

## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **About Us**

Ritchie Bros. Auctioneers Incorporated ("Ritchie Bros.", the "Company", "we", or "us") (NYSE & TSX: RBA) is the world leader for the exchange of used equipment. Our expertise, global reach, market insight and trusted brand provide us with a unique and leading position in the used equipment market. We primarily sell equipment for our customers through unreserved auctions held on a worldwide basis. In addition, during 2013 we launched EquipmentOne, an online used equipment marketplace, to reach a broader customer base. These two complementary exchange solutions provide different value propositions to equipment owners and allow us to meet the needs and preferences of a wide spectrum of equipment sellers.

Ritchie Bros. focuses on the sale of heavy machinery. Through our unreserved auctions and online marketplaces, we sell a broad range of used and unused industrial assets, including equipment and other assets used in the construction, agricultural, transportation, energy, mining, forestry, material handling and marine industries. The majority of the assets sold through our sales channels represent construction machinery.

We operate from 45 permanent and regional auction sites in over 15 countries worldwide. Our world headquarters are located in Burnaby, Canada.

On November 4, 2015, we acquired a 75% interest in Xcira LLC ("Xcira"), a Florida-based company specializing in software and technology solutions related to online auction bidding and sales. Ritchie Bros. was one of Xcira's first customers, and has worked very closely with Xcira over the past 14 years to customize Xcira's solutions to meet our needs. Xcira primarily operates in the industrial auction space, but also offers solutions to auto, art, and other luxury item auctioneers.

On February 19, 2016, we acquired a 100% interest in Mascus International Holding BV ("Mascus"), an Amsterdam-based company that operates a global online portal for the sale and purchase of heavy equipment and vehicles, with the largest online market presence in Europe for heavy machinery and trucks. Mascus offers subscriptions to equipment dealers, brokers, exporters and equipment manufacturers to list equipment available for sale. In addition to online listing services, they also provide online advertising services, business tools, and other software solutions to many of the world's leading equipment dealerships and equipment manufacturers. Founded in Scandinavia, Mascus has grown rapidly over the past 15 years and now includes operations across Europe, Asia, Africa, and North America, catering to the construction, transport, agriculture, material handling, forestry, and grounds-care industries.

On July 12, 2016, we completed our acquisition of the 49% non-controlling interest in Ritchie Bros. Financial Services ("RBFS"). RBFS provides equipment buyers with the confidence to make offers on equipment, trucks and other industrial assets, with pre-approved loans and financing arrangements. The business finances all brands of equipment and provides equipment buyers with the option to purchase assets at Ritchie Bros. auctions, Ritchie Bros. EquipmentOne, or through other sales channels. RBFS has arrangements with a diverse group of financial partners to provide lending solutions that meet the specific needs of equipment owners and dealers. Services offered include pre-approved commercial equipment financing, re-financing, and leasing, as well as equipment dealer financing.

Also on July 12, 2016, we announced our minority investment in Machinio Corp. ("Machinio"), a global search engine for finding, buying, and selling used machinery and equipment. With more active listings than any other website, Machinio is the most comprehensive real-time database of for-sale listings. Machinio connects hundreds of thousands of buyers each month with thousands of used machinery dealers from all over the world. Having launched in late 2012, Machinio is now the fastest growing online platform for used machinery.

On August 1, 2016, we acquired 100% of the assets of Petrowsky Auctioneers ("Petrowsky"), a Connecticut-based company that conducts reserved auctions. Petrowsky sold nearly \$50 million worth of equipment and other assets at auctions in 2015, mostly in the New England, United States region.

## Overview

The following discussion and analysis summarizes significant factors affecting our consolidated operating results and financial condition for the three and six months ended June 30, 2016 and 2015. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those expressed or implied in any forward-looking statements as a result of various factors, including those set forth under “Part I, Item 1A: Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com).

This discussion and analysis should be read in conjunction with the “Cautionary Note Regarding Forward-Looking Statements” and the consolidated financial statements and the notes thereto included in “Part I, Item 1: Consolidated Financial Statements” of this Form 10-Q. The following discussion should also be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015. None of the information on our website, EDGAR, or SEDAR is incorporated by reference into this document by this or any other reference.

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles (“US GAAP”). Except for Gross Auction Proceeds (“GAP”) and Gross Transaction Value (“GTV”) (both described below), which are measures of operational performance and not measures of financial performance, liquidity, or revenue, the amounts discussed below are based on our consolidated financial statements and are presented in United States (“U.S.”) dollars. Unless indicated otherwise, all tabular dollar amounts, including related footnotes, presented below are expressed in thousands of dollars.

We make reference to various non-GAAP financial and performance measures throughout this discussion and analysis. These measures do not have a standardized meaning, and are therefore unlikely to be comparable to similar measures presented by other companies.

## Consolidated Highlights

Key second quarter and first half 2016 financial results include:

- Record second quarter and first half GAP of \$1.3 billion and \$2.3 billion, respectively
- Second quarter 2016 revenues increased 2% over second quarter 2015
- Second quarter Revenue Rate (as described below) of 12.45%, driven mostly by growing fee-based revenue streams
- Costs of services and selling, general and administrative expenses grew due to newly acquired businesses, increased headcount to drive strategic initiatives, and growth in lot volume
- Diluted earnings per share (“EPS”) attributable to stockholders of \$0.37, a 12% decrease relative to \$0.42 in the second quarter of 2015
- Increasing quarterly cash dividend by 6% to \$0.17 per share
- Acquisition of Petrowsky will significantly strengthen our market presence in the northeast United States
- During the second quarter of 2016, for the first time in our history, more than half of our GAP was generated through online transactions

## Strategy

The following discussion highlights how we acted on the three main drivers to our strategy during the first half of 2016.

### GROW Revenues and Net Income

Our revenues are comprised of:

- commissions earned at our auctions where we act as an agent for consignors of equipment and other assets, as well as commissions on online marketplace sales; and
- fees earned in the process of conducting auctions through all our auction channels and from value-added service offerings, as well as subscription revenues from our listing and software services.

Commissions from sales at our auctions represent the percentage we earn on GAP. GAP represents the total proceeds from all items sold at our auctions and the GTV of all items sold through our online marketplaces<sup>2</sup>. GTV represents total proceeds from all items sold at our online marketplaces, as well as a buyers' premium component applicable only to our online marketplace transactions. The majority of commissions are earned as a pre-negotiated fixed rate of the gross selling price. Other commissions are earned from underwritten commission contracts, when we guarantee a certain level of proceeds to a consignor or purchase inventory to be sold at auction. We believe that revenues are best understood by considering their relationship to GAP. We use Revenue Rate, which is calculated by dividing revenues by GAP, to determine the amount of GAP changes that flow through to our revenues.

We achieved a record level of second quarter and first half revenues in 2016, primarily as a result of an increase in GAP combined with a strong Revenue Rate compared to 2015. Changes in our Revenue Rate are driven by fluctuations in the commissions we charge on GAP and in our fee revenues, which are not directly linked to GAP. The increase in Revenue Rate in the second quarter and first half of 2016 compared to the second quarter and first half of 2015 was primarily the result of the performance of our straight commission contracts combined with an increase in fee revenues.

We continued to see foreign currency exchange rates negatively impacting our GAP and revenues in the second quarter of 2016 compared to the second quarter of 2015, primarily due to the declining value of the Canadian dollar relative to the U.S. dollar, but ultimately having an insignificant impact on operating income as a result of the partially mitigating natural hedge we experience between our foreign-currency denominated revenues and operating expenses.

On a U.S. dollar basis, the proportion of GAP earned in Canada (33% of total GAP) grew in the first half of 2016 compared to the first half of 2015 (31% of total GAP), which is consistent with our focus on driving geographic depth in our existing geographies. The proportion of revenues attributable to Canada also grew by 82 basis points in the first half of 2016 compared to the first half of 2015.

On February 19, 2016, we acquired Mascus, a leading global online equipment listing service. The acquisition expands the breadth of equipment disposition and management solutions we can offer our customers. Mascus operates a vibrant online equipment listing service with over 360,000 items for sale and 3.3 million monthly website visits across 58 countries and in 42 languages. The business also provides equipment sellers with a turn-key suite of business tools and software solutions. Mascus customers will benefit from our deep equipment experience and extensive global buying audience, providing further global exposure for Mascus equipment listings.

On July 12, 2016, we completed our acquisition of the 49% non-controlling interest in RBFS and announced our strategic investment in Machinio. In 2015, RBFS received more than \$1 billion of credit applications and facilitated \$222 million in equipment financing for Ritchie Bros. customers – representing 31% growth in funded loans compared to 2014, and 116% growth compared to 2013. RBFS acts as an intermediary with select lending partners to find financing solutions for customers purchasing equipment, including loans and lease-to-own programs.

RBFS does not utilize Ritchie Bros. capital in its financing activities. These corporate development initiatives are expected to help position us for future growth and further extend our involvement in the digital innovation of the equipment industry.

On August 1, 2016, we acquired Petrowsky, significantly enhancing our market presence in the New England, United States region and providing Ritchie Bros. with a new live reserve auction platform. Petrowsky's auction sales are well aligned with Ritchie Bros.' sector focus as they cater largely to equipment sellers in the construction and transportation industries. Petrowsky also serves customers selling assets in the underground utility, waste recycling, marine, and commercial real estate industries. The business operates one permanent auction site, in North Franklin, United States, which will continue to hold auctions, and also specializes in off-site auctions held on the land of the consignor. All Petrowsky auctions are also simulcast live online, allowing online bidders to participate.

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<sup>2</sup> GAP and GTV are measures of operational performance and are not measures of our financial performance, liquidity or revenue. GAP and GTV are not presented in our consolidated income statements. We believe that comparing GAP and GTV for different financial periods provides useful information about the growth or decline of our revenue and net income for the relevant financial period.

The Petrowsky brand will be maintained as a brand extension within the Ritchie Bros. family of brands, given its strong and loyal customer base and its offering of reserve auction options.

