

A photograph of two workers in a factory or industrial setting. They are wearing blue hard hats and orange safety jackets. The worker in the foreground is a woman with glasses, looking intently at a control panel. The worker behind her is a man, also looking at the panel. The control panel has several blue buttons and a small display. The background shows industrial machinery and a yellow structure. The overall scene is brightly lit, suggesting an indoor industrial environment.

**FINNING**

**THE PATH TO GROWTH**

Finning Annual Review 2016

# Table of Contents

Finning at a Glance	<b>3</b>	Responsibility	<b>27</b>
Letter to Shareholders	<b>9</b>	Board of Directors	<b>30</b>
Chairman's Letter	<b>12</b>	Corporate Officers	<b>31</b>
Finning's Path to Growth	<b>14</b>	Five Year Financial Summary	<b>32</b>
Financial Highlights	<b>22</b>		

**On the cover:** Amy Kirkham, apprentice, Cannock, UK

**Forward-Looking Statements:** This annual report contains forward-looking information. Please refer to the "Forward-Looking Statement" on page 36.

All monetary amounts expressed throughout this report are in Canadian dollars unless otherwise noted.



“Finning’s track record of success was established on the strength of its customer service. Today, customers remain at the heart of all we do as we relentlessly pursue our strategy to meet, and surpass their evolving expectations. By continuing to develop our people, perform at the highest operational levels, and innovate in all that we do, I’m confident that we will build on our past success, deliver greater customer value and continue to lead in an ever-changing marketplace.”

**L. SCOTT THOMSON**  
President and Chief Executive Officer  
Finning International Inc.



# Finning at a Glance



Since 1933, when Finning was first established in Canada by Earl B. Finning, our name has conveyed integrity, reliability and resourcefulness.

Over the years, the company has grown as a result of a genuine commitment to earning customer loyalty.

Today, Finning is the world's largest Caterpillar dealer.

Through the combination of quality Caterpillar products and unmatched service capabilities, we deliver solutions that enable customers to achieve the lowest equipment owning and operating costs while maximizing uptime.

We sell, rent and provide parts and service for equipment and engines to customers in various industries, including mining,

construction, petroleum, forestry and a wide range of power systems applications.

Finning employs nearly **12,000 people world-wide** and operates in **three geographies**, with the **head office in Vancouver, Canada**.



# Finning Canada

## Finning Canada

Headquartered in  
Edmonton, Alberta



“The significant steps we have taken in our Canadian business over the last few years to improve operational performance and reduce our cost structure supported us in effectively navigating another challenging year in 2016 and puts us in an excellent position for long-term success. In 2017, we look forward to building on our operational improvements, including our equipment supply chain, and capitalizing on the opportunities we are seeing in product support while building even closer ties with our customers.”



**JUAN CARLOS VILLEGAS**  
President, Finning Canada and Chief Operating Officer, Finning International



**World-class network** of product support services across British Columbia, Yukon, Alberta, Saskatchewan, the Northwest Territories, and a portion of Nunavut.



**Provide unrivalled service** to a diverse range of industrial markets, including mining (including oil sands), construction, pipeline/oil field, construction, forestry, agriculture, government sector; marine, transportation, and fisheries.

# Finning South America

“The South American team continued to demonstrate strong engagement in 2016 despite a prolonged period of challenging business conditions. Thanks to their tremendous efforts, we continued to take steps to proactively manage costs and improve operating efficiencies. Looking ahead, market opportunities in Argentina and higher equipment quoting activity in Chile should have a positive impact on our business in 2017.”



**MARCELLO MARCHESE**  
President, Finning South America

**Finning South America**  
Headquartered in Santiago, Chile



**Committed to delivering service excellence** across Chile since 1993 and in Argentina and Bolivia since 2003.



**Provide unrivalled service** to a diverse range of industrial markets, including mining (primarily copper), construction and power systems.

# Finning UK & Ireland

## Finning UK and Ireland

Headquartered in Cannock, UK



**Committed to delivering service excellence** across the UK and Ireland.



**Provide unrivalled service** to a diverse range of industrial markets, such as oil & gas, electric power, marine, industrial applications, earthmoving & construction, industrial & waste, extraction & paving and agriculture.

“We made substantial, sustainable changes in how we operate the Finning UK & Ireland business in 2016. We enter 2017 having successfully lowered our cost structure, reshaped our distribution footprint and restructured our supply chain to drive higher returns on capital. These changes were necessary to increase our competitiveness and will enable us to adeptly manage through an uncertain business environment.”



