attributable to the shareholders	5,618	(833)	6,250	8,646
Gross profit dollars	45,253	33,121	43,188	47,445
Gross margin percentage	19.1%	19.8%	19.1%	19.0%
EBITDA	13,247	4,053	13,120	17,242
Earnings (loss) per share:				
Basic	0.37	(0.06)	0.42	0.58
Diluted	0.35	(0.06)	0.40	0.55
Adjusted earnings (loss) per share[1]				
Basic	0.39	(0.10)	0.41	0.52
Diluted	0.37	(0.10)	0.40	0.50
Weighted average shares outstanding				
- Basic	15,130	15,034	15,005	14,989
- Fully diluted	15,835	15,034	15,689	15,650

[1] - Refer to Non-IFRS Measures herein

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. Activity in the Transportation sector generally increases in winter months, while the Commercial and Industrial sector generally slows in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. The primary reason for the change in net profit for the four most recent quarters when compared to prior quarters is due to acquisition and integration costs in completing the acquisitions in 2014, along with our Ontario Peterbilt operations generating operating losses during integration.

Market Outlook (see "Note Regarding Forward-Looking Statements")

The Company's three operational segments are subject to broad market forces in addition to the underlying economic factors specific to the industries they serve. Further, the geographic diversity of the Company's operations may temper or accelerate broader market forces in their significance region to region. The following provides an overview of Management's market outlook as it relates to the Company's operations.

Alberta & Saskatchewan
Mid-season indicators provide some directional insight of western Canadian farm fundamentals, which impact our Agricultural segment. In their June report, Agriculture and Agri-Food Canada (AAFC) forecasts the 2015 crop to exceed 2014 volumes by 3%, based on increased seeded acres in the spring of 2015 with an expected yield consistent with 2014.[1] Agriweek comments that this AAFC production forecast may be optimistic based on dry conditions in many areas of western Canada, as reflected by the CWB Crop Tour forecasting a 2015 canola yield 15% below AAFC's forecast.[2] Moisture conditions are a significant factor in crop yield, and vary widely across our geography. The ultimate impact of weather on the 2015 harvest remains uncertain, as is common at this point in the growing season.

At time of writing, crop pricing for Canadian field crops have generally climbed since the fall of 2014, which may offset some of the potential yield reduction. Livestock prices remain near record highs which benefits mixed farmers and ranchers generally concentrated in our Alberta geography, and pricing strength will temper the impact of a sparse hay crop. Overall, the strength of Canadian agriculture in recent years provides our customer a solid foundation, while current trends support an average crop year.

Our Commercial and Industrial operations in Alberta and Saskatchewan have been significantly impacted by petroleum prices, specifically in demand for construction equipment as our customers curtail capital spending. The outlook for construction equipment is contingent on growth and stability in oil prices, the timing of which has proved to be elusive. However, demand for parts and service has remained comparatively robust, indicating that equipment continues to operate as projects in progress continue.[3] Maintaining the efficiency and profitability of our parts and service has been essential in previous industry cycles, and remains a foundational principle of our dealership model.

Saskatchewan's resource sector has slowed substantially due to lower oil prices, and our Transportation operations have not been immune, particularly in the heavily oil dependant areas of Lloydminster and Estevan. Demand for equipment has decreased significantly, commensurate with the decline in activity. Similar to the C&I sector, we anticipate demand for equipment is unlikely to return to 2014 levels until oil prices stabilize. Customer requirements for parts and service remain, and our focus is leveraging and growing the contribution of these revenue streams while scaling operations to meet demand.

Ontario
A weaker Canadian dollar, low interest rates, and economic activity in the United States have spurred the manufacturing sector in Ontario along with related transportation activity. TD Economics expects Ontario to be a bright spot of economic growth in the country, forecasting real GDP of 2.1% for 2015, the second highest of the provinces.[4] Our integration efforts are producing results, illustrated by a 33% increase in class 8 truck unit sales for the six months ended June 30, 2015 compared to the same period of the prior year. Outlook for the remainder of the year is focused on profitable growth, with our team and process substantially in place.

New Zealand & Australia
A substantial portion of agriculture activity in New Zealand is linked to dairy prices, which have dropped by more than half from the record levels of late 2013 and early 2014, on reduced demand from dairy importers. Indicators of a substantial recovery in dairy prices by late 2015 now appear remote.[5] Providing some relief from dairy price trends have been good moisture levels moving into the growing season. Further, strong livestock prices are benefiting cattle and sheep ranchers. In our dealerships, the weight of depressed dairy

---

[1] Agriculture and Agri Food Canada, *Outlook for Principal Field Crops,* June 18, 2015, retrieved from www.agr.gc.ca
[2] Agriweek.com *Tuesday July 28, 2015,* retrieved from www.agriweek.com on July 27, 2015
[3] Alberta Construction Magazine, *Four Big Infrastructure Projects Coming Our Way,* Tricia Radison, June 24, 2015
[4] TD Economics, *Provincial Economic Forecast,* July 9, 2015, www.td.com
[5] NZFarmer.co.nz, *Global Dairy Trade Auction Prices Suffer Massive Fall*, by Tao Lin, July 16, 2015

prices and appreciation of the US dollar has tempered demand for new equipment, however parts and service demand remains strong in supporting ongoing agricultural activity, despite muted capital spending by farmers.