### **DRIVE Efficiencies and Effectiveness**

During the first half of 2016, we initiated a revision to our short-term incentive plans for all management levels. This revision simplified the plans to focus on three rather than four financial measures. For directors and above, the revision prioritizes financial measures above individual goals, with a minimum of 70% of the short-term incentive based on financial results, as opposed to a 50% minimum. We believe that such a shift will better align employee incentives with our objective of increasing shareholder value.

In addition, we announced the following appointments, which improved the alignment of our organizational structure:

- Becky Alseth as Chief Marketing Officer effective January 4, 2016
- Marianne Marck as Chief Information Officer effective April 18, 2016

Also during the first half of 2016, we implemented a new capital expenditure approval process, which included the establishment of a Capital Committee to review and approve all significant capital information technology projects. The primary goal of the Capital Committee is to continue to control our capital expenditure, maximizing returns on information technology investments and realizing 'quick wins' with respect to process and customer service improvements.

During the second quarter of 2016, our first 'quick win' project was successfully launched. This project involved an integration of our auction site operational processes with our administrative office accounting procedures. By automating the post-sale customer receipt process, we were able to greatly reduce the amount of time and expense required to match customer receipts with sale invoices, thereby ensuring timely release of customer equipment purchased at auction. These time savings have enabled our personnel to focus on customer needs and improve the customer experience. The project qualified as a 'quick win' due to the minimal capital expenditure that was required, the short implementation timeframe, and the fact that it drove significant efficiencies in our post-sale processes.

During the first half of 2016, we continued to be diligent in our valuations and methodology as it pertains to sectors that continue to experience pressure, including oil and gas and mining, in order to compete effectively and grow the business in those sectors.

### **OPTIMIZE our Balance Sheet**

On March 1, 2016, we were granted approval of a new normal course issuer bid by the Toronto Stock Exchange ("TSX"), to allow us to continue pursuing share repurchases through both the New York Stock Exchange and the TSX. We intend to continue using our share repurchase program to primarily neutralize dilution from options. In March 2016, we repurchased 1.46 million of our common shares at a total cost of \$36.7 million in order to address option dilution, consistent with our capital allocation priorities.

Also during the first half of 2016, we paid dividends of \$34.2 million to our stockholders. In total we returned \$70.9 million to our stockholders as we executed on our capital allocation strategy during the first half of 2016. We also managed our net capital spending such that it remains well below our target of 10% of our revenues on a rolling 12-month basis. We calculate the GAAP measure, net capital spending, directly from consolidated statement of cash flows by adding property, plant and equipment additions to intangible asset additions, and subtracting proceeds on disposition of property, plant and equipment.

## **Used Equipment Market Update**

Overall, the used equipment market was stable through the first half of 2016. However, pricing remained lower than the used equipment valuation peak that occurred in the first quarter of 2015. We continued to see performance vary among asset sectors. In particular, pricing for dump trucks and smaller construction based assets was strong in the first half of 2016. Comparatively, there was an excess of transportation assets, especially in North America, during the six months ended June 30, 2016. We believe this excess fleet turnover was the source of some price deterioration for transportation assets in the first half of 2016. Also, oil and gas specific assets and assets tied to commodities, such as mining assets, continued to face price deterioration in the first six months of 2016.

Overall, we continued to see an improvement in the overall age of equipment coming to market relative to recent years; a trend that we believe results from the increase in Original Equipment Manufacturer production that began in 2010 and is generating more transactions in the current used equipment marketplace, as well as creating larger pools of used equipment for future transactions. We continue to closely monitor new equipment production models, dealer and rental sales performance, and pricing actions in light of pressures in the broader industrial equipment sector.

In terms of equipment values, North America was our strongest geographical region in the first half of 2016, responding most favorably to changes in its overall economic environment, including, but not limited to, softening of the oil and gas and mining sectors, and stabilization in the residential and non-residential construction sectors.

## Results of Operations

### Second Quarter Update

Financial overview	Three months ended June 30,			% Change 2016 over 2015
		2016	2015	
(in U.S.\$000's, except EPS)				
Revenues	\$	158,805	\$ 155,477	2%
Costs of services, excluding depreciation and amortization		19,758	17,027	16%
Selling, general and administrative expenses		74,595	65,239	14%
Depreciation and amortization expenses		10,284	10,769	(5%)
Gain on disposal of property, plant and equipment		(201)	(791)	(75%)
Foreign exchange loss		734	438	68%
Operating income		53,635	62,795	(15%)
Other income		173	463	(63%)
Income tax expense		13,217	17,412	(24%)
Net income attributable to stockholders		39,710	45,083	(12%)
Diluted EPS attributable to stockholders	\$	0.37	\$ 0.42	(12%)
Effective tax rate		24.6%	27.5%	(11%)
GAP	\$	1,275,682	\$ 1,262,168	1%
Revenue Rate		12.45%	12.32%	1%

#### Gross Auction Proceeds

GAP was \$1.3 billion for the three months ended June 30, 2016, a second quarter record and a 1% increase over the second quarter of 2015. Included in our second quarter 2016 GAP is \$41.6 million of GTV from our online marketplaces, which represents a 31% increase over GTV of \$31.7 million in the second quarter of 2015. The increase in GAP is primarily due to an increase in the number of core auction lots year-over-year. The total number of lots at industrial and agricultural auctions grew 14%, increasing to 128,300 in the second quarter of 2016 from 112,900 in the second quarter of 2015. However, core auction GAP decreased 11% on a per-lot basis to \$9,700 in the second quarter of 2016 from \$10,900 in the second quarter of 2015.

GAP, on a U.S. dollar basis, grew in Europe and the United States in the second quarter of 2016 compared to the second quarter of 2015. However, this growth was partially offset by reductions in GAP in Canada and the rest of the world over the same comparative period. Second quarter 2016 GAP would have been \$28.1 million higher, resulting in a 3% increase over second quarter 2015, if foreign exchange rates had remained consistent with those in 2015. This adverse effect on GAP is primarily due to the declining value of the Canadian dollar relative to the U.S. dollar.

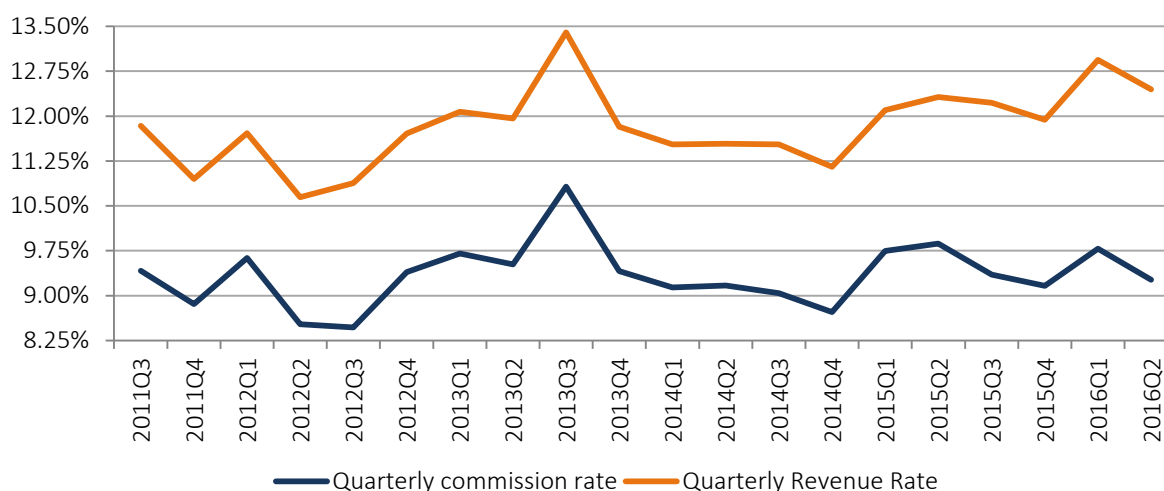
During the second quarter of 2016, we continued to actively pursue the use of underwritten commission contracts from a strategic perspective, entering into such contracts only when the risk/reward profile of the terms were agreeable. The volume of underwritten commission contracts decreased to 26% of our GAP in the second quarter of 2016 from 29% in the second quarter of 2015. Straight commission contracts continue to account for the majority of our GAP.

## Revenues and Revenue Rate

(in U.S. \$000's)	Three months ended June 30,			Better/(Worse)
	2016		2015	
United States	\$ 68,724		\$ 64,356	7%
Canada	63,307		63,911	(1%)
Europe	14,861		11,761	26%
Other	11,913		15,449	(23%)
Revenues	\$ 158,805		\$ 155,477	2%

Our commission rate and overall Revenue Rate are presented in the graph below:

### Quarterly commission rate and Revenue Rate five-year history



The distribution of our revenues across the geographic regions in which we operate was as follows, where the geographic location of revenues corresponds to the location in which the sale occurred, or in the case of online sales, where the company earning the revenues is incorporated:

Revenue distribution	Canada	Outside of Canada	United States	Europe	Other
Three months ended June 30, 2016	40%	60%	43%	9%	8%
Three months ended June 30, 2015	41%	59%	41%	8%	10%

Revenues increased 2% in the second quarter of 2016 compared to the second quarter of 2015, primarily due to volume increases in GAP combined with a strong Revenue Rate. Included in second quarter 2016 revenues were \$4.2 million of revenues from EquipmentOne, which represents a 10% increase over EquipmentOne revenues of \$3.8 million in the second quarter of 2015.

Our Revenue Rate increased 13 basis points to 12.45% in the second quarter of 2016 compared to 12.32% in the second quarter of 2015. This increase is primarily due to an increase in fee revenue, which is not directly linked to GAP.

Our second quarter 2016 overall average commission rate was 9.26%, compared to 9.87% in the second quarter of 2015. This decrease is primarily due to the performance of our underwritten business. Our underwritten contract commission rates and volume decreased during the three months ended June 30, 2016 compared to the same period in 2015.