**KEVIN PARKES**  
Managing Director, Finning UK and Ireland

# Creating Shareholder Value





# Creating Shareholder Value

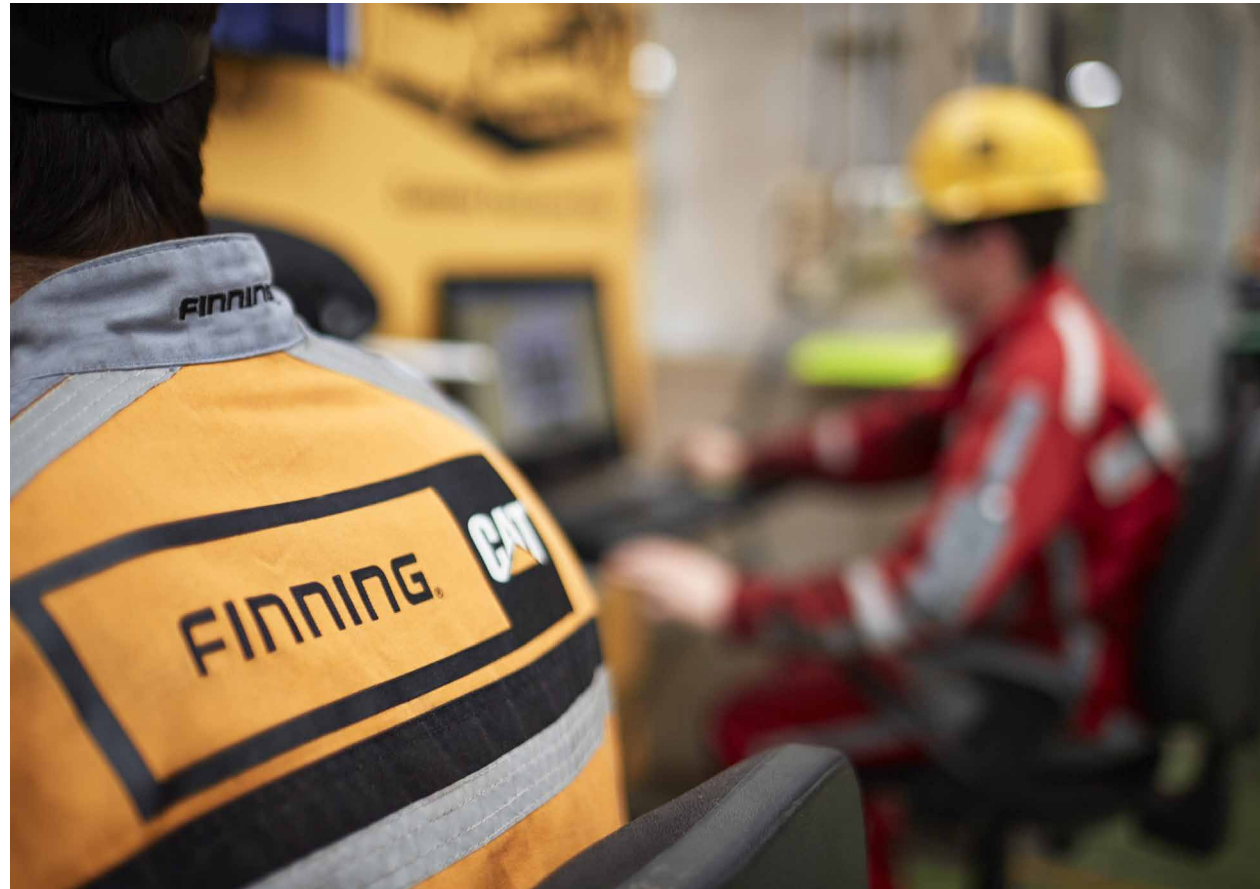
## Profitable Growth Drivers

**Reduced cost structure**

**Working capital improvements**

**Innovative customer solutions**

**Product support opportunities**



# Letter to Shareholders



**L. SCOTT THOMSON**  
President and Chief Executive Officer  
Finning International Inc.

For well over 80 years, Finning has achieved success by partnering with our customers to deliver service that supports them in achieving their goals. We remain guided by that focus, and in 2016 we continued to take steps to ensure that our business evolves to meet their changing needs.

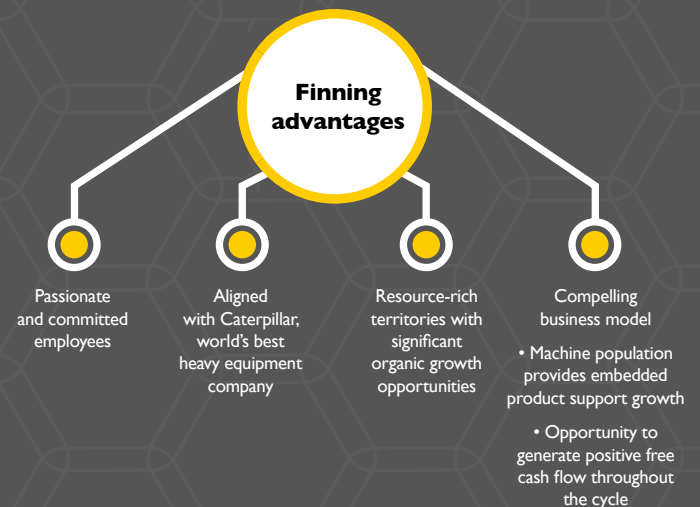
## What we've achieved

Implementing sustainable operational improvements that enable us to deliver products and services effectively and efficiently has been an ongoing focus at Finning over the past three years. This approach has served us particularly well in a challenging business environment during which we have also taken decisive actions to align to lessened demand.

Over the past few years, we have moved quickly to adjust to the market conditions we faced. During 2016, we continued to respond to a market landscape impacted by a prolonged period of lower commodity prices. Across our operations, we took measures to maintain our financial strength while positioning ourselves for future growth. This included reshaping our facility network which unfortunately entailed closing locations, as well as difficult decisions to further reduce our global workforce levels.

2016 was also marked by continued efforts towards our goal to achieve a new level of operational

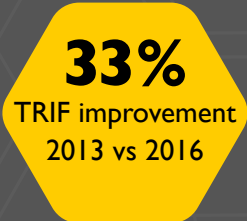
excellence. Our employees have rallied around these efforts and the opportunity to work collectively to build a stronger company that truly capitalizes on its tremendous advantages. Since setting this journey in motion some three years ago, we have made significant progress.



# Letter to Shareholders

Importantly, we continued to build on our efforts to improve safety performance. Over the course of three years, we achieved a 33% reduction in total recordable injury frequency (TRIF) because of the sustained commitment of our people to continually improve the safety of our operations. We will continue to remain vigilant and work towards our goal of everyone going home safe and healthy every day.

To support us in delivering great service consistently and ensure customers have access to parts and equipment when they need them, we have embedded meaningful changes across our operations. Our facility network is simplified and improved. We have strengthened processes and profitability in our service business. In addition, our parts supply chain is transformed. Parts turns are up by 0.7 times since 2013 and we are now building on this progress with initiatives underway to substantially improve the performance of our global equipment supply chain.



Underpinning all of these changes remains a steadfast commitment to our customers. And, I am pleased to report that our customers took notice. Despite competitive market conditions, we gained market share in parts and core equipment. We also ended 2016 with our highest customer loyalty scores on record – a significant achievement and a strong indication that we are on the right path.

By delivering on factors that are within our control, we entered 2017 with a strong balance sheet. Our solid financial position and robust free cash flow provide us the flexibility to prudently allocate capital in ways that support the growth of our business and provide value to our shareholders.

## Parts Supply Chain Improvement





# Letter to Shareholders

“We believe in partnering and innovating to build and power a better world. That is our purpose.”

## Where we're going

To continue along the path of success that we've forged, we came together across the organization in 2016 to renew the purpose, vision and strategy that will guide us as we position our business for long-term growth. Complementing these discussions was a collaborative undertaking to establish the values that reflect who we are and what we aspire to be. To ensure that all who contribute to the success of the company had a voice in our evolution, all of our people were invited to participate. In this way, Finning's people will define change for our company, rather than having change define us.

Looking ahead, we will build on the efforts of the past three years to foster a safe, talented and inclusive team. We will advance operational initiatives to perform efficiently, consistently and with agility for our customers. Innovation will drive all aspects of our business, as we turn to new ways of operating that increase our competitiveness while delivering ever-increasing customer value.

With our focus on innovating across all areas of our business comes an increasing emphasis on leveraging technology to support our goals.

We are developing online channels to reach new customers and deepen relationships with existing customers by providing greater choice for when, where and how they do business with us. We are connecting more of our customers' assets as well as applying digital technology and the insights they provide to identify new ways to improve customer performance. We are also continuing to work closely with Caterpillar in this area to help our customers get the most out of their equipment.

Our business strategy puts a clear emphasis on keeping customers at the heart of all we do – and, I firmly believe that supporting the success of our customers will support the success of our stakeholders as well. We will provide employees with a safe, fulfilling workplace; be Caterpillar's best business partner; deliver superior shareholder value; and, benefit the communities where we operate.

Through the efforts and input of our talented employees, Finning is evolving to continue serving the important role we have played throughout our history—supporting customers to build infrastructure and deliver energy that

shapes our communities and brings about a higher standard of living. Said another way: We believe in partnering and innovating to build and power a better world. That is our purpose.

In closing, I offer a heartfelt thank you to our employees – the men and women whose unwavering commitment to safety and customer service defines Finning today and will shape its evolution tomorrow. I also want to recognize and thank Caterpillar for being a strong strategic partner through a challenging yet rewarding 2016.

I believe the future holds enormous promise for Finning, and that we are in a great position to create value for you, our shareholders, over the long term.

Sincerely,



**L. SCOTT THOMSON**  
President and Chief Executive Officer  
Finning International Inc.

# Chairman's Letter



**DOUGLAS W. G. WHITEHEAD**  
Chairman of the Board

“Finning’s ongoing success is a testament to a strong culture built around commitment to customer.”