Our Australian operations are also impacted by dairy prices, although the diversified farming of our Australian geography reduces the significance of dairy price pressure. In Australia, high livestock and average cash crop prices have benefitted mixed farms while providing a significant counterweight to trends in dairy. Further, our Australian geographies have received adequate to above average winter precipitation, boding well for both hay and grain crops. Precipitation remains a key variable in our south-eastern geography through the growing season, however we anticipate continued demand across our revenue streams based on generally positive mixed farming fundamentals in our geography.

Foreign Exchange

The speed of which the US dollar appreciated relative to the Canadian dollar in the six months ended June 30, 2015 has caused a significant increase in the cost of equipment, which translates to an increased cost to Canadian customers. Should exchange rates continue to fluctuate by significant amounts over relatively short periods of time, it may exaggerate or negate the impact of microeconomic, industry specific fundamentals.

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 Credit Inc. (“Deere Credit”) 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, 2015, payments in arrears by such customers aggregated $374 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit for the net residual value of the lease outstanding at the maturity of the contract. At June 30, 2015, the net residual value of such leases aggregated $175.4 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. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company owes Deere Credit 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 $2.3 million at June 30, 2015. Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to Deere Credit and another supplier in the aggregate amount of $2.4 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. The Company contributes to the deferred share plan on behalf of directors and executive officers, and to the employee share purchase plan on behalf of 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, aside from permitting unvested deferred share units earned during employment to continue vesting upon retirement. In addition, no directors or executive officers are part of the share option plan.

Total remuneration of key management personnel and directors during the three and six months ended June 30, 2015 and 2014 was:

	Three month period ended		Six month period ended	
($ thousands)	**June 30, 2015**	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Short-term benefits	**480**	465	**1,899**	1,588
Share-based payments	**153**	57	**251**	289
Total	**633**	522	**2,150**	1,877

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6.5 million. The guarantees are kept in place until released by John Deere. During the three and six month periods ended June 30, 2015 and 2014, the Company paid those individuals $49 thousand and $98 thousand for providing these guarantees which represents a similar amount to guarantee fees otherwise paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

Critical Accounting Estimates and Judgements

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, 2014 as filed on SEDAR at www.sedar.com. There have been no changes to our critical accounting estimates for the three and six months ended June 30, 2015.

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, 2014 as filed on SEDAR at www.sedar.com

Changes in Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2014 and as described in note 3 in those financial statements.

New Standards Not Yet Adopted

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the current or future periods. The new standards, amendments to existing standards effective for annual periods beginning on or after January 1, 2016 and have not been applied in preparing these consolidated financial statements are set out below.

Effective January 1, 2016, the Company will be required to adopt amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible for clarification on acceptable methods of depreciation and amortization. The amendments are to be applied prospectively for the annual period commencing January 1, 2016. The Company does not expected the amendments to have a material impact on the Company's financial statements.

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

Effective January 1, 2018, the Company will be required to adopt IFRS 15 related to revenue from contracts with customers. Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The extent of the impact of adoption has not yet been determined. The impact on the financial statements has yet to be determined.

The IASB has released updates to IFRS 9, related to the accounting and presentation of financial instruments and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The mandatory effective date is January 1, 2018; however, early adoption is permitted. The Company does not intend to early adopt IFRS 9 (2009), IFRS 9 (2010), or IFRS 9 (2013) in its financial statements in this annual period beginning on January 1, 2015. The impact on the financial statements has yet to be determined.

Responsibility of Management and Board

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 ("ICFR"). 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. There have been no significant changes in the design of our ICFR during the three and six month periods ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

The control framework utilized to design the Company's ICFR is the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013).

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures ("DC&P"). 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, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities. There have been no significant changes in the design of our DC&P during the three and six month period ended June 30, 2015 that have materially affected, or are reasonably likely to materially affect the Company's DC&P.

It should be noted a control system, including the Company's DC&P and ICFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system will be met, and it should not be expected that DC&P and ICFR will prevent all errors or fraud.

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 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:

Adjusted Earnings

Adjusted earnings is provided to aid in the comparison of the Company's results from one period, to the Company's results from another period. The Company calculates Adjusted Earnings as follows:

	Three month period ended		Six month period ended	
($ thousands, except per share amounts)	**June 30, 2015**	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Income (loss) attributed to shareholders	**(32,203)**	5,618	**(35,099)**	4,785
Adjustments:				
CRA settlement	**35,123**	-	**35,123**	-
Unrealized foreign currency (gain) loss	**(275)**	230	**1,051**	(219)
Acquisition and integration costs	**287**	74	**599**	74
Loss (gain) on sale of land and building	**-**	-	**-**	680
Adjusted income (loss) attributed to shareholders	**2,932**	5,922	**1,674**	5,320
Adjusted earnings (loss) per share:				
Basic	**0.19**	0.39	**0.11**	0.35
Diluted	**0.18**	0.37	**0.10**	0.34