Our fee revenue earned in the second quarter of 2016 represented 3.18% of GAP compared to 2.45% of GAP in the second quarter of 2015. The increase was primarily due to an increase in financing and other fees resulting from the improved performance of our value-added service offerings, combined with the mix of equipment sold at our auctions. Financing fees from RBFS increased 16% to \$3.6 million in the second quarter of 2016 from \$3.1 million in the second quarter of 2015. Mascus contributed \$2.0 million of subscription, license, and other fee revenues in the second quarter of 2016. Xcira contributed \$1.2 million of technology service fees in the second quarter of 2016.

Revenue grew in Europe and the United States during the three months ended June 30, 2016 compared to the same period in 2015, primarily due to the acquisitions of Mascus and Xcira, as well as due to increases in GAP in those regions. Comparatively, revenues in Canada in the second quarter of 2016 were consistent with those in the second quarter of 2015, and revenues in the rest of the world decreased over the same comparative period, primarily due to the decreases in GAP in those regions.

Foreign exchange rates had a negative impact on revenues in the second quarter of 2016 as a significant portion of revenues are in Canada and the Netherlands. Refer to the table under “Translational impact of foreign exchange rates” below for details of this negative foreign exchange rate impact.

### **Costs of services**

Costs of services are comprised of expenses incurred in direct relation to conducting auctions, earning online marketplace revenues, and earning other fee revenues. Costs incurred in direct relation to conducting our auctions include labour, buildings, facilities and technology expenses, and travel, advertising and promotion expenses. Costs of services incurred to earn online marketplace revenues include inventory management, referral, inspection, sampling, and appraisal fees. Costs of services incurred in earning other fee revenues include labour, commissions on sales, software maintenance fees, and materials.

Costs of services exclude depreciation, and amortization expenses. In comparative periods, costs of services consisted entirely of direct expenses. Primarily as a result of the Xcira and Mascus acquisitions, significant other costs of services are now incurred in earning our revenues.

Costs of services increased \$2.7 million or 16% in the second quarter of 2016 compared to the second quarter of 2015. Costs of services related to our Core Auction segment were \$19.4 million, or 1.58% of GAP, in the second quarter of 2016 compared \$17.0 million, or 1.38% of GAP, in the second quarter of 2015. This \$2.4 million increase is primarily due to the increase in number of lots at our auctions, combined with an increase in the number of agricultural auctions – which are typically more costly to operate than auctions held at our permanent and regional auction sites – and the recognition of costs of services from Xcira of \$0.7 million. During the second quarter of 2016, 81% of our GAP was attributable to auctions held at our permanent and regional auction sites, including those located in frontier regions, compared to 83% in the second quarter of 2015. We held 143 auctions in the second quarter of 2016 compared to 141 in the second quarter of 2015.

Mascus and EquipmentOne contributed \$0.2 million and \$0.1 million, respectively, to our total costs of services in the second quarter of 2016. Prior to fiscal 2016, costs of services generated by EquipmentOne were insignificant and recorded within selling, general and administrative (“SG&A”) expenses.

## Selling, general and administrative expenses

SG&A expenses by nature are presented below:

(in U.S. \$000's)	Three months ended June 30,		
			% Change
	2016	2015	2016 over 2015
Employee compensation	\$ 47,560	\$ 44,046	8%
Buildings, facilities and technology	12,969	10,287	26%
Travel, advertising and promotion	6,792	4,805	41%
Professional fees	3,115	3,205	(3%)
Other SG&A expenses	4,159	2,896	44%
	\$ 74,595	\$ 65,239	14%

Our SG&A expenses increased \$9.4 million, or 14%, in the second quarter of 2016 compared to the second quarter of 2015. Foreign exchange rates had a positive impact on SG&A expenses in the second quarter of 2016 as a significant portion of administration expenses are in Canada and the Netherlands. Refer to the table under “Translational impact of foreign exchange rates” below for details of this positive foreign exchange rate impact.

Employee compensation expenses increased \$3.5 million in the second quarter of 2016 compared to the second quarter of 2015. This increase included a positive effect from foreign exchange rates of \$0.9 million. Removing foreign exchange impacts, the primary drivers of the increase in employee compensation were \$3.4 million higher share-based payments, the 6% net growth of our headcount, \$1.1 million from Mascus, and \$0.4 million from Xcira. These increases were offset by a \$3.0 million decrease in incentive compensation, which was the result of a decrease in the accrual for the estimated fiscal 2016 incentive compensation between the first and second quarters of 2016, combined with an increase in the accrual for the estimated fiscal 2015 incentive compensation between the first and second quarters of 2015.

The increase in share-based payment expenses over the same period is primarily due to an increase in the fair value of our share units related to the performance of our common share price, the impact of the change in accounting treatment of certain of our performance share units (“PSUs”) from liability to equity-classified as a result of shareholder approval of our PSU plans on May 2, 2016, and an increase in the number of participants in the plans as a result of promotions and headcount increases (including new executives). Our share price closed at \$33.78 per common share on June 30, 2016, compared to \$27.92 per common share on June 30, 2015.

Buildings, facilities and technology costs increased \$2.7 million in the second quarter of 2016 compared to the second quarter of 2015. This increase is primarily attributable to our value-added service offerings, and in particular, the costs required to support the growing fee revenues generated by that business. The increase is also due to the fact that we had fewer software capitalization projects to which various information technology costs were able to be capitalized to in the second quarter of 2016 compared to the second quarter of 2015. The reduction in the number of projects is a result of significant system transformation projects (in which legacy software systems were replaced or upgraded) having reached completion at the end of the first quarter of 2015, combined with controlled capital spending.

Travel, advertising and promotion increased \$2.0 million in the second quarter of 2016 compared to the second quarter of 2015, primarily due to a strategic increase in advertising and promotional expenditure targeted at our larger auction events and integration of acquired businesses. In addition, rental fees have increased as a result of a replacement of our aged and retired company vehicles with new vehicles under operating leases. Travel costs increased in the second quarter of 2016 compared to the second quarter of 2015, primarily due to the increase in executive headcount combined with direct oversight of strategy execution on a global basis.

Other SG&A increased \$1.3 million in the second quarter of 2016 compared to the second quarter of 2015, primarily due to increased yard and office supplies required to support the increased auction activity, headcount, and ancillary services.

Included in second quarter 2016 SG&A expenses are \$3.8 million of SG&A expenses from EquipmentOne, which increased 9% over EquipmentOne SG&A expenses of \$3.4 million in the second quarter of 2015.

### **Depreciation and amortization expenses**

Our depreciation and amortization expenses decreased \$0.5 million, or 5%, in the second quarter of 2016 compared to the same period in 2015, primarily due to the positive impact of foreign exchange rate changes combined with assets related to our website development becoming fully depreciated in 2015. The positive impact from foreign exchange is primarily due to the declining value of the Canadian dollar relative to the U.S. dollar. The replacement of our aged and retired company vehicles with new vehicles under operating leases has also contributed to the decrease in depreciation in the second quarter of 2016 compared to the second quarter of 2015.

Included in second quarter 2016 depreciation and amortization expenses are \$0.7 million of EquipmentOne depreciation and amortization expenses, which represents a 13% decrease over EquipmentOne depreciation and amortization expenses of \$0.8 million in the second quarter of 2015.

### **Operating income**

Operating income decreased 15% to \$53.6 million in the second quarter of 2016 compared to \$62.8 million in the second quarter of 2015. Operating Income Margin, which is our operating income divided by revenues, decreased to 33.8% in the second quarter of 2016 compared to 40.4% in the second quarter of 2015. These decreases are primarily due to increases in SG&A expenses, costs of services, and foreign exchange losses, combined with a decrease in the gain on disposition of property, plant and equipment, and partially offset by the increase in revenues.

Foreign exchange rates had a negative impact on operating income in the second quarter of 2016. Refer to the table under "Translational impact of foreign exchange rates" below for details of this negative foreign exchange rate impact.

### **Adjusted results**

We use income statement and balance sheet performance scorecards to align our operations with our strategic priorities. We concentrate on a limited number of metrics to ensure focus and to facilitate quarterly performance discussions.

Our income statement scorecard includes the non-GAAP financial measures, Adjusted Operating Income and Adjusted Operating Income Margin. We believe that comparing Adjusted Operating Income for different financial periods provides useful information about the growth or decline of operating income and net income for the relevant financial period, and eliminates the financial impact of items we do not consider to be part of our normal operating results.

We believe that comparing Adjusted Operating Income Margin for different financial periods provides useful information about how efficiently we translate revenues into pre-tax profit. Adjusted Operating Income Margin is also an element of the performance criteria for certain annual short-term incentive awards we grant to our employees and officers.

We calculate Adjusted Operating Income as operating income excluding the pre-tax effects of significant items that we do not consider to be part of our normal operating results such as management reorganization costs, severance, gains/losses on sale of certain property, plant and equipment, impairment losses, and certain other items, which we refer to as 'adjusting items'. We calculate Adjusted Operating Income Margin as Adjusted Operating Income divided by revenues.

There were no adjusting items during the three months ended June 30, 2016 and 2015.

### Foreign exchange loss and effect of exchange rate movement on income statement components

We conduct operations around the world in a number of different currencies, but our presentation currency is the U.S. dollar.

#### Transactional impact of foreign exchange rates

We recognized \$0.7 million of transactional foreign exchange losses in the second quarter of 2016, compared to \$0.4 million during the same period in 2015. Foreign exchange losses and gains are primarily the result of settlement of foreign-denominated monetary assets and liabilities.

#### Translational impact of foreign exchange rates

Since late 2014, there has been significant weakening of the Canadian dollar and the Euro relative to the U.S. dollar. This weakening has affected our reported operating income when non-U.S. dollar amounts were translated into U.S. dollars for financial statement reporting purposes.

Constant Currency amounts and Translational FX Impact are non-GAAP financial measures. We calculate our Constant Currency amounts by applying prior period foreign exchange rates to current period transactional currency amounts. We define Translational FX Impact as the amounts we report under GAAP, less Constant Currency amounts. We believe that presenting Constant Currency amounts and Translational FX Impact, and comparing Constant Currency amounts to prior period results, provides useful information regarding the potential effect of changes in foreign exchange rates on our performance and the growth or decline in our operating income by eliminating the financial impact of items we do not consider to be part of our normal operating results.