Despite a challenging market environment, Finning delivered results in 2016 that underscore its commitment to taking decisive action to strengthen its financial position, while continuing to take strides to substantially improve operational performance.

Finning’s ongoing success is a testament to a strong culture built around commitment to customer. This commitment sits at the forefront of the company’s renewed vision and strategy, ensuring that the foundation of customer service upon which the company built its reputation will remain strong – even as the company evolves in order to maintain its leadership position in an ever-changing marketplace. Going forward, Finning is focused on further enhancing its operational performance and capturing opportunities that a focus on innovation and technological advancements can unlock.

As Finning evolves, so does the company’s Board of Directors. The Board’s duty is to provide strategic oversight as Finning implements its strategies. We are entrusted with protecting and enhancing shareholder value and, like any effective board, we must consider renewal to inject new thinking and experience to support the strategic priorities of the business effectively, while reflecting the diversity of our stakeholders.

To this end, we continued the process of board rejuvenation by welcoming a new director, Vicki Avril, to the Finning Board in 2016. A highly respected businesswoman, she brings a unique and extensive set of skills and industry-relevant experience along with particular expertise in the areas of strategic growth, business transformation and corporate governance.

# Chairman's Letter

In February, we announced that Mike Wilson elected to resign as Chair to focus on new obligations commensurate with his appointment to Chairman of the Board of Directors' of Suncor Energy, one of Finning's largest customers. As such, I have taken on the role of Chair of Finning's Board of Directors and offer my support to management as they continue to drive shareholder value creation. I am honoured to once again serve as Chairman of the Finning Board, and I want to recognize and thank Mike for his guidance and considerable contributions to Finning.

The progress we continue to make as a company is due to the efforts of our people and I would like to thank all Finning people for their

commitment and dedication over the course of the year. I would also like to thank my fellow Board members and the Finning executive team for their ongoing leadership.

For more information about our corporate governance policies, please review the Finning management proxy circular and visit the corporate governance section at [www.finning.com](http://www.finning.com).

On behalf of the Board of Directors,



**DOUGLAS W. G. WHITEHEAD**  
Chairman of the Board





# Finning's Path to Growth

To address the evolving environment and achieve our growth aspirations, earlier this year all of Finning came together to align around the purpose, vision, strategy and values that will guide us as we position Finning for greater growth and success with a focus on elevating the customer experience and customer outcomes.

Put simply, Finning's purpose answers 'why' our company exists. In just a few words, our purpose statement conveys the important role we play in shaping our communities by supporting our customers to build infrastructure and deliver energy that raises the standard of living.

Our vision answers 'what' success looks like in the future. 2016 was the right time to examine where we are headed as a company and how we will continue to transform our operations, given the quickly changing environment in which Finning operates.

Finning's values are the essence of our identity and set us apart by telling everyone what we hold most important. Our values are the fabric of our culture by acting as a clear guideline for conduct and serve as a powerful rallying point for employees.



## Purpose

We believe in partnering and innovating to **build and power a better world.**



## Vision

Leveraging our global expertise and insight, we are a trusted partner in **transforming our customers' performance.**

# Strategic Priorities



# Strategic Priorities

In 2016, we reached the three-year mark of our operational excellence journey. Thanks to the dedication of employees across Finning, we have made tremendous strides to improve our operational performance.

Over this period, we have also taken measures to respond to the economic downturn by significantly reducing our fixed cost structure and invested capital levels.

Throughout this period of significant change, we have always kept our customers' needs and expectations front and centre. Given this focus, we are pleased to report our customer loyalty scores hit record highs at the end of 2016. We believe this is a direct result of the operational improvements implemented throughout our organization:

- We have successfully transformed our parts supply chain and improved parts turns. We now have initiatives underway to improve the performance of our global equipment supply chain.
- In our service business, we implemented a number of actions across our operations to improve service levels and profitability.

- We are also pleased with our market share gains for parts and core equipment, especially considering the challenging market conditions in all our territories.
- Importantly, we raised the bar on our safety performance, with total recordable injury frequency declining by 33%.

The operational improvements made over the past three years, along with the reduction of our fixed cost base, position us well for improved profitability when demand normalizes. With this strong foundation in place, we are now executing on the strategic imperatives that will take us further on the path to our long-term goal of profitable, capital efficient growth.

## Perform: 3-Year Commitments Scorecard

Operational Priorities	2013 Commitments Assuming no industry change	2016 Outcome
<b>Supply Chain</b>	<b>Inventory turns</b> ↑ 0.5 - 0.9 times	<ul style="list-style-type: none"> <li>↑ Part turns ↑ 0.7 times</li> <li>↓ Equipment turns ↓ 0.6 times</li> </ul>
<b>Service Excellence</b>	<b>EBIT</b> ↑ \$40 - 60 M	<ul style="list-style-type: none"> <li>↑ Service EBIT ↑ \$60 M</li> <li>↑ Canada labour recovery ↑ 4 points</li> </ul>
<b>Asset Utilization</b>	<ul style="list-style-type: none"> <li>• Footprint optimization</li> <li>• Facility utilization</li> </ul>	<ul style="list-style-type: none"> <li>↑ Canada footprint ↓ ~25%</li> <li>↑ UK footprint ↓ ~40%</li> </ul>
<b>Market Leadership</b>	<ul style="list-style-type: none"> <li>• Core market share ↑ 2 - 4 points</li> <li>• Parts market share ↑ 2 - 4 points</li> <li>• Canada PS<sup>(2)</sup> revenue ↑ 10 - 15%</li> </ul>	<ul style="list-style-type: none"> <li>↑ Core market share ↑ 5 points</li> <li>↑ Parts market share ↑ above target</li> <li>↓ Canada PS revenue ↓ 31%</li> </ul>

Equipment sales ↓ 37%<sup>(1)</sup>

Market share ↑ 5 points despite industry decline

(1) New equipment sales: 2016 vs 2013. (2) Power systems.



# Develop, Perform and Innovate

Our operational priorities over the last three years were driven by our aim to strengthen customer loyalty, and customers remain at the heart of our strategy today. Our strategic pillars – develop, perform, innovate – provide clear direction company-wide on how we operate our business and deliver value.