For comparison purposes, an update to the quarterly results summary for adjusted earnings is as follows:

($ thousands, except per share amounts)	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013
Income (loss) attributed to shareholders	(2,896)	5,870	7,707	(833)	6,250	8,646
Adjustments:						
Unrealized foreign currency (gain) loss	1,326	952	(179)	(11)	(34)	(23)
Acquisition and integration costs	312	632	819	-	-	-
Loss (gain) on sale of land and building	-	-	-	(680)	-	(779)
Adjusted income (loss) attributed to shareholders	(1,258)	7,454	8,347	(1,524)	6,216	7,844
Adjusted earnings (loss) per share:						
Basic	(0.08)	0.49	0.55	(0.10)	0.41	0.52
Diluted	(0.08)	0.47	0.53	(0.10)	0.40	0.50

EBITDA

Throughout the MD&A, reference is made to EBITDA, which Cervus' management defines as earnings before interest, income taxes and depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and is important in enhancing investors' understanding of the Company's operating performance. As EBITDA does not have a standardized meaning prescribed by IFRS, it may not be comparable to similar measures presented by other companies. As a result, we have reconciled profit as determined in accordance with IFRS to EBITDA, as follows:

Three months ended June 30, 2015

EBITDA ($ thousands) Three months ended June 30, 2015	Total	Agricultural	Transportation	Commercial & Industrial	Other[1]
Net profit (loss)	**(32,203)**	15	2,454	451	(35,123)
Add:					
Interest	**2,987**	1,620	922	445	-
Income taxes	**37,117**	4,371	(2,182)	(195)	35,123
Depreciation and Amortization	**4,404**	2,189	1,291	924	-
EBITDA	**12,305**	8,195	2,485	1,625	-

EBITDA ($ thousands) - Same Store Three months ended June 30, 2015	Total	Agricultural	Transportation	Commercial & Industrial
Net profit (loss)	**1,367**	(140)	1,056	451
Add:				
Interest	**2,257**	1,412	400	445
Income taxes	**3,018**	4,437	(1,224)	(195)
Depreciation and Amortization	**2,907**	1,570	413	924
EBITDA	**9,549**	7,279	645	1,625

EBITDA ($ thousands) Three months ended June 30, 2014	Total	Agricultural	Transportation	Commercial & Industrial
Net profit (loss)	**5,618**	3,990	466	1,162
Add:				
Interest	**1,863**	1,257	281	325
Income taxes	**2,287**	1,557	234	496
Depreciation and Amortization	**3,479**	1,270	605	1,604
EBITDA	**13,247**	8,074	1,586	3,587

Six months ended June 30, 2015

EBITDA ($ thousands) Six months ended June 30, 2015	Total	Agricultural	Transportation	Commercial & Industrial	Other[1]
Net profit (loss)	**(35,099)**	(103)	116	11	(35,123)
Add:					
Interest	**5,822**	3,121	1,808	893	-
Income taxes	**36,695**	4,344	(2,514)	(258)	35,123
Depreciation and Amortization	**9,015**	4,408	2,701	1,906	-
EBITDA	**16,433**	11,770	2,111	2,552	-

EBITDA ($ thousands) - Same Store Six months ended June 30, 2015	Total	Agricultural	Transportation	Commercial & Industrial
Net profit (loss)	**(47)**	(120)	62	11
Add:				
Interest	**4,253**	2,586	774	893
Income taxes	**2,805**	4,429	(1,366)	(258)
Depreciation and Amortization	**6,003**	3,153	944	1,906
EBITDA	**13,014**	10,048	414	2,552

EBITDA ($ thousands) Six months ended June 30, 2014	Total	Agricultural	Transportation	Commercial & Industrial
Net profit (loss)	**4,785**	2,830	771	1,184
Add:				
Interest	**3,593**	2,304	624	665
Income taxes	**2,057**	1,229	326	502
Depreciation and Amortization	**6,865**	2,474	1,209	3,182
EBITDA	**17,300**	8,837	2,930	5,533

[1] – The impact of the CRA settlement as discussed in Note 13 of the accompanying Unaudited Condensed Interim Consolidated Financial Statements have not been allocated to the business segments.

EBITDA is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to 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.

EBITDA Margin

EBITDA margin is calculated as EBITDA divided by gross revenue.

Same Store

Same store illustrates the current period results for stores that were included in the comparable period for the prior year. Excluded from same store are the incremental results for newly acquired stores for the period they were not owned in the prior year, including any current year acquisition related costs and amortization of intangibles.

Price Earnings Ratio

Price earnings ratio is calculated by dividing the Company's market capitalization by its total annual profit.

Working Capital

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

Market Capitalization

Market capitalization is calculated as current common shares outstanding at a particular time multiplied by the market value of those respective shares at that time.

Net Book Value Per Share – Diluted

Net book value per share – diluted is calculated as shareholders' equity divided by the weighted average number of shares outstanding on a diluted basis.