The following tables present our Constant Currency results and the Translational FX Impact for the three months ended June 30, 2016 and 2015, as well as reconcile those metrics to second quarter 2016, 2015, and 2014 revenues, costs of services, SG&A expenses, depreciation and amortization expenses, gain on disposition of property, plant and equipment, foreign exchange loss, and operating income, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. \$000's)	Three months ended June 30, 2016			Three months ended June 30, 2015	2016 over 2015 reported change		Constant Currency change	
	As reported	Translational FX Impact	Constant Currency		\$	%	\$	%
	GAP	\$ 1,275,682	\$ 28,070		\$ 1,303,752	\$ 1,262,168	\$ 13,514	1%
Revenues	\$ 158,805	\$ 3,286	\$ 162,091	\$ 155,477	\$ 3,328	2%	\$ 6,614	4%
Costs of services, excluding								
depreciation and amortization	19,758	270	20,028	17,027	2,731	16%	3,001	18%
SG&A expenses	74,595	1,272	75,867	65,239	9,356	14%	10,628	16%
Depreciation and amortization								
expenses	10,284	190	10,474	10,769	(485)	(5%)	(295)	(3%)
Gain on disposition of property,								
plant and equipment	(201)	1	(200)	(791)	590	(75%)	591	(75%)
Foreign exchange loss	734	362	1,096	438	296	68%	658	150%
Operating income	\$ 53,635	\$ 1,191	\$ 54,826	\$ 62,795	\$ (9,160)	(15%)	\$ (7,969)	(13%)

(in U.S. \$000's)	Three months ended June 30, 2015			Three months ended June 30, 2014	2015 over 2014 reported change		Constant Currency change	
	As reported	Translational FX Impact	Constant Currency		\$	%	\$	%
GAP	\$ 1,262,168	\$ 98,746	\$ 1,360,914	\$ 1,229,204	\$ 32,964	3%	\$ 131,710	11%
Revenues	155,477	12,708	168,185	\$ 141,835	\$ 13,642	10%	\$ 26,350	19%
Costs of services, excluding depreciation and amortization	17,027	1,393	18,420	17,616	(589)	(3%)	804	5%
SG&A expenses	65,239	5,475	70,714	61,513	3,726	6%	9,201	15%
Depreciation and amortization expenses	10,769	900	11,669	10,979	(210)	(2%)	690	6%
Gain on disposition of property, plant and equipment	(791)	(28)	(819)	(258)	(533)	207%	(561)	217%
Foreign exchange loss	438	39	477	212	226	107%	265	125%
Operating income	\$ 62,795	\$ 4,929	\$ 67,724	\$ 51,773	\$ 11,022	21%	\$ 15,951	31%

### U.S. dollar exchange rate comparison

Value of one U.S. dollar	Three months ended June 30,			% Change 2016 over 2015
	2016	2015		
Period-end exchange rate				
Canadian dollar	\$ 1.2925	\$ 1.2495		3%
Euro	0.9003	0.8976		-
Average exchange rate				
Canadian dollar	\$ 1.2886	\$ 1.2294		5%
Euro	0.8854	0.9044		(2%)

The majority of the change in the value of the U.S. dollar to the Canadian dollar and the Euro occurred during the first quarter of 2015. Since that time, the U.S. dollar continued a more moderate appreciation against the Canadian dollar.

### Other income (expense)

Other income (expense) is comprised of the following:

(in U.S. \$000's)	Three months ended June 30,			% Change 2016 over 2015
	2016	2015		
Interest income	\$ 487	\$ 680		(28%)
Interest expense	(1,060)	(1,308)		(19%)
Equity income	477	173		176%
Other, net	269	918		(71%)
Other income	\$ 173	\$ 463		(63%)

### Income tax expense and effective tax rate

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. The estimate reflects, among other items, our best estimate of operating results. It does not include the estimated impact of foreign exchange rates or unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

For the three months ended June 30, 2016, income tax expense was \$13.2 million, compared to an income tax expense of \$17.4 million for the same comparative period in 2015. Our effective tax rate was 24.6% in the second quarter of 2016, compared to 27.5% in the second quarter of 2015. The decrease in the effective tax rate in the second quarter of 2016 compared to the second quarter of 2015 was primarily due to a greater estimated proportion of annual earnings taxed in jurisdictions with lower tax rates for fiscal 2016 compared to fiscal 2015. The decrease in effective tax rate was also the result of the valuation allowance of deferred tax assets remaining consistent during the three months ended June 30, 2016 compared to an increase in the valuation allowance of deferred tax assets during the three months ended June 30, 2015.

#### **Net income attributable to stockholders**

Net income attributable to stockholders decreased 12% to \$39.7 million in the second quarter of 2016 compared to \$45.1 million in the second quarter of 2015, primarily due the decrease in operating income and partially offset by the decrease in income tax expense over the same comparative period.

#### ***Adjusted results***

Adjusted Net Income and Diluted Adjusted EPS attributable to stockholders are non-GAAP financial measures. We believe that comparing Adjusted Net Income and Diluted Adjusted EPS attributable to stockholders for different financial periods provides useful information about the growth or decline of our net income attributable to stockholders for the relevant financial period, and eliminates the financial impact of items we do not consider to be part of our normal operating results.

Adjusted Net Income attributable to stockholders represents net income attributable to stockholders excluding the effects of adjusting items. We calculate Diluted Adjusted EPS attributable to stockholders by dividing Adjusted Net Income attributable to stockholders by the weighted average number of diluted shares outstanding.

There were no adjusting items during the three months ended June 30, 2016 and 2015.

#### **Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”)**

EBITDA and EBITDA Margin are non-GAAP financial measures that we believe provide useful information about the growth or decline of our net income when compared between different financial periods. EBITDA is also an element of the performance criteria for certain PSUs we granted to our employees and officers in 2013 and 2014. EBITDA is calculated by adding back depreciation and amortization expenses, interest expense, and current income tax expense, and subtracting interest income and deferred income tax recovery from net income. EBITDA Margin presents EBITDA as a multiple of revenues.

The following table presents our EBITDA and EBITDA Margin results for the three months ended June 30, 2016 and 2015, as well as reconciles those metrics to net income and revenues, which are the most directly comparable GAAP measures in our consolidated income statements:

(in U.S.\$000's)	Three months ended June 30,			% Change
	2016	2015	2016 over 2015	
Net income	\$ 40,591	\$ 45,846		(11%)
<i>Add:</i> depreciation and amortization expenses	10,284	10,769		(5%)
<i>Less:</i> interest income	(487)	(680)		(28%)
<i>Add:</i> interest expense	1,060	1,308		(19%)
<i>Add:</i> current income tax expense	16,106	19,365		(17%)
<i>Less:</i> deferred income tax recovery	(2,889)	(1,953)		48%
EBITDA	\$ 64,665	\$ 74,655		(13%)
Revenues	\$ 158,805	\$ 155,477		2%
EBITDA Margin	40.7%	48.0%		(15%)

The decreases in our EBITDA and EBITDA Margin during the second quarter of 2016 compared to the second quarter of 2015 are primarily due to the increases in SG&A expenses, costs of services, and foreign exchange losses, combined with a decrease in the gain on disposition of property, plant and equipment, and partially offset by the increase in revenues.

#### **Adjusted results**

Our balance sheet scorecard includes the performance metric, Debt/Adjusted EBITDA, which is a non-GAAP financial measure. We believe that comparing Debt/Adjusted EBITDA on a 12-month rolling basis for different financial periods provides useful information about the performance of our operations, and in particular, it is an indicator of the amount of time it would take for us to settle both our short and long-term debt. We do not consider this to be a measure of our liquidity, which is our ability to settle only short-term obligations, but rather a measure of how well we fund liquidity. Measures of liquidity are discussed further below under "liquidity and capital resources".

We calculate Debt/Adjusted EBITDA by dividing debt by EBITDA excluding the effects of pre-tax adjusting items.

The following table presents our Debt/Adjusted EBITDA results as at and for the 12 months ended June 30, 2016 and 2015, as well as reconciles that metric to debt and net income, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. \$ millions)	As at and for the 12 months ended June 30,				
	2016		2015		% Change 2016 over 2015
Short-term debt	\$	22.4	\$	13.8	62%
Long-term debt		102.7		105.2	(2%)
Debt	\$	125.1	\$	119.0	5%
Net income	\$	139.2	\$	111.5	25%
<i>Add:</i> depreciation and amortization expenses		41.0		44.4	(8%)
<i>Less:</i> interest income		(2.1)		(2.6)	(19%)
<i>Add:</i> interest expense		4.8		5.1	(6%)
<i>Add:</i> current income tax expense		38.5		45.4	(15%)
<i>Less:</i> deferred income tax recovery		(4.7)		(1.8)	161%
Pre-tax adjusting items:					
Management reorganization		-		5.5	(100%)
Gain on sale of excess property		(8.4)		(3.4)	(147%)
Impairment loss		-		8.1	(100%)
Adjusted EBITDA	\$	208.3	\$	212.2	(2%)
Debt/Adjusted EBITDA		0.6x		0.6x	-

The Debt/Adjusted EBITDA multiple remained consistent during the 12 months ended June 30, 2016 compared to the same period in 2015.

## Year-to-Date Performance

Financial overview	Six months ended June 30,		% Change 2016 over 2015
	2016	2015	
(in U.S.\$000's, except EPS)			
Revenues	\$ 290,750	\$ 271,095	7%
Costs of services, excluding depreciation and amortization	35,071	28,636	22%
Selling, general and administrative expenses	142,902	128,995	11%
Depreciation and amortization expenses	20,364	21,385	(5%)
Gain on disposal of property, plant and equipment	(447)	(966)	(54%)
Foreign exchange loss (gain)	51	(2,769)	(102%)
Operating income	92,809	95,814	(3%)
Other income	525	987	(47%)
Income tax expense	22,749	26,845	(15%)
Net income attributable to stockholders	69,116	68,860	-
Diluted EPS attributable to stockholders	\$ 0.65	\$ 0.64	2%
Effective tax rate	24.4%	27.7%	(12%)
GAP	\$ 2,295,604	\$ 2,217,729	4%
Revenue Rate	12.67%	12.22%	4%

### Gross Auction Proceeds

GAP was \$2.3 billion for the six months ended June 30, 2016, a first half record and a 4% increase over the first half of 2015. Included in our first half 2016 GAP is \$65.3 million of GTV from our online marketplaces, which represents a 22% increase over GTV of \$53.5 million in the first half of 2015. The increase in GAP is primarily due to an increase in the number of core auction lots year-over-year. The total number of lots at industrial and agricultural auctions grew 20%, increasing to 225,500 in the first half of 2016 from 188,700 in the first half of 2015. However, core auction GAP decreased 14% on a per-lot basis to \$9,900 in the first half of 2016 from \$11,500 in the first half of 2015.