## Develop

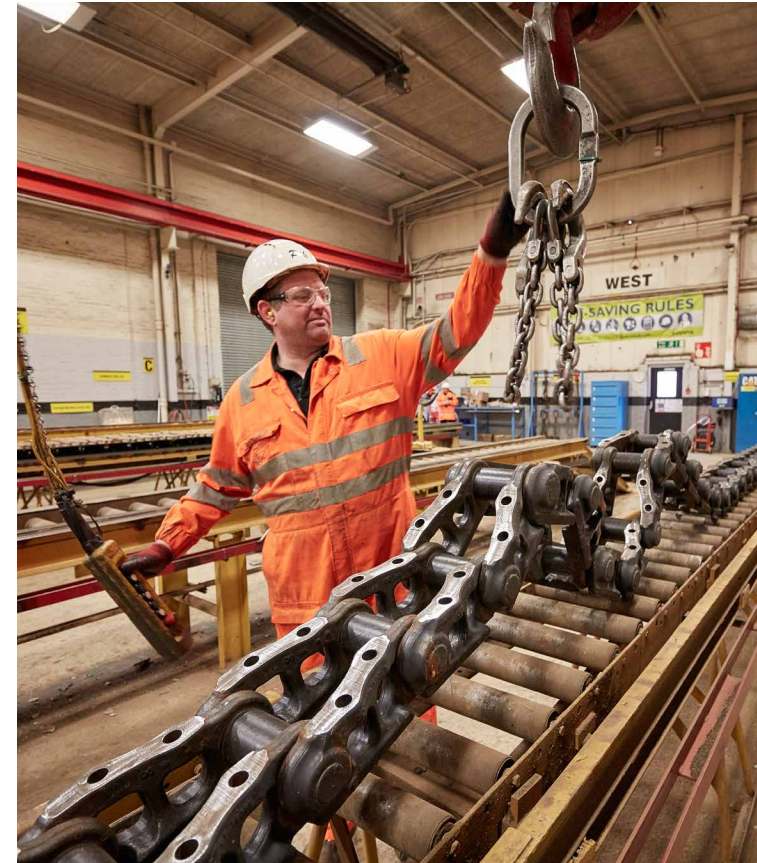
We recognize that delivering for our customers is dependent on our people. We are proud of the strong culture of integrity and accountability we have at Finning, yet we strive for continuous improvement through our focus on developing a safe, talented and inclusive team. We will do this by advancing our safety journey, engaging and developing our people and fostering an inclusive and diverse workplace.

## Perform

Through a dedicated effort across the business we have made substantial improvements to our operating performance. At the same time, we believe we have the capacity to further enhance our performance. To that end, we are building on the progress we have made to operate consistently, efficiently and with agility. To support us in that aim, a particular area of focus in 2017 will be improving our global equipment supply chain.

## Innovate

To lead today and in the future, we need to adapt, innovate and do some things differently than we have in the past. Finning's innovation mindset is built around leading with new ideas, processes and solutions across all areas of our business. One important aspect of this is leveraging technology to improve productivity and efficiency as well as deliver greater customer value. This includes implementing an ERP in Finning South America as well as developing our digital capabilities company-wide.



# Developing Digital

“While any digital business relies on technology, talent and innovation, we believe that our differentiator is in driving customer performance through the unparalleled combination of our employees’ insights and digital technologies.

In other words, it is our depth of knowledge about how our customers operate and utilize their equipment that makes Finning uniquely positioned to use digital in ways that provide truly effective insights and deliver greater customer value.”



**DAVE CUMMINGS**  
Chief Information Officer  
Finning International Inc.

“We service what we sell.” This has been our motto since Earl B. Finning founded Finning Tractor & Equipment in Vancouver in 1933. Inherent in this motto is the knowledge that our customers aren’t simply buying a machine; they’re purchasing a solution to make their business more efficient and successful. Today, that knowledge along with current technology is driving Finning to fundamentally change how equipment is maintained to transform its customers’ performance.

Machine connectivity is a particular area of focus. Advances in sensors and wireless communications allow today’s machines to transmit valuable data on the performance

of each piece of equipment. It is now standard for Cat equipment to come equipped with this technology. To provide customers with older machines with this same advantage, Finning is regularly retro-fitting both Cat and non-Cat equipment across our territories.

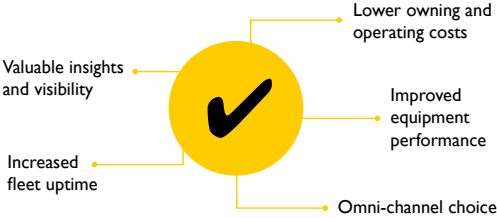
Once connected, the data from these machines can be monitored and analyzed to tell us everything from how much fuel is being consumed, whether a machine is working or idling, how much material is being moved and even when a part should be replaced. This valuable information can be interpreted by Finning and developed into performance solutions to support our customers in keeping

# Developing Digital

## Finning Opportunities



## Customer Benefits



their machine fleets running longer and more efficiently – by lowering fuel costs, optimizing equipment operation, and ensuring proactive maintenance and repair to minimize downtime.

Meeting different preferences for how customers want to do business with Finning is another focus area as we develop digital solutions. One way we are meeting evolving needs is through e-commerce to complement our branch network. As part of our omni-channel approach, e-commerce provides a low-cost, high-quality way to reach existing partners while attracting new customers. An example is the launch of Parts.cat.com which gives customers the ability to search and find the exact part they need quickly and easily anytime on mobile, tablet or desktop. Parts.cat.com is fully integrated with VisionLink™, which customers use to monitor equipment utilization and performance, meaning that customers can quickly go from identifying a need to ordering a part.

This gives customers who prefer quick, simple, on-the-go self-service the tools they’re looking for — while continuing to place importance on our existing branch network to meet customers’ expectations of being served through different channels. In addition to supporting Finning to be easy to do business with, this online channel provides valuable data about our customers’ interests enabling us to tailor our sales and marketing to meet their needs.

While the customer benefits are clear, Finning also benefits. Together with Caterpillar, leveraging digital technologies will continue to be a focus area for us to open up new revenue streams, further enhance our customer service and transform our customers’ performance.



---

## Values

---

### We are **trusted**

We act ethically and honour our commitments.

### We are **collaborative**

We build diverse and respectful partnerships.

### We are **innovative**

We look for new and better ways to serve our customers.

### We are **passionate**

We are driven to safely deliver results.

# Successful Outcomes



# Financial Highlights



**STEVEN M. NIELSEN**  
Executive Vice President and  
Chief Financial Officer  
Finning International

“Looking ahead, we remain focused on building on the progress we have made to drive profitable and capital efficient growth.”

In 2016, Finning continued to deliver on what was within our control. We have successfully reshaped the organization to become more agile and responsive to market dynamics, and markedly reduced our cost structure and invested capital levels. The steps we have taken over the last three years ensure our financial resilience without compromising our focus on long-term growth.

Our business model combined with capital discipline and improved working capital management contributed to strong free cash flow of \$370 million in 2016. This marks our fourth consecutive year of significant cash flow – a notable accomplishment in difficult market conditions. The work underway to transform our global equipment supply chain will support us in sustaining solid free cash flow through the cycle.

Our strong financial position allows us to prudently invest in key areas important to our future, such as technology to support new ways of operating and delivering customer value. In addition, we intend to allocate capital to a combination of debt repayment, share repurchases, and complementary growth opportunities.