GAP, on a U.S. dollar basis, grew in Canada and Europe in the first half of 2016 compared to the first half of 2015. However, this growth was partially offset by reductions in GAP in the United States over the same comparative period. GAP in the rest of the world grew during the six months ended June 30, 2016 compared to the same period in 2015. First half 2016 GAP would have been \$49.6 million higher, resulting in a 6% increase over first half 2015, if foreign exchange rates had remained consistent with those in 2015. This adverse effect on GAP is primarily due to the declining value of the Canadian dollar and the Euro relative to the U.S. dollar.

During the first half of 2016, we continued to actively pursue the use of underwritten commission contracts from a strategic perspective, entering into such contracts only when the risk/reward profile of the terms were agreeable. The volume of underwritten commission contracts decreased to 25% of our GAP in the first half of 2016 from 30% in the first half of 2015, primarily due to the underwritten contracts associated with the Casper, Wyoming, offsite auction that was held on March 25, 2015. Straight commission contracts continue to account for the majority of our GAP.

## Revenues and Revenue Rate

(in U.S. \$000's)	Six months ended June 30,			Better/(Worse) 2016 over 2015
	2016		2015	
United States	\$ 143,492		\$ 137,013	5%
Canada	95,554		86,870	10%
Europe	26,404		22,809	16%
Other	25,300		24,403	4%
Revenues	\$ 290,750		\$ 271,095	7%

The distribution of our revenues across the geographic regions in which we operate was as follows, where the geographic location of revenues corresponds to the location in which the sale occurred, or in the case of online sales, where the company earning the revenues is incorporated:

Revenue distribution	Canada	Outside of Canada	United States	Europe	Other
Six months ended June 30, 2016	33%	67%	49%	9%	9%
Six months ended June 30, 2015	32%	68%	51%	8%	9%

Revenues increased 7% in the first half of 2016 compared to the first half of 2015, primarily due to volume increases in GAP combined with a strong Revenue Rate. Included in first half 2016 revenues were \$7.6 million of revenues from EquipmentOne, which represents an 11% increase over EquipmentOne revenues of \$6.8 million in the first half of 2015.

Our Revenue Rate increased 45 basis points to 12.67% in the first half of 2016 compared to 12.22% in the first half of 2015. This increase is primarily due to the performance of our straight commission contracts combined with an increase in fee revenue, which is not directly linked to GAP. Our first half 2016 overall average commission rate was 9.50%, compared to 9.82% in the first half of 2015. This decrease is primarily due to the performance of our underwritten business. Our underwritten contract commission rates and volume decreased in the first six months of 2016 compared to the same period in 2015.

Our fee revenue earned in the first half of 2016 represented 3.17% of GAP compared to 2.41% of GAP in the first half of 2015. The increase was primarily due to an increase in financing and other fees resulting from the improved performance of our value-added service offerings, combined with the mix of equipment sold at our auctions. Financing fees from RBFS increased 30% to \$6.1 million in the first half of 2016 from \$4.7 million in the first half of 2015. Mascus contributed \$3.3 million of subscription, license, and other fee revenues in the first half of 2016. Xcira contributed \$2.4 million of technology service fees in the first half of 2016.

Revenue grew in all regions in the first six months of 2016 compared to the same period in 2015, primarily as a result of increases in GAP and Revenue Rate, as well as the acquisitions of Mascus and Xcira.

Foreign exchange rates had a negative impact on revenues in the first half of 2016 as a significant portion of revenues are in Canada and the Netherlands. Refer to the table under "Translational impact of foreign exchange rates" below for details of this negative foreign exchange rate impact.

### Costs of services

Costs of services increased \$6.4 million or 22% in the first half of 2016 compared to the first half of 2015. Costs of services related to our Core Auction segment were \$34.2 million, or 1.53% of GAP, in the first half of 2016 compared to \$28.6 million, or 1.32% of GAP, in the first half of 2015.

This \$5.6 million increase is primarily due to the increase in number of lots at our auctions, the increase in the number of agricultural auctions, the recognition of costs of services from Xcira of \$1.4 million, and a strategic increase in advertising and promotional expenditure targeted at our larger auctions, including our five-day, premier global auction in Orlando, United States. We believe the targeted increase in advertising and promotional expenditure contributed to the increase in GAP.

During the first half of 2016, 86% of our GAP was attributable to auctions held at our permanent and regional auction sites, including those located in frontier regions, compared to 84% in the first half of 2015. We held 194 auctions in the first half of 2016, compared to 189 in the first half of 2015. The proportion of GAP earned at those sites increased over the same comparative period.

EquipmentOne and Mascus contributed \$0.5 million and \$0.3 million, respectively, to our total costs of services in the first half of 2016. Prior to fiscal 2016, costs of services generated by EquipmentOne were insignificant and recorded within SG&A expenses.

### Selling, general and administrative expenses

SG&A expenses by nature are presented below:

(in U.S. \$000's)	Six months ended June 30,		
	2016	2015	% Change 2016 over 2015
Employee compensation	\$ 92,050	\$ 85,775	7%
Buildings, facilities and technology	24,205	20,333	19%
Travel, advertising and promotion	12,354	10,886	13%
Professional fees	6,567	6,305	4%
Other SG&A expenses	7,726	5,696	36%
	\$ 142,902	\$ 128,995	11%

Our SG&A expenses increased \$13.9 million, or 11%, in the first half of 2016 compared to the first half of 2015. Foreign exchange rates had a positive impact on SG&A expenses in the first half of 2016 as a significant portion of administration expenses are in Canada and the Netherlands. Refer to the table under "Translational impact of foreign exchange rates" below for details of this positive foreign exchange rate impact.

Employee compensation expenses increased \$6.3 million in the first half of 2016 compared to the first half of 2015. This increase included a positive effect from foreign exchange rates of \$2.9 million. Removing foreign exchange impacts, the primary drivers of the increase in employee compensation were the \$4.1 million higher share-based payments, 6% net growth of our headcount, \$1.8 million from Mascus, and \$1.3 million from Xcira. Employee compensation expenses in the first half of 2015 included \$2.1 million in termination benefits resulting from the Separation Agreement with our former Chief Sales Officer.

The increase in share-based payment expenses over the same period is primarily due to an increase in the fair value of our share units related to the performance of our common share price, the impact of the change in accounting treatment of certain of our PSUs from liability to equity-classified as a result of shareholder approval of our PSU plans on May 2, 2016, and an increase in the number of participants in the plans as a result of promotions and headcount increases (including new executives).

Buildings, facilities and technology costs increased \$3.9 million in the first half of 2016 compared to the first half of 2015. This increase is primarily attributable to our value-added service offerings, and in particular, the costs required to support the growing fee revenues generated by that business. The increase is also due to the fact that we had fewer software capitalization projects to which various information technology costs were able to be capitalized to in the first half of 2016 compared to the first half of 2015.

The reduction in the number of projects is a result of significant system transformation projects (in which legacy software systems were replaced or upgraded) having reached completion at the end of the first quarter of 2015, combined with controlled capital spending.

Travel, advertising and promotion increased \$1.5 million in the first half of 2016 compared to the first half of 2015, primarily due to a strategic increase in advertising and promotional expenditure targeted at our larger auction events and integration of acquired businesses. In addition, rental fees have increased as a result of a replacement of our aged and retired company vehicles with new vehicles under operating leases.

Other SG&A increased \$2.0 million in the first half of 2016 compared to the first half of 2015, primarily due to increased yard and office supplies required to support the increased ancillary service and auction activity, as well as headcount. Also contributing to the increase are costs associated with the Mascus acquisition in the first half of 2016.

Included in first half 2016 SG&A expenses are \$6.2 million of SG&A expenses from EquipmentOne, which decreased 5% over EquipmentOne SG&A expenses of \$6.6 million in the first half of 2015.

### **Depreciation and amortization expenses**

Our depreciation and amortization expenses decreased \$1.0 million, or 5%, in the first half of 2016 compared to the same period in 2015, primarily due to the positive impact of foreign exchange rate changes combined with assets related to our website development becoming fully depreciated in 2015. The positive impact from foreign exchange is primarily due to the declining value of the Canadian dollar and the Euro relative to the U.S. dollar. The replacement of our aged and retired company vehicles with new vehicles under operating leases has also contributed to the decrease in depreciation in the first half of 2016 compared to the first half of 2015.

Included in first half 2016 depreciation and amortization expenses are \$1.3 million of EquipmentOne depreciation and amortization expenses, which represents a 22% decrease over EquipmentOne depreciation and amortization expenses of \$1.7 million in the first half of 2015.

### **Operating income**

Operating income decreased 3% to \$92.8 million in the first half of 2016 compared to \$95.8 million in the first half of 2015. Operating Income Margin decreased to 31.9% in the first half of 2016 compared to 35.3% in the first half of 2015. These decreases are primarily due to increases in SG&A expenses, costs of services, and foreign exchange losses, combined with a decrease in the gain on disposition of property, plant and equipment, and partially offset by the increase in revenues.

Foreign exchange rates had a negative impact on operating income in the first half of 2016. Refer to the table under "Translational impact of foreign exchange rates" below for details of this negative foreign exchange rate impact.

### **Adjusted results**

With respect to our Adjusted Operating Income and Adjusted Operating Income Margin, there were no adjusting items during the six months ended June 30, 2016 and 2015.

### **Foreign exchange loss and effect of exchange rate movement on income statement components**

In the first half of 2016, approximately 46% of our revenues and 57% of our operating expenses were denominated in currencies other than the U.S. dollar, compared to 44% and 58%, respectively in the first half of 2015.

### Transactional impact of foreign exchange rates

We recognized \$0.1 million of transactional foreign exchange losses in the first half of 2016, compared to \$2.8 million of transactional foreign exchange gains during the same period in 2015. Foreign exchange losses and gains are primarily the result of settlement of foreign-denominated monetary assets and liabilities.

### Translational impact of foreign exchange rates

The following tables presents our Constant Currency results and Translational FX Impact for the six months ended June 30, 2016 and 2015, as well as reconcile those metrics to first half 2016, 2015 and 2014 revenues, costs of services, SG&A expenses, depreciation and amortization expenses, gain on disposition of property, plant and equipment, foreign exchange loss/gain, and operating income, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. \$000's)	Six months ended June 30, 2016			Six months ended June 30, 2015	2016 over 2015 reported change		Constant Currency change	
	As reported	Translational FX Impact	Constant Currency		\$	%	\$	%
GAP	\$ 2,295,604	\$ 49,578	\$ 2,345,182	\$ 2,217,729	\$ 77,875	4%	\$ 127,453	6%
Revenues	290,750	6,236	296,986	\$ 271,095	\$ 19,655	7%	\$ 25,891	10%
Costs of services, excluding depreciation and amortization	35,071	510	35,581	28,636	6,435	22%	6,945	24%
SG&A expenses	142,902	3,985	146,887	128,995	13,907	11%	17,892	14%
Depreciation and amortization expenses	20,364	685	21,049	21,385	(1,021)	(5%)	(336)	(2%)
Gain on disposition of property, plant and equipment	(447)	(3)	(450)	(966)	519	(54%)	516	(53%)
Foreign exchange loss (gain)	51	353	404	(2,769)	2,820	(102%)	3,173	(115%)
Operating income	\$ 92,809	\$ 706	\$ 93,515	\$ 95,814	\$ (3,005)	(3%)	\$ (2,299)	(2%)

(in U.S. \$000's)	Six months ended June 30, 2015			Six months ended June 30, 2014	2015 over 2014 reported change		Constant Currency change	
	As reported	Translational FX Impact	Constant Currency		\$	%	\$	%
GAP	\$ 2,217,729	\$ 151,638	\$ 2,369,367	\$ 2,084,581	\$ 133,148	6%	\$ 284,786	14%
Revenues	271,095	19,453	290,548	\$ 240,423	\$ 30,672	13%	\$ 50,125	21%
Costs of services, excluding depreciation and amortization	28,636	2,061	30,697	27,916	720	3%	2,781	10%
SG&A expenses	128,995	10,123	139,118	121,485	7,510	6%	17,633	15%
Depreciation and amortization expenses	21,385	1,700	23,085	21,576	(191)	(1%)	1,509	7%
Gain on disposition of property, plant and equipment	(966)	(34)	(1,000)	(329)	(637)	194%	(671)	204%
Foreign exchange gain	(2,769)	25	(2,744)	(1,079)	(1,690)	157%	(1,665)	154%
Operating income	\$ 95,814	\$ 5,578	\$ 101,392	\$ 70,854	\$ 24,960	35%	\$ 30,538	43%

### U.S. dollar exchange rate comparison

Value of one U.S. dollar	Six months ended June 30,			% Change
	2016		2015	
			2016 over 2015	
Average exchange rate				
Canadian dollar	\$	1.3317	\$ 1.2353	8%
Euro		0.8963	0.8967	-

The majority of the change in the value of the U.S. dollar to the Canadian dollar and the Euro occurred during the first quarter of 2015. Since that time, the U.S. dollar continued a more moderate appreciation against the Canadian dollar.

**Other income (expense)**

Other income (expense) is comprised of the following:

(in U.S. \$000's)	Six months ended June 30,		% Change
	2016	2015	2016 over 2015
Interest income	\$ 985	\$ 1,527	(35%)
Interest expense	(2,423)	(2,577)	(6%)
Equity income	996	406	145%
Other, net	967	1,631	(41%)
Other income	\$ 525	\$ 987	(47%)

**Income tax expense and effective tax rate**

For the six months ended June 30, 2016, income tax expense was \$22.7 million, compared to an income tax expense of \$26.8 million for the same comparative period in 2015. Our effective tax rate was 24.4% in the first half of 2016, compared to 27.7% in the first half of 2015. The decrease in the effective tax rate in the first half of 2016 compared to the first half of 2015 was primarily due to a greater estimated proportion of annual earnings taxed in jurisdictions with lower tax rates for fiscal 2016 compared to fiscal 2015. The decrease in effective tax rate was also the result of a decrease in the valuation allowance of deferred tax assets during the six months ended June 30, 2016 compared to an increase in the valuation allowance of deferred tax assets during the six months ended June 30, 2015.

**Net income attributable to stockholders**

Net income attributable to stockholders of \$69.1 million in the first half of 2016 increased from \$68.9 million in the first half of 2015, primarily due the increase in revenues combined with the decrease in income tax expense, and partially offset by the increases in SG&A expenses, costs of services, and foreign exchange loss over the same comparative period.

**Adjusted results**

With respect to Adjusted Net Income and Diluted Adjusted EPS attributable to stockholders, there were no adjusting items during the six months ended June 30, 2016 and 2015.

## EBITDA

The following table presents our EBITDA and EBITDA Margin results for the six months ended June 30, 2016 and 2015, as well as reconciles those metrics to net income and revenues, which are the most directly comparable GAAP measures in our consolidated income statements:

(in U.S.\$000's)	Six months ended June 30,		% Change
	2016	2015	2016 over 2015
Net income	\$ 70,585	\$ 69,956	1%
<i>Add:</i> depreciation and amortization expenses	20,364	21,385	(5%)
<i>Less:</i> interest income	(985)	(1,527)	(35%)
<i>Add:</i> interest expense	2,423	2,577	(6%)
<i>Add:</i> current income tax expense	26,115	30,078	(13%)
<i>Less:</i> deferred income tax recovery	(3,366)	(3,233)	4%
EBITDA	\$ 115,136	\$ 119,236	(3%)
Revenues	\$ 290,750	\$ 271,095	7%
EBITDA Margin	39.6%	44.0%	(10%)

The decreases in our EBITDA and EBITDA Margin during the first half of 2016 compared to the first half of 2015 are primarily due to the increases in SG&A expenses, costs of services, and foreign exchange losses, combined with a decrease in the gain on disposition of property, plant and equipment, and partially offset by the increase in revenues.

## Operations Update

The majority of our business continues to be generated by our core auction operations. During the first half of 2016, we conducted 109 unreserved industrial auctions at locations in North America, Europe, the Middle East, Australia, New Zealand, and Asia, as compared to 108 in the first half of 2015. We also held 85 unreserved agricultural auctions in the first half of 2016, compared to 81 in the first half of 2015.

Our key industrial auction metrics<sup>3</sup> are shown below:

	Six months ended June 30,		% Change
	2016	2015	2016 over 2015
Bidder registrations	276,000	250,000	10%
Consignments	26,350	22,500	17%
Buyers	70,150	59,650	18%
Lots	203,500	168,500	21%

We continued to see increases in all key industrial auction metrics in the first half of 2016 compared to the first half of 2015, primarily as a result of our focused efforts on growing the business combined with a stable used equipment market.

<sup>3</sup> For a breakdown of these key industrial auction metrics by month, please refer to our website at [www.rbauction.com](http://www.rbauction.com). None of the information in our website is incorporated by reference into this document by this or any other reference.

Although our auctions vary in size, our average industrial auction results on a rolling 12-month basis are described in the following table:

	12 months ended June 30,		Change	
	2016	2015	2016 over 2015	
GAP	\$ 17.0 million	\$ 16.7 million	\$ 0.3 million	
Bidder registrations	2,322	2,092	11%	
Consignors	225	195	15%	
Lots	1,698	1,432	19%	

For the same reasons discussed above, we continued to see improvements in all of our average industrial auction metrics for the 12 months ended June 30, 2016 compared to the 12 months ended June 30, 2015.

#### Website metrics<sup>4</sup>

The Ritchie Bros. website ([www.rbauction.com](http://www.rbauction.com)) is a gateway to our online bidding system, which allows bidders to participate in our auctions over the internet and showcases upcoming auctions and equipment to be sold. This online bidding service gives our auction customers the choice of how they want to do business with us and access to both live and online auction participation.

Internet bidders comprised 64% of the total bidder registrations at our industrial auctions in the first half of 2016, compared to 62% in the first half of 2015. This increase in the level of internet bidders continues to demonstrate our ability to drive multichannel participation at our auctions.

Our EquipmentOne website ([www.equipmentone.com](http://www.equipmentone.com)) provides access to our online equipment marketplace.

The following table provides information about the average monthly users of our websites:

	As at June 30,		% Change	
	2016	2015	2016 over 2015	
<a href="http://www.rbauction.com">www.rbauction.com</a>	1,040,858	936,906	11%	
<a href="http://www.equipmentone.com">www.equipmentone.com</a>	99,805	92,046	8%	

In the first half of 2016 compared to the first half of 2015, we continued to see a significant increase in the number of average monthly users of [www.rbauction.com](http://www.rbauction.com). This increase is primarily due to greater search traffic, which we believe is a direct result of our search engine optimization efforts that were focused on adapting our website to mobile devices.

Over the same comparative period, we also saw an increase in the number of average monthly users of [www.equipmentone.com](http://www.equipmentone.com). We believe this increase is primarily due to greater efforts to focus the marketing effort in the first half of 2016, targeting to an audience that was more likely to transact on the online marketplace. As such, we believe this targeted marketing contributed to the increase in EquipmentOne revenues in the first half of 2016 compared to the first half of 2015.

During the first half of 2016, the average number of monthly visits to Mascus' global websites was 3,342,357.

<sup>4</sup> None of the information in our websites is incorporated by reference into this document by this or any other reference.