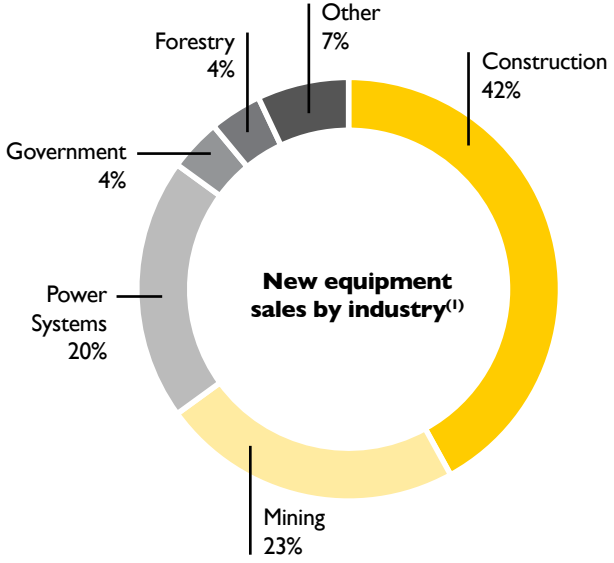
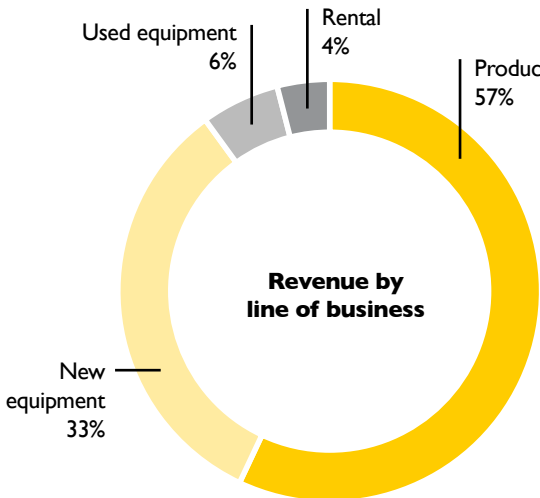
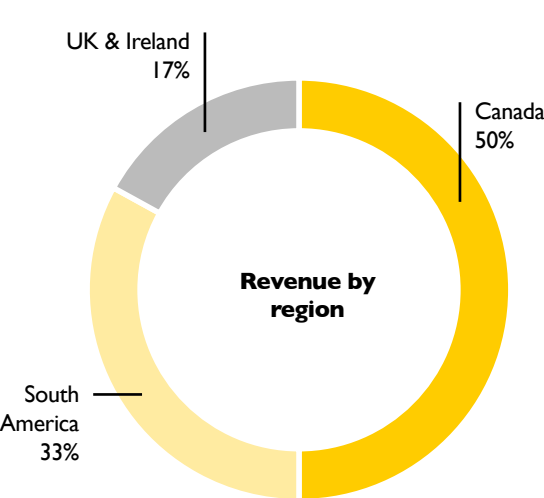
Looking ahead, we remain focused on building on the progress we have made to drive profitable and capital efficient growth.

A handwritten signature in black ink that reads "Steven M. Nielsen". The signature is fluid and cursive, with a long horizontal line extending from the end.

**STEVEN M. NIELSEN**  
Executive Vice President and Chief Financial Officer  
Finning International

# Financial Highlights

## 2016 Revenue Profile



(1) Other includes industrial and agriculture markets.



# Financial Highlights

Financial Statistics (\$)	2016
Revenue	<b>5.6B</b>
EBITDA <sup>(1)</sup>	<b>357M</b>
Adjusted EBITDA <sup>(1)(2)</sup>	<b>465M</b>
EBIT	<b>165M</b>
Adjusted EBIT <sup>(1)(2)</sup>	<b>273M</b>
Basic EPS	<b>0.38</b>
Adjusted EPS <sup>(1)(2)</sup>	<b>0.88</b>
Free cash flow <sup>(1)</sup>	<b>370M</b>
Invested capital <sup>(1)</sup>	<b>2.8B</b>

Market Statistics at December 31, 2016 – FTT (TSX)	
Share price	<b>\$ 26.29</b>
Market capitalization	<b>\$ 4.4B</b>
Annual dividend per share	<b>\$ 0.73</b>
Dividend yield	<b>2.8%</b>
S&P/DBRS ratings	<b>BBB+/ BBB (high)</b>



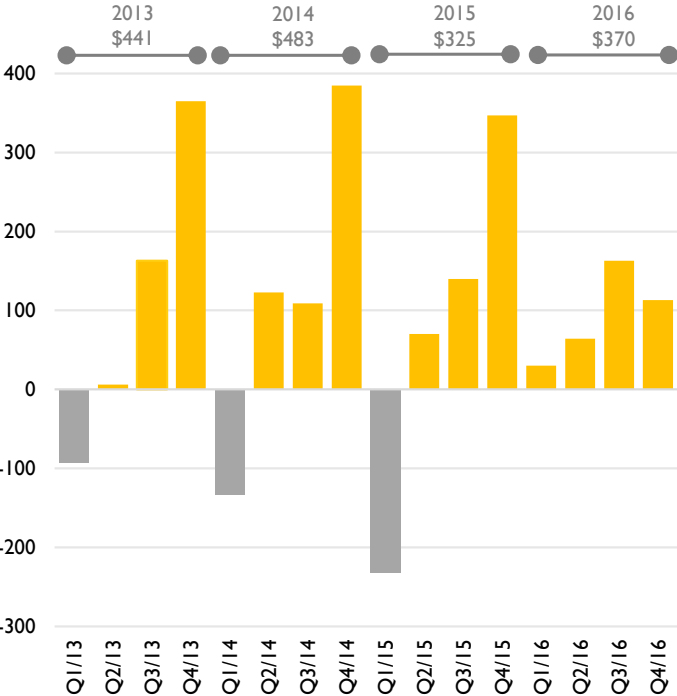
(1) See description of non-GAAP financial measures in 2016 MD&A.

(2) See description of significant items in 2016 MD&A.

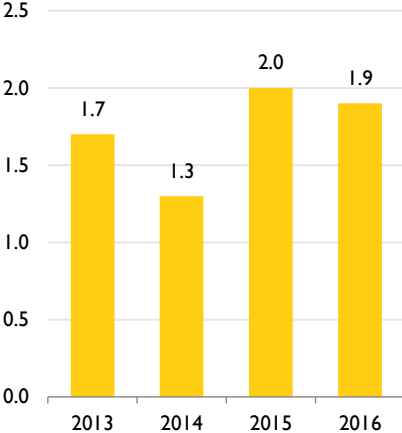
# Financial Highlights

## Strong Free Cash Flow and Balance Sheet

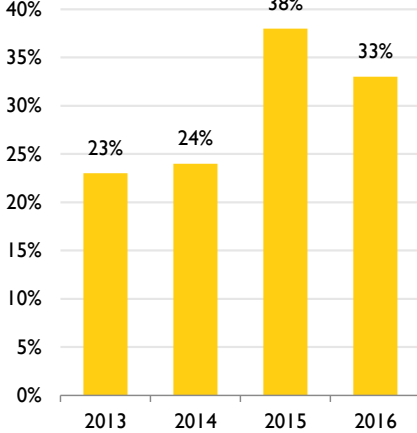
Free Cash Flow by Quarter (\$ millions)



Net Debt to Adjusted EBITDA<sup>(1)</sup>



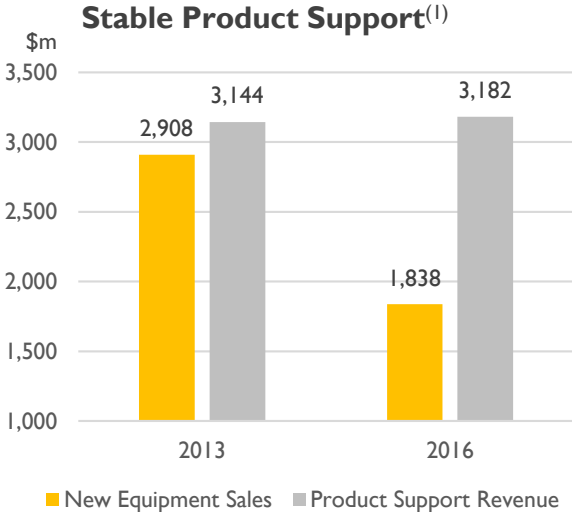
Dividend as % of FCF



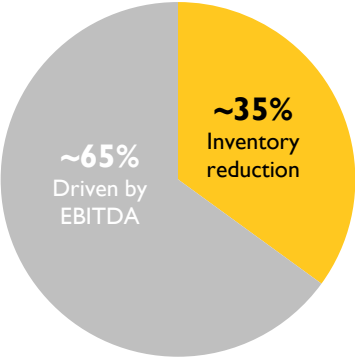
(1) See description of non-GAAP financial measures in 2016 MD&A.

# Financial Highlights

## Resilient Product Support Supports Strong Free Cash Flow



**~\$1.6 Billion Free Cash Flow  
2013 - 2016**



(1) In functional currency, product support revenue was up 2% in Canada, down 22% in South America, and down 10% in the UK & Ireland (2016 vs 2013).

# Responsibility

“As we seek to fulfill our vision, we carry the responsibility and make the commitment to do so in a way that protects the safety and wellbeing of our employees, strengthens the fabric and prosperity of the communities in which we operate, and advances our goal of achieving long term environmental sustainability.”



**CHAD HILEY**  
Chief Human Resources Officer, Finning International,  
and Senior Vice President of Human Resources, Finning Canada



## Safety and Health

Our commitment to safety starts at the top of our organization with active oversight from our Board of Directors and leadership from our executive management team. This commitment is backed by the accountability of all Finning team members to uphold the highest safety standards and ensure safety remains an integral part of our corporate culture.

We believe that all workplace injuries can be prevented, and that nothing is more important than ensuring that our people go home safe and healthy to their families at the end of every shift.

We are proud of the progress we are making as we continue to advance our safety journey.

Since 2013, our total recordable injury frequency (TRIF) – a key indicator of safety performance – has improved by 33%.

While we are making good progress, we recognize the need to remain diligent and continuously work to improve the safety of our operations. Tracking, analyzing, and learning from incidents has long been a part of our safety practices and this will be optimized through the implementation of a company-wide environment, health and safety management system. We are also taking steps to build on our strong safety culture by expanding our focus from lagging to leading indicators to reduce potential risks, as well as promoting greater global consistency in our safety standards.



# Inclusion and Diversity

Finning employs nearly 12,000 employees who we believe are amongst the best in the business, providing a distinct competitive advantage. To strengthen this advantage, we are developing a safe, talented and inclusive team as part of our strategic priorities. This entails providing development opportunities and fostering an engaging work environment to support employees reach their full potential.

Finning also recognizes the opportunity and the importance of drawing on different viewpoints to improve our ability to generate new insights, respond to changing markets, and meet evolving customer demands. Our belief in this innovation mindset is now embedded in our business strategy and enabled through our focus on building an inclusive and diverse workplace.

In 2016, we continued to focus on embracing diversity through the work of our regional and global inclusion and diversity councils. Globally, Finning deployed hiring, recruitment and retention measures designed to attract and maintain a diversity of talent.

While our focus is on diversity in its broadest sense, gender diversity and the under-representation of women in our sector continues to provide opportunities to harness that talent from a large pool of high-quality employees to enhance our business performance. We partner with government and industry organizations to

increase and champion the representation of women in industry. Our focus on increasing the representation of women at all levels of the company extends to our Board of Directors which is comprised of three women, representing 25 percent of the total board members.

In 2017, Finning will continue to foster an inclusive culture and broaden diversity within the organization. To guide our efforts, a global strategy for inclusion and diversity is under development that will act as a catalyst to further align Finning's efforts and resources across all regions.



# Community

As we build inclusivity and diversity within our organization, Finning is also working to support a future diverse workforce through our community investment strategy. In 2016, Finning deepened our investment in an important initiative – STEM education towards diverse populations – to have a powerful, positive impact in the communities where we operate.

STEM is the acronym for science, technology, engineering and mathematics. For today's youth, STEM training is widely considered the best path to viable, challenging, and rewarding careers.

Our global community investment strategy entails working with leading non-profit organizations in each of our regions to engage and support those typically underrepresented in STEM by exposing them to the significant opportunities STEM education provides.

In Canada, Finning has entered a strategic partnership with Actua, Canada's leading STEM education outreach organization. Working with university and college-based network members and its own outreach team of graduate student instructors, Actua engages youth to gain STEM skills and pursue careers in related fields. As its western Canadian sponsor, Finning is working with Actua to support and amplify its efforts to reach girls and young women, Indigenous youth, and youth living in remote communities with customized programs.

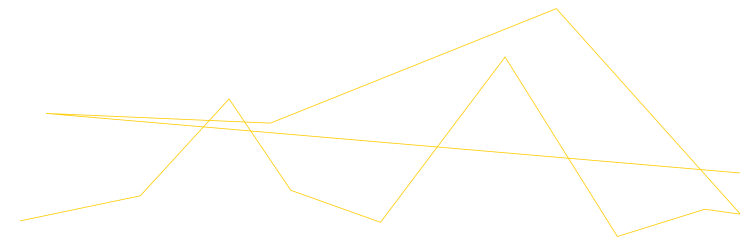
In South America we are working with ComunidadMujer, an independent, non-government organization that works to promote greater participation of women in public and the workforce.

Beyond a global focus on STEM, Finning's support of the communities where we live and work is part of who we are. The support varies from region to region but our commitment is consistent, one example was our response to support the community of Fort McMurray, Alberta following the devastating wild fires in the area last May. With 850 employees in the oil sands area, Finning Canada was quick to respond and ensure that all employees and their families were safe and well. To support the larger community and aid with immediate relief, Finning donated \$25,000 to the Red Cross. To support the community recovery, Finning, along with generous support from its employees, donated \$125,000 towards the Wood Buffalo Food Bank to help ensure every family has food to put on their table.

Our commitment to our communities also extends to managing the impact of our activities on the environment. We believe that climate change is a serious global challenge and we are committed to monitoring, reporting and managing the greenhouse gas emissions intensity of our operations.

Additionally, we recognize that we have an important role to play in supporting our customers to maximize their energy conservation. We train customers to operate machines more efficiently and conserve fuel. Our mechanics evaluate opportunities to extend the life of the equipment we sell and our remanufacturing facilities help rebuild equipment components, greatly reducing resource inputs and minimizing waste. Our power systems teams design, engineer and deploy renewable or alternative energy solutions that reduce greenhouse gas emissions.

In partnership with Caterpillar, Finning provides products and services that impart sustainable environmental benefits. We were at the forefront of the rollout of Caterpillar's Tier 4 line of equipment, which significantly improves fuel efficiency and reduces emissions. As we build our digital capabilities, we look forward to continuing to leverage technology and innovation to support sustainability.