### Online bidding and equipment marketplace purchase metrics

We continue to see an increase in the use and popularity of both our online bidding system and our online equipment marketplace. During the first six months of 2016, we attracted record first half online bidder registrations and sold approximately \$1.1 billion of equipment, trucks and other assets to online auction bidders and EquipmentOne customers. This represents an 11% increase over the \$1.0 billion of assets sold online in the first half of 2015, and a first half sales record.

### Productivity

We measure Sales Force Productivity as rolling 12-month core auction GAP per Revenue Producer. It is an operational statistic that we believe provides a gauge of the effectiveness of Revenue Producers in increasing our GAP, and ultimately our net income. Sales Force Productivity was \$12.0 million per Revenue Producer<sup>5</sup> at June 30, 2016 and 2015. Sales Force Productivity remained consistent between June 30, 2016 and 2015 primarily as a result of increased turnover in Revenue Producers, particularly in the United States. New hires generally require a period of at least 18 months to reach productivity levels equal to that of their incumbents.

Our headcount statistics, which exclude Xcira and Mascus employees, as at the end of each period are presented below:

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Total full-time employees	1,600	1,559	1,522	1,513	1,515	1,479	1,468	1,472
Regional Sales Managers	45	49	46	48	46	45	46	48
Territory Managers	304	296	296	307	307	308	307	296
Revenue Producers	349	345	342	355	353	353	353	344
Trainee Territory Managers	28	26	31	26	24	30	29	31
Other sales personnel	103	99	95	88	87	79	81	84
Sales personnel	480	470	468	469	464	462	463	459

Total headcount (excluding Xcira and Mascus employees) increased by net 85 between June 30, 2015 and June 30, 2016, which consisted of increases of net 16 sales personnel and net 69 administrative and operational personnel. Included in the administrative and operational personnel increase is an increase of net 15 personnel from RBFS. RBFS account managers generate financing fee revenue but do not produce GAP. As such, they are excluded from our definition of Revenue Producers and the measurement of Sales Force Productivity, which is based on core auction GAP.

Between June 30, 2015 and June 30, 2016, the number of Revenue Producers decreased by net four while the number of other sales personnel, including Trainee Territory Managers, increased by net 20, resulting in the overall net 16 increase in total sales personnel. Compared to December 31, 2015, the number of Revenue Producers and Territory Managers increased by net seven and eight, respectively, during the six-month period ended June 30, 2016.

Xcira had a total headcount of 51 at June 30, 2016, which has increased by net one since December 31, 2015. Mascus had a total headcount of 41 at June 30, 2016.

### Outstanding Share Data

We are a public company and our common shares are listed under the symbol "RBA" on the NYSE and the TSX. On August 5, 2016, we had 106,624,829 common shares issued and outstanding and stock options outstanding to purchase a total of 3,560,664 common shares. No preferred shares have been issued or are outstanding. The outstanding stock options had a weighted average exercise price of \$23.90 per share and a weighted average remaining term of 7.8 years.

<sup>5</sup> Revenue Producers is a term used to describe our revenue-producing sales personnel. This definition is comprised of Regional Sales Managers and Territory Managers.

## Share repurchase program

In March 2016, we executed the following share repurchases at a total cost of \$36.7 million:

Issuer purchases of equity securities				
	(a) Total number of shares purchased <sup>(2)</sup>	(b) Average price paid per share <sup>(2)</sup>	(c) Total number of shares purchased as part of publically announced program <sup>(2)</sup>	(d) Maximum approximate dollar value of shares that may yet be purchased under the program <sup>(1)</sup>
March 2016 <sup>(3)</sup>	1,460,000	\$ 25.15	1,460,000	\$ 15.8 million

- (1) On January 12, 2015, we announced that our Board of Directors had authorized a share repurchase program for the repurchase of up \$100 million worth of our common shares (subject to TSX approval) over the next three years. The initial normal course issuer bid approved by the TSX (the "initial NCIB") was for a one-year period from March 3, 2015 through March 2, 2016. No purchases were made under the initial NCIB during the first quarter of 2016, and the initial NCIB expired in accordance with its terms on March 2, 2016.
- (2) On February 25, 2016, we announced our intention to renew our normal course issuer bid on the expiry of the initial NCIB. On March 1, 2016, the TSX approved a new normal course issuer bid (the "new NCIB") for a one-year period from March 3, 2016 to March 2, 2017. The information in the above table relates to purchases made, and eligible to be made in the future, pursuant to the new NCIB.
- (3) Repurchases under the new NCIB during the month of March 2016 began on March 8, 2016 and ended on March 15, 2016. All repurchased shares were cancelled on March 15, 2016. No further share repurchases were made pursuant to the new NCIB, or by any other means, during the six months ended June 30, 2016.

## Liquidity and Capital Resources

### Working capital

(in U.S. \$000's)		June 30, 2016	December 31, 2015	% Change
Cash and cash equivalents	\$	166,501	\$ 210,148	(21%)
Restricted cash	\$	196,171	\$ 83,098	136%
Current assets	\$	592,312	\$ 430,099	38%
Current liabilities		416,579	289,966	44%
Working capital	\$	175,733	\$ 140,133	25%

We believe that working capital is a more meaningful measure of our liquidity than cash alone. Our working capital increased during the six months ended June 30, 2016, primarily due to the refinancing of our long-term loan that fell due in May 2016, which resulted in the replacement of the current portion of long-term debt with non-current long-term debt. Net income generated during the period also contributed to the increase in working capital, partially offset by our repurchase of 1.46 million common shares for \$36.7 million and the payment of dividends of \$36.5 million.

### Cash flows

(in U.S. \$000's)	Six months ended June 30,			% Change 2016 over 2015
	2016		2015	
Cash provided by (used in):				
Operating activities	\$	37,555	\$ 133,157	(72%)
Investing activities		(38,611)	(5,183)	645%
Financing activities		(48,668)	(45,699)	6%
Effect of changes in foreign currency rates		6,077	(7,881)	(177%)
Net increase (decrease) in cash and cash equivalents	\$	(43,647)	\$ 74,394	(159%)

### **Operating activities**

Net cash provided by operating activities decreased \$95.6 million, or 72%, during the first half of 2016 compared to the first half of 2015. This decrease is primarily due to changes in our operating assets and liabilities, and in particular, restricted cash and inventory. Net cash provided by operating activities can fluctuate significantly from period to period due to factors such as differences in the timing, size and number of auctions during the period, the timing of the receipt of auction proceeds from buyers and of the payment of net amounts due to consignors, as well as the location of the auction with respect to restrictions on the use of cash generated therein.

### **Investing activities**

Net cash used in investing activities increased \$33.4 million, or 645%, during the first half of 2016 compared to the first half of 2015. This increase is primarily due to the acquisition of Mascus for cash consideration of \$28.1 million, which is net of cash and cash equivalents acquired.

CAPEX Intensity presents net capital spending as a percentage of revenue. We believe that comparing CAPEX Intensity on a 12-month rolling basis for different financial periods provides useful information as to the amount of capital expenditure that we require to generate revenues.

(in U.S. \$ millions)	12 months ended June 30,		% Change 2016 over 2015
	2016	2015	
Property, plant and equipment additions	\$ 22.4	\$ 17.2	30%
Intangible asset additions	11.0	11.0	-
Proceeds on disposition of property plant and equipment	(14.2)	(11.7)	21%
Net capital spending	\$ 19.2	\$ 16.5	16%
Revenues	\$ 535.5	\$ 511.8	5%
CAPEX Intensity	3.6%	3.2%	13%

The increase in CAPEX Intensity for the 12 months ended June 30, 2016 compared to the 12 months ended June 30, 2015 is primarily due to the increase in net capital spending, partially offset by the increase in revenues. The net capital spending increase was primarily the result of a 30% increase in property, plant and equipment additions, partially offset by a 21% increase in proceeds on disposition of property, plant and equipment. The majority of the property, plant and equipment additions during the 12 months ended June 30, 2016 occurred in the third and fourth quarters of 2015. These additions included the capitalization of costs to assets under development related to auction site improvements and computer system transformation initiatives, as well as the acquisition of yard and automotive equipment to support our operational and headcount growth.

### **Financing activities**

Net cash used in financing activities increased \$3.0 million, or 6%, in the first half of 2016 compared to the first half of 2015. The increase was primarily due to \$9.9 million less cash provided in exchange for issuances of share capital combined with \$5.2 million greater dividend payments in the first half of 2016 compared to the first half of 2015. The increase in cash used in financing activities was partially offset by our March 2016 share repurchase, which required \$10.8 million less cash than our March 2015 share repurchase as a result of fewer shares being repurchased.

The \$31.3 million in proceeds from short-term debt received during the first half of 2016, which were primarily borrowed in order to fund the Mascus acquisition, were significantly offset by the repayment of short-term debt of \$24.2 million. In addition, the repayment of long-term debt of \$46.6 million related to the Canadian dollar 60 million term loan that fell due in May 2016 was offset by the proceeds from long-term debt of \$46.6 million received during the six months ended June 30, 2016 in order to refinance the aforementioned term loan.

We declared and paid regular cash dividends of \$0.16 per common share for the quarter ended June 30, 2015, and declared and paid regular cash dividends of \$0.16 per common share for the quarters ended September 30, 2015, December 31, 2015, and March 31, 2016. We have declared, but not yet paid, a dividend of \$0.17 per common share for the quarter ended June 30, 2016.

Total dividend payments during the six months ended June 30, 2016 were \$34.2 million to stockholders and \$2.4 million to non-controlling interests. This compares to total dividend payments of \$30.0 million to stockholders and \$1.3 million to non-controlling interests during the six months ended June 30, 2015. All dividends we pay are “eligible dividends” for Canadian income tax purposes unless indicated otherwise.

### **Adjusted results**

#### Adjusted Dividend Payout Ratio

Adjusted Dividend Payout Ratio is non-GAAP financial measure. We believe that comparing the Adjusted Dividend Payout Ratio for different financial periods provides useful information about how well our net income supports our dividend payments. Refer to the table under “Return on Invested Capital” below for a reconciliation of Adjusted Net Income attributable to stockholders to the most directly comparable GAAP measures in the consolidated income statements on a rolling 12-month basis. Adjusted Dividend Payout Ratio is calculated by dividing dividends paid to stockholders by Adjusted Net Income attributable to stockholders.