# Board of Directors



**Douglas W.G. Whitehead**

West Vancouver, BC, Canada  
*Director since 1999*  
Board Chair



**Nicholas Hartery**

Limerick, Republic of Ireland  
*Director since 2014*



**John M. Reid**

Vancouver, BC, Canada  
*Director since 2006*



**Vicki L. Avril**

Hinsdale, Illinois, United States  
*Director since 2016*



**Stuart L. Levenick**

Peoria, Illinois, United States  
*Director since 2016*



**L. Scott Thomson**

West Vancouver, BC, Canada  
*Director since 2013*



**Marcelo A. Awad**

Santiago, Chile  
*Director since 2014*



**Kevin A. Neveu**

Houston, Texas, United States  
*Director since 2013*



**Michael M. Wilson**

Calgary, Alberta, Canada  
*Director since 2013*



**James E.C. Carter**

Edmonton, Alberta, Canada  
*Director since 2007*



**Kathleen M. O'Neill**

Toronto, Ontario, Canada  
*Director since 2007*



**Jacynthe Côté**

Candiac, Quebec, Canada  
*Director since 2014*



**Christopher W. Patterson**

Estero, Florida, United States  
*Director since 2010*

# Corporate Officers



**L. Scott Thomson**

President and Chief Executive Officer, Finning International Inc.



**Marcello Marchese**

President, Finning South America



**Steven M. Nielsen**

Executive Vice President and Chief Financial Officer, Finning International Inc.



**David W. Cummings**

Chief Information Officer, Finning International Inc.



**Anna P. Marks**

Senior Vice President, Corporate Controller and Treasurer, Finning International Inc.



**Kevin Parkes**

Managing Director, Finning UK & Ireland



**Chad Hiley**

Chief Human Resources Officer, Finning International Inc. and Senior Vice President of Human Resources, Finning Canada



**Jane Murdoch**

General Counsel & Corporate Secretary, Finning International Inc.



**Juan Carlos Villegas**

President, Finning Canada and Chief Operating Officer, Finning International Inc.



# Five Year Financial Summary

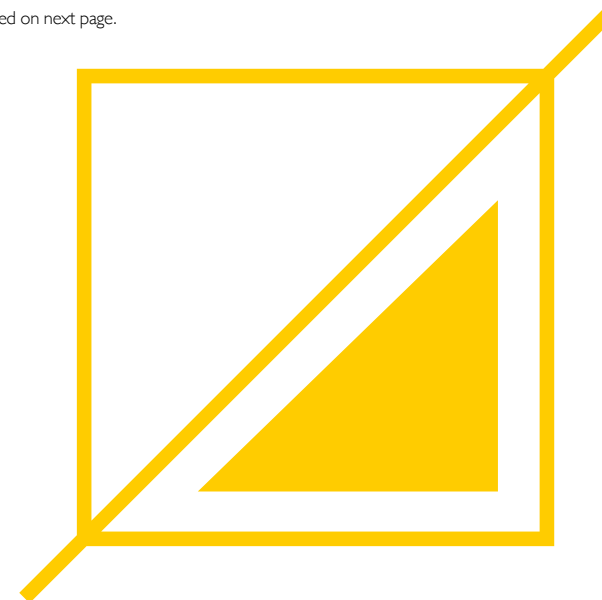
For years ended December 31	2016	2015	2014	2013	2012
<b>Operating Results</b>					
(\$ millions)					
Revenue <sup>(1)</sup>					
Canadian operations <sup>(2)</sup>	\$ 2,821	\$ 3,126	\$ 3,634	\$ 3,358	\$ 3,278
South American operations	1,857	2,067	2,227	2,514	2,397
UK & Ireland operations	950	1,082	1,057	884	901
Total consolidated	\$ 5,628	\$ 6,275	\$ 6,918	\$ 6,756	\$ 6,576
Earnings Before Finance Costs and Income Taxes (EBIT) <sup>(2)</sup>	\$ 165	\$ (105)	\$ 504	\$ 521	\$ 489
As a percent of revenue (EBIT margin)	2.9%	(1.7)%	7.3%	7.7%	7.4%
Adjusted EBIT <sup>(2)(3)(4)</sup>	\$ 273	\$ 383	\$ 533	\$ 521	\$ 489
As a percent of revenue (Adjusted EBIT margin) <sup>(3)(4)</sup>	4.9%	6.1%	7.6%	7.7%	7.4%
Earnings Before Finance Costs, Income Taxes, Depreciation and Amortization (EBITDA) <sup>(2)(4)</sup>	\$ 357	\$ 126	\$ 720	\$ 737	\$ 701
As a percent of revenue (EBITDA margin) <sup>(4)</sup>	6.3%	2.0%	10.4%	10.9%	10.7%
Adjusted EBITDA <sup>(2)(3)(4)</sup>	\$ 465	\$ 604	\$ 749	\$ 737	\$ 701
As a percent of revenue (Adjusted EBITDA margin) <sup>(3)(4)</sup>	8.3%	9.6%	10.7%	10.9%	10.7%
Invested capital <sup>(2)(4)</sup>	\$ 2,797	\$ 3,240	\$ 3,106	\$ 3,138	\$ 3,131
Inventory <sup>(2)</sup>	\$ 1,601	\$ 1,800	\$ 1,661	\$ 1,756	\$ 1,930
Free cash flow <sup>(2)(4)</sup>	\$ 370	\$ 325	\$ 483	\$ 441	\$ (37)

Continued on next page.

# Five Year Financial Summary

For years ended December 31	2016	2015	2014	2013	2012
<b>Ratios<sup>(4)</sup></b>					
Return on invested capital	<b>5.6%</b>	(3.0)%	15.3%	15.7%	16.5%
Adjusted return on invested capital <sup>(3)</sup>	<b>9.3%</b>	10.9%	16.2%	15.7%	16.5%
Invested capital turnover <sup>(1)</sup>	<b>1.90x</b>	1.78x	2.10x	2.04x	2.22x
Inventory turns <sup>(1)</sup>	<b>2.49x</b>	2.38x	2.81x	2.74x	2.43x
Working capital to sales <sup>(1)</sup>	<b>30.4%</b>	32.2%	26.1%	26.5%	24.5%
Net debt to invested capital	<b>32.0%</b>	36.7%	31.4%	40.8%	50.0%
Net debt to EBITDA	<b>2.5</b>	9.5	1.4	1.7	2.2
Net debt to Adjusted EBITDA <sup>(3)</sup>	<b>1.9</b>	2.0	1.3	1.7	2.2

Continued on next page.



# Five Year Financial Summary

For years ended December 31	2016	2015	2014	2013	2012
<b>Share and Per Share Data</b>					
Basic earnings per common share <sup>(2)</sup>	\$ 0.38	\$ (0.94)	\$ 1.85	\$ 1.95	\$ 1.90
Adjusted earnings per common share <sup>(2)(3)(4)</sup>	\$ 0.88	\$ 1.29	\$ 1.98	\$ 1.95	\$ 1.90
Dividends per common share	\$ 0.7300	\$ 0.7250	\$ 0.6850	\$ 0.5975	\$ 0.5500
Common shares outstanding (thousands)	168,167	168,031	172,370	172,014	171,910

For years ended December 31	2016	2015	2014	2013	2012
<b>Number of Employees</b>					
Canada	4,557	5,017	5,703	5,698	6,061
South America	5,821	6,253	6,937	7,463	7,422
UK and Ireland	1,399	1,660	1,790	1,677	1,814
Head Office	100	73	65	86	85
Total	11,877	13,003	14,495	14,924	15,382

These results have been prepared in accordance with International Financial Reporting Standards (IFRS).