The following table presents our Adjusted Net Income attributable to stockholders and Adjusted Dividend Payout Ratio results on a rolling 12-month basis, and reconciles those metrics to dividends paid to stockholders and net income attributable to stockholders, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. \$ millions)	12 months ended June 30,		% Change 2016 over 2015
	2016	2015	
Dividends paid to stockholders	\$ 68.5	\$ 60.1	14%
Net income attributable to stockholders	\$ 136.5	\$ 109.7	24%
Pre-tax adjusting items:			
Management reorganization	-	5.5	(100%)
Gain on sale of excess property	(8.4)	(3.4)	(147%)
Impairment loss	-	8.1	(100%)
Current income tax effect of adjusting items:			
Management reorganization	-	(1.3)	100%
Gain on sale of excess property	1.1	0.4	175%
Deferred tax adjusting item:			
Tax loss utilization	(7.9)	-	(100%)
Adjusted Net Income attributable to stockholders	\$ 121.3	\$ 119.0	2%
Adjusted Dividend Payout Ratio	56.5%	50.5%	12%

Adjusting items for the 12 months ended June 30, 2016 included a \$7.3 million (\$8.4 million before tax, or \$0.07 per diluted share) gain on the sale of excess property in Edmonton, Canada, and a \$7.9 million (or \$0.07 per diluted share) tax saving generated by tax loss utilization, both recognized in the fourth quarter of 2015.

Adjusting items for the 12 months ended June 30, 2015 included \$4.2 million (\$5.5 million before tax, or \$0.04 per diluted share) in termination benefit expenses related to the fourth quarter 2014 management reorganization, a \$2.9 million (\$3.4 million before tax, or \$0.03 per diluted share) gain on the sale of our former permanent auction site in Grande Prairie, Canada, recognized in the third quarter of 2014, and an \$8.1 million (or \$0.08 per diluted share; no tax effect) impairment loss recorded against our land and improvements and auction building in Narita, Japan, also recognized in the third quarter of 2014.

The increase in our Adjusted Dividend Payout Ratio reflects our use of net income for providing returns to shareholders.

#### Operating Free Cash Flow (“OFCF”)

OFCF is non-GAAP financial measure that we believe, when compared on a 12-month rolling basis to different financial periods, provides an effective measure of the cash generated by our business and provides useful information regarding cash flows remaining for discretionary return to stockholders, mergers and acquisitions, or debt reduction. OFCF is also an element of the performance criteria for certain annual short-term incentive awards we grant to our employees and officers. We calculate OFCF by subtracting net capital spending from cash provided by operating activities.

The following table presents our OFCF results on a rolling 12-month basis, and reconciles that metric to cash provided by operating activities and net capital spending, which are the most directly comparable GAAP measures in our consolidated statements of cash flows:

(in U.S. \$ millions)	12 months ended June 30,		% Change
	2016	2015	2016 over 2015
Cash provided by operating activities	\$ 100.8	\$ 234.6	(57%)
Property, plant and equipment additions	22.4	17.2	30%
Intangible asset additions	11.0	11.0	-
Proceeds on disposition of property plant and equipment	(14.2)	(11.7)	21%
Net capital spending	\$ 19.2	\$ 16.5	16%
Operating Free Cash Flow	\$ 81.6	\$ 218.1	(63%)

The OFCF decrease for the 12 months ended June 30, 2016 compared to the 12 months ended June 30, 2015 was primarily the result of a \$133.8 million decrease in cash provided by operating activities over the same comparative period. The decrease in cash provided by operating activities is primarily due to changes in our operating assets and liabilities, and in particular, inventory and restricted cash. The most significant change in inventory occurred during the second quarter of 2016, which resulted in a decrease in cash provided by operating activities of \$46.3 million. Restricted cash balances can fluctuate significantly from period to period due to factors such as differences in the timing, size and location of the auction.

#### Return on Invested Capital (“ROIC”)

ROIC is a non-GAAP financial measure that we believe, by comparing on a 12-month rolling basis for different financial periods, provides useful information about the after-tax return generated by our investments. ROIC is also an element of the performance criteria for certain PSUs we granted to our employees and officers in 2013 and 2014. We calculate ROIC as Adjusted Net Income attributable to stockholders divided by average invested capital. Average invested capital is a GAAP measure calculated as the average long-term debt (including current and non-current portions) and stockholders’ equity over a rolling 12-month period.

The following table presents our Adjusted Net Income attributable to stockholders and ROIC results on a 12-month rolling basis, and reconciles those metrics to net income attributable to stockholders, long-term debt, and stockholders' equity, which are the most directly comparable GAAP measures in our consolidated financial statements:

(in U.S. \$ millions)	12 months ended June 30,			% Change 2016 over 2015
	2016		2015	
Net income attributable to stockholders	\$ 136.5		\$ 109.7	24%
Pre-tax adjusting items:				
Management reorganization	-		5.5	(100%)
Gain on sale of excess property	(8.4)		(3.4)	(147%)
Impairment loss	-		8.1	(100%)
Current income tax effect of adjusting items:				
Management reorganization	-		(1.3)	100%
Gain on sale of excess property	1.1		0.4	175%
Deferred tax adjusting item:				
Tax loss utilization	(7.9)		-	(100%)
Adjusted Net Income attributable to stockholders	\$ 121.3		\$ 119.0	2%
Opening long-term debt	105.2		128.3	(18%)
Ending long-term debt	102.7		105.2	(2%)
Average long-term debt	\$ 104.0		\$ 116.8	(11%)
Opening stockholders' equity	691.1		715.8	(3%)
Ending stockholders' equity	709.0		691.1	3%
Average stockholders' equity	\$ 700.1		\$ 703.5	-
Average invested capital	\$ 804.1		\$ 820.3	(2%)
ROIC	15.1%		14.5%	4%

The increase in ROIC for the 12 months ended June 30, 2016 compared to the 12 months ended June 30, 2015 was the result of an increase in net income attributable to stockholders combined with a decrease in average invested capital. Average invested capital decreased primarily due to reductions in long-term debt resulting from lower levels of borrowings combined with the effect that the weakening Canadian dollar, relative to the U.S. dollar, had on our Canadian dollar-denominated debt.

#### Debt and credit facilities

At June 30, 2016, our short-term debt of \$22.4 million consisted of borrowings under our committed, revolving credit facility, and had a weighted average annual interest rate of 1.8%. This compares to current borrowings of \$12.4 million as at December 31, 2015, with a weighted average annual interest rate of 1.8%.

The \$43.3 million current portion of long-term debt as at December 31, 2015 consisted entirely of our Canadian dollar 60 million term loan under our uncommitted, revolving credit facility. We refinanced this term loan on a long-term basis when it fell due on May 4, 2016 by drawing on our committed, revolving credit facility. As at June 30, 2016, we had a total of \$102.7 million long-term debt, with a weighted average annual interest rate of 2.9%. This compares to long-term debt of \$97.9 million as at December 31, 2015, with a weighted average annual interest rate of 5.0%.

Future scheduled interest payments over the next five years relating to our long-term debt outstanding at June 30, 2016 were as follows:

(in U.S. \$000's)	Scheduled interest payments					
	In 2016	In 2017	In 2018	In 2019	In 2020	Thereafter
On long-term debt	\$ 1,501	\$ 3,002	\$ 2,525	\$ 2,188	\$ 2,188	\$ 3,015

Our credit facilities are with financial institutions in the United States, Canada and the Netherlands. Certain of the facilities include commitment fees applicable to the unused credit amount. We were in compliance with all financial and other covenants applicable to our credit facilities at June 30, 2016.

We believe our existing working capital and availability under our credit facilities are sufficient to satisfy our present operating requirements, as well as to fund future growth including, but not limited to, mergers and acquisitions, development of EquipmentOne, and other growth opportunities.

## Scorecard Summary

The following tables summarize the adjusted results discussed above that appear in our performance scorecards:

### Income statement scorecard

(in U.S. \$ millions, except EPS)	Three months ended June 30,			Six months ended June 30,		
	2016	2015	Better/(Worse)	2016	2015	Better/(Worse)
			2016 over 2015			2016 over 2015
GAP	\$ 1,275.7	\$ 1,262.2	1%	\$ 2,295.6	\$ 2,217.7	4%
Revenues	\$ 158.8	\$ 155.5	2%	\$ 290.8	\$ 271.1	7%
Revenue Rate	12.45%	12.32%	13 bps	12.67%	12.22%	45 bps
Operating income	\$ 53.6	\$ 62.8	(15%)	\$ 92.8	\$ 95.8	(3%)
Operating Income Margin	33.8%	40.4%	(660 bps)	31.9%	35.3%	(340 bps)
Diluted EPS attributable to stockholders	\$ 0.37	\$ 0.42	(12%)	\$ 0.65	\$ 0.64	2%

### Balance sheet scorecard

(in U.S. \$ millions)	12 months ended June 30,		
	2016	2015	Better/(Worse)
			2016 over 2015
Operating Free Cash Flow	\$ 81.6	\$ 218.1	(63%)
CAPEX Intensity	3.6%	3.2%	(40 bps)
Return on Invested Capital	15.1%	14.5%	60 bps
Debt/Adjusted EBITDA	0.6x	0.6x	-

## Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, financial performance, liquidity, capital expenditures or capital resources.

### **Critical Accounting Policies, Judgments, Estimates and Assumptions**

Aside from those discussed below, there were no material changes in our critical accounting policies, judgments, estimates and assumptions from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015, which is available on our website at [www.rbauction.com](http://www.rbauction.com), on EDGAR at [www.sec.gov](http://www.sec.gov), or on SEDAR at [www.sedar.com](http://www.sedar.com), or in the notes to our consolidated financial statements included in “Part I, Item 1: Consolidated Financial Statements” in this Form 10-Q.

### **Changes in Accounting Policies**

There have been no changes in our significant accounting policies during the three months ended June 30, 2016.