(1) Management voluntarily changed its presentation of certain expenses to provide reliable and more relevant information to users of the financial statements and better align with industry comparable companies. In addition, management has concluded that certain cost recoveries are better reflected as revenues. Certain line items and key performance metrics have therefore been restated in the comparative 2015 period but the impact of restatement is not significant. Further disclosure relating to these changes can be found in note 2 of the Company's 2016 audited annual consolidated financial statements.

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

(3) Certain 2016, 2015, and 2014 reported financial metrics were impacted by significant items management does not consider indicative of operational and financial trends either by nature or amount; these significant items are described on pages 3, 4, 36, 37 and 38 in the 2016 Annual Management Discussion & Analysis (MD&A) and the financial metrics which have been adjusted to take into account these items are referred to as "Adjusted" metrics. There were no significant items adjusted in 2013 or 2012, therefore the adjusted metrics above for 2013 and 2012 are the same as the reported metrics.

(4) These financial metrics, referred to as "non-GAAP financial measures" do not have a standardized meaning under IFRS, which are also referred to as Generally Accepted Accounting Principles (GAAP), and therefore may not be comparable to similar measures presented by other issuers. For additional information regarding these financial metrics, including definitions and reconciliations from each of these non-GAAP financial measures to their most

directly comparable measure under GAAP, where available, see the heading "Description of Non-GAAP Financial Measures and Reconciliations" in the Company's 2016 Annual MD&A. Management believes that providing certain non-GAAP financial measures provides users of the Company's consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out in the 2016 Annual MD&A, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

# Shareholder information

## Corporate Information

Finning prepares an Annual Information Form which is filed with the securities commission. The Annual Information Form and quarterly and annually reports are available in the Investors section of [www.finning.com/en\\_ca/company.html](http://www.finning.com/en_ca/company.html).

## Corporate Governance Information

Please refer to Finning's management proxy circular in connection with the 2017 Annual and Special Meeting of Shareholders and the Governance section of Finning's website at [www.finning.com/en.ca/company.html](http://www.finning.com/en.ca/company.html) for a full discussion of Finning's corporate governance and corporate policies and practices.

## Code of Conduct

One important way that Finning promotes our values and communicates the behaviours and actions expected from our employees is through our Code of Conduct. The Code provides a common set of principles and key policies to help guide day-to-day behaviour in support of our values. All employees are required to review the Code and affirm that they understand their role in upholding Finning's ethical standards. The Code of Conduct is available in the Governance section of [www.finning.com/en.ca/company.html](http://www.finning.com/en.ca/company.html).

## Company Name

Finning International Inc.

## Exchange/Symbol

Toronto Stock Exchange (TSX: FTT)

## Fillings

SEDAR

## Head Office

Suite 1000, 666 Burrard Street  
Vancouver, British Columbia  
Canada V6C 2X8

604-691-6444

[www.finning.com](http://www.finning.com)

## Auditors

Deloitte LP

## Solicitors

Borden Ladner Gervais LLP

## Annual and Special Meeting of Shareholders

May 10, 2017

2:00 pm Pacific Time

Terminal City Club  
837 West Hastings Street  
Vancouver, British Columbia

## Investor Contact Information

For inquiries related to Finning's operating activities and financial performance:

**Mauk Breukels**  
Vice President, Investor Relations and  
Corporate Affairs

604-331-4934

[investor\\_relations@finning.ca](mailto:investor_relations@finning.ca)

For inquiries related to shares or dividends:

**Computershare Limited**

1-800-564-6253

[www.computershare.com](http://www.computershare.com)



# Forward Looking Statement

This report contains statements about the Company's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts. A statement Finning makes is forward-looking when it uses what the Company knows and expects today to make a statement about the future. Forward-looking statements may include terminology such as aim, anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, project, seek, should, strategy, strive, target, and will, and variations of such terminology. Forward-looking statements in this report include, but are not limited to, statements with respect to: expectations with respect to the economy, markets and activities and the associated impact on the Company's financial results; expected impact of foreign exchange markets, expected revenue; expected free cash flow and liquidity; expected profitability levels; expected range of the effective tax rate; plans to improve ROIC; market share growth; customer loyalty growth; expected engagement related to the development of the Vaca Muerta shale gas fields; expected results from cost reductions and transformation initiatives; inventory turns; the expected target range of the Company's net debt to invested capital ratio; estimated loss on disputes regarding power system projects in the UK; the expected financial impact from the Alberta wildfires and possible insurance recoveries; timing and delivery of innovative customer solutions; planned activities

and anticipated results of Finning Digital; plans to implement a modern ERP system for the South America business; the belief that the claims by the Argentina Customs Authority have no merit and the likelihood of material impact of any contingencies and guarantees on the Company's financial position; expected sale of investments; the Company's ability to manage exposure to currency translation adjustments; and expectations for defined benefit pension funding. All such forward-looking statements are made pursuant to the 'safe harbour' provisions of applicable Canadian securities laws.

Unless otherwise indicated by us, forward-looking statements in this report reflect Finning's expectations at the date in the 2016 MD&A. Except as may be required by Canadian securities laws, Finning does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Forward-looking statements, by their very nature, are subject to numerous risks and uncertainties and are based on several assumptions which give rise to the possibility that actual results could differ materially from the expectations expressed in or implied by such forward-looking statements and that Finning's business outlook, objectives, plans, strategic priorities and other statements that are not historical facts may not be achieved. As a result, Finning cannot guarantee that any forward-looking statement will materialize. Factors that

could cause actual results or events to differ materially from those expressed in or implied by these forward-looking statements include: general economic and market conditions; foreign exchange rates; commodity prices; the level of customer confidence and spending, and the demand for, and prices of, Finning's products and services; Finning's ability to maintain its relationship with Caterpillar; Finning's dependence on the continued market acceptance of its products, including Caterpillar products, and the timely supply of parts and equipment; Finning's ability to continue to improve productivity and operational efficiencies while continuing to maintain customer service; Finning's ability to manage cost pressures as growth in revenue occurs; Finning's ability to reduce costs in response to slowing activity levels; Finning's ability to attract sufficient skilled labour resources as market conditions, business strategy or technologies change; Finning's ability to negotiate and renew collective bargaining agreements with satisfactory terms for Finning's employees and the Company; the intensity of competitive activity; Finning's ability to raise the capital needed to implement its business plan; regulatory initiatives or proceedings, litigation and changes in laws or regulations; stock market volatility; changes in political and economic environments for operations; the integrity, reliability and availability of, and benefits from information technology and the data processed by that technology; and Finning's ability to protect itself from cybersecurity threats or incidents.

# Forward Looking Statement

Forward-looking statements are provided in this report for the purpose of giving information about management's current expectations and plans and allowing investors and others to get a better understanding of Finning's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking statements for any other purpose.

Forward-looking statements made in this report are based on a number of assumptions that Finning believed were reasonable on the day the Company made the forward-looking statements. Refer in particular to the Outlook section in the 2016 MD&A for forward-looking statements. Some of the assumptions, risks, and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this report are discussed in Section 4 of the Company's current AIF and in the annual MD&A for the financial risks.

Finning cautions readers that the risks described in the MD&A and the AIF are not the only ones that could impact the Company. Additional risks and uncertainties not currently known to the Company or that are currently deemed to be immaterial may also have a material adverse effect on Finning's business, financial condition, or results of operations. Except as otherwise indicated, forward-looking statements do not reflect the potential impact of any non-recurring or other